



AUDIT COMMITTEE

FRIDAY, 13 FEBRUARY 2026

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Gerard Fox (Vice Chair), Sam Adeniji, Matthew Beaver,
Stephen Holt, Philip Lunn and Georgia Taylor

A G E N D A

1. Minutes of the previous meeting (*Pages 3 - 8*)
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. Internal Audit Progress Report - Quarter 3 (01/10/25 - 31/12/25) (*Pages 9 - 22*)
Report by the Chief Operating Officer
6. East Sussex County Council's Counter Fraud and Corruption Strategy (*Pages 23 - 48*)
Report by the Chief Operating Officer
7. Audit Committee Oracle Subgroup Update (*Pages 49 - 64*)
Report by the Chief Operating Officer
8. Review of the Grant Thornton (GT) report to those charged with governance and Statement of Accounts for 2024/25 (*Pages 65 - 300*)
Report by the Chief Finance Officer
9. Independent Auditor's Report to those charged with governance and Annual Report 2024/25 of the East Sussex Pension Fund (*Pages 301 - 358*)
Report by the Chief Finance Officer
10. Strategic Risk Monitoring - Quarter 3 2025/26 (*Pages 359 - 374*)
Report by the Chief Operating Officer
11. Property Services Annual Update (*Pages 375 - 386*)
Report by the Chief Operating Officer
12. Work programme (*Pages 387 - 392*)

13. Any other non-exempt items previously notified under agenda item 4
14. Exclusion of the Public and Press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
15. Property Disposals Update (*Pages 393 - 404*)
Report by the Chief Operating Officer
16. Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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5 February 2026

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AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Council Chamber, County Hall, Lewes on 21 November 2025.

PRESENT Councillors Colin Swansborough (Chair), Gerard Fox (Vice Chair), Matthew Beaver, Philip Lunn and Georgia Taylor

ALSO PRESENT Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Simon White, Audit Manager – Counter Fraud
Mark Winton, Audit Manager
Mark Stainton – Director of Adult Social Care and Health
Karl Taylor, Assistant Director – Operations
Louise Carter, Assistant Director (Communication, Planning and Performance)
Sophie Webb, Governance and Democracy Manager

Joanne Brown, Grant Thornton UK LLP

24. MINUTES OF THE PREVIOUS MEETING

24.1 The Committee RESOLVED to agree the minutes of the meeting held on 19 September 2025 as a correct record.

25. APOLOGIES FOR ABSENCE

25.1 Apologies for absence were received from Councillor Holt.

26. DISCLOSURES OF INTERESTS

26.1 There were no disclosures of interest.

27. URGENT ITEMS

27.1 There were none.

28. REPORTS

28.1 Reports referred to in the minutes below are contained in the minute book.

29. AUDITOR'S ANNUAL (VFM) REPORT ON EAST SUSSEX COUNTY COUNCIL 2024/25

29.1 The Committee considered a report by the Chief Finance Officer which presented the External Auditor's report on the County Council's Value for Money arrangements.

29.2 Joanne Brown from Grant Thornton UK LLP (GT) highlighted that only one significant risk was identified under Financial Sustainability which was similarly highlighted in the 2023/24 report. Governance has been RAG rated green and Improving Economy, Efficiency and Effectiveness has been RAG rated amber due to an action which although has progressed, has not fully closed. An external representation was received in relation to value for money which was considered by GT and was not considered material to the overall value for money assessment. GT anticipates that the financial statements audit will conclude before the end of 2025 and will be reported to the Audit Committee in February 2026.

29.3 The Committee discussed the amber rating for Improving Economy, Efficiency and Effectiveness and requested that GT considers if a green rating is a more accurate reflection given that the only outstanding action is nearing closure. GT confirmed that there is satisfactory evidence to amend the rating to green with an explanatory note regarding the outstanding action.

29.4 The Committee discussed the scope of the information considered when GT make their value for money assessment noting that GT look at the Council's own value for money arrangements and how the Council is satisfying itself regarding these arrangements.

29.5 The Committee discussed the Council's commissioning arrangements in relation to value for money and were assured that value for money is achieved through contract negotiation using specialist commissioning frameworks and noted that the Council is part of a regional commissioning pilot in relation to children's services.

29.6 The Committee discussed climate change in relation to the Pension Fund as part of the value for money consideration and GT agreed to consider how this could be addressed as part the 2025/26 value for money report.

29.7 The Committee RESOLVED to note the Auditor's Annual Report on East Sussex County Council 2024/25, prior to it being reported to Cabinet.

30. AUDIT COMMITTEE ORACLE SUBGROUP UPDATE

30.1 The Committee considered a report by the Chief Operating Officer which set out a summary of the discussion at the recent meeting of the Committee's Oracle Subgroup along with a progress update regarding the Oracle Implementation Programme.

30.2 The Committee commended the work so far highlighting the importance of communications and data accuracy in relation to Phase 3 which includes payroll and noted that a 'go-live' date will be proposed once confidence has been achieved through testing.

30.3 The Committee RESOLVED to note that the Committee's Oracle Subgroup has regularly reviewed the Council's Oracle Implementation programme.

31. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 (01/07/25 - 30/09/25)

31.1 The Committee considered a report by the Chief Operating Officer which set out the internal audit and counter fraud activity completed during quarter 2.

31.2 The Committee discussed the Emergency Planning audit in relation to the action regarding up-to-date contact details enquiring whether elected Members not being on the list of contacts is a weakness in the process and whether consideration was given to emergency responses being effective for both rural and urban areas of the County.

31.3 The Committee discussed the completed fraud investigation in relation to Multiple Employment and noted the reactive and proactive work that the Counter Fraud team undertakes to identify cases of multiple employment.

31.4 The Committee discussed the completed fraud investigation in relation to Failure to Follow Procedures and was assured that no money was lost in the case reported to the Committee however payments were wrongly accounted which led to discrepancies in income receipting.

31.5 The Committee RESOLVED to note the report and confirm there is no further action required in response to the issues raised.

32. RESPONSE TO INTERNAL AUDIT REPORT AND ACTIONS - HOME TO SCHOOL TRANSPORT

32.1 The Committee considered a report by the Director of Communities, Economy and Transport and the Director of Children's Services which provided an update on the Home to School Transport Audit Action Plan.

32.2 The Committee was assured that of the 11 actions identified, 7 have been completed, 2 are anticipated for completion by the end of November 2025 and the remaining 2 actions are anticipated for completion by the end of 2025.

32.3 The Committee discussed the national problem surrounding home to school transport overspend and noted that although demand and increasing costs have resulted in the overspend in the Council's home to school transport budget, the audit found that there were no fundamental weaknesses in control that have resulted in the overspend.

32.4 The Committee discussed the impact of increasing numbers of children with Educational, Health and Care Plans on the home to school transport provision across the county and noted the complexity in optimisation where shared transport is not suitable and long journey times are required to meet individual needs.

32.5 The Committee was advised of the operational working arrangements for teams in both the Communities, Economy and Transport department and Children's Services department in place to foster collaborative and effective working.

32.6 The Committee noted that a follow up on the Home to School Transport audit will be reported to the Committee as part of the Internal Audit quarterly reporting which will set out the progress in addressing the actions identified within the audit.

32.7 The Committee RESOLVED to:

1) note the good practice identified in the audit report; and

2) note the significant progress made within the Audit Action Plan (Appendix 1 of the report), with all outstanding actions on track to be completed in Quarter 3 2025/26.

33. RESPONSE TO INTERNAL AUDIT REPORT AND ACTIONS - HOME CARE CONTRACT MANAGEMENT

33.1 The Committee considered a report by the Director of Adult Social Care and Health which provided an update on the proposals and actions in response to the Home Care Contract Management Audit.

33.2 The Committee discussed the limitations of the system used to record and submit data in relation to Home Care Provider activity and noted that while actions are being implemented to mitigate the risks associated with the system, it is not possible to operate using an alternative system while the current Home Care contract is in place.

33.3 The Committee was reassured that new reporting structure will help to mitigate the issues identified in the audit and that any overpayments identified can be easily corrected and overpayment amounts will be deducted at future payments.

33.4 The Committee RESOLVED to note the actions within the report.

34. CIPFA CODE OF PRACTICE FOR THE GOVERNANCE OF INTERNAL AUDIT IN UK LOCAL GOVERNMENT

34.1 The Committee considered a report by the Chief Finance Officer which set out the results of East Sussex County Council's self-assessment against the new Code of Practice for the Governance of Internal Audit in UK Local Government (the Code), along with any actions arising.

34.2 The Committee discussed the Support for Internal Audit (Section 1.3) in relation to the Committee's communication and feedback arrangements with the Chief Internal Auditor and noted the open and transparent communication between the Audit Committee, Chief Internal Auditor and senior management.

34.3 The Committee RESOLVED to:

- 1) note the results of the self-assessment against the new Code; and
- 2) note the action plan formulated in response.

35. TREASURY MANAGEMENT - STEWARDSHIP REPORT 2024/25 AND MID-YEAR REVIEW 2025/26

35.1 The Committee considered a report by the Chief Finance Officer which presented a review of the Council's performance on Treasury Management for the year 2024/25 and Mid-Year Review for 2025/26.

35.2 The Committee noted that the Council undertook no new borrowing, and the Council has no outstanding non-PWLB (public loans work board) loans including lender option borrower option (LOBO) loans following the repayment of a Barclays Market Loan in quarter 1.

35.3 The Committee RESOLVED to note the Treasury Management performance in 2024/25, incorporating the Mid-Year Review for the first half of 2025/26.

36. WORK PROGRAMME

36.1 The Committee considered its current work programme of forthcoming items.

36.2 The Committee agreed that a planning session for the Audit Committee on 13 February 2026 following the meeting of the Audit Committee is to be arranged to ensure that the Internal Audit Strategy and Plan for 2026/27 considers suggestions from the Committee and to provide training regarding the role of Internal Audit.

36.3 The Committee RESOLVED to note the programme.

The meeting ended at 11.39 am.

Chair

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Report to: Audit Committee

Date: 13 February 2026

By: Chief Operating Officer

Title of report: Internal Audit Progress Report – Quarter 3 (01/10/25 – 31/12/25)

Purpose of report: To provide the Audit Committee with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. To also provide an update on the performance of the internal audit service during the period.

RECOMMENDATION: Audit Committee is recommended to note the report and consider any further action required in response to the issues raised.

1. Background

1.1 This progress report covers work completed between 1 October 2025 and 31 December 2025.

2. Supporting Information

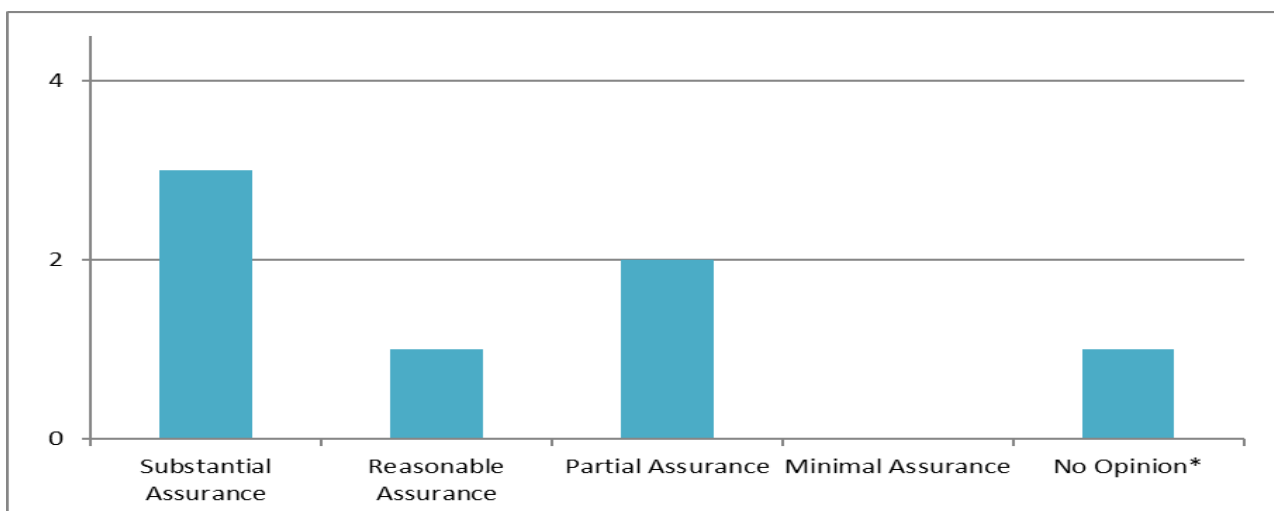
2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2025-26 which was approved by Audit Committee on 28 March 2025.

3. Conclusion and Recommendations

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

3.2 Overall, of the 6 audits finalised during the quarter in which a formal audit opinion was given, 3 received an audit opinion of 'substantial assurance', 1 received 'reasonable assurance' opinions, and there were 2 partial assurance opinions. There were no minimal assurance opinions.

Graph to show assurance levels of formal audits completed in Quarter 3



*No opinion – typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate. It also includes grant certification work.

3.3 The 2 partial assurance opinions relate to the audits of Neighbourhood Support Team (Hastings and Rother) Cultural Compliance, and Section 17 Payments. Further detail of these audits is provided in Annex A.

3.4 Although the same range of internal audit opinions is issued for all audit assignments (where an opinion is relevant), it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. Taking into account these considerations, the Chief Internal Auditor continues to be able to provide assurance that the Council has in place an effective framework of governance, risk management and internal control.

3.5 The overall conclusion above has, therefore, been drawn based on all audit work completed in the year to date and considers the management response to audit findings and the level of progress in subsequent implementation. As at the end of quarter 3, it was confirmed that 6 of the 6 (100%) high-risk actions due to be implemented on a 12-month rolling basis had been actioned.

3.6 Progress against performance targets (focussing on a range of areas relating to the internal audit service) can also be found in Annex A (section 5). Whilst the majority are rated as on target (green), 1 target is not currently achieved; this is in respect of audit days delivered. This shortfall is due to maternity leave (as reported previously) and staff resignations during the year against which we have not yet been unable to recruit. We will continue to endeavour to address this slight shortfall during the remainder of the year through utilising resources from across the Orbis Internal Audit partnership. Despite this, we remain on target to achieve completion of 90% of the audit plan to draft report stage by year end.

ROS PARKER
Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,
Nigel Chilcott, Audit Manager, Tel: 07557 541803

BACKGROUND DOCUMENTS:

Internal Audit Strategy and Annual Plan 2025/26

Internal Audit and Counter Fraud Quarter 3 Progress Report 2025/26

CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

1. Summary of Completed Audits

Corporate Governance - Grievance Arrangements

1.1 Governance is the combination of processes and structures put in place by an organisation to inform, direct and monitor activities to achieve its objectives. This includes the ability for employees to raise grievances, and the framework around the expected handling of these.

1.2 Whilst it is expected that managers should seek to resolve issues raised by employees informally in the first instance, the Grievance Policy is in place to facilitate formal investigation of, and response to, grievances where informal processes and mediation have been unsuccessful. In the 2024/25 financial year, 27 grievances were brought by ESCC employees, including staff working in maintained schools.

1.3 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- The Grievance Policy is up-to-date, appropriate and in line with legislative requirements, supporting compliance with regulations;
- Officers adhere to the Grievance Policy to support the appropriate resolution of grievances; and
- Regular review of grievances takes place to identify trends, and appropriate action is taken to mitigate these trends where required.

1.4 As a result of our work, we provided an opinion of **substantial assurance**. We found that an up-to-date Grievance Policy is in place, supported by appropriate guidance for managers, to promote a consistent approach across the Authority. The Policy is in line with the ACAS Code of Practice and is readily available on the Council's Intranet. We also found that grievances are dealt with in line with policy. Reviews take place to identify areas of commonality and senior management is briefed on significant grievance cases.

1.5 One action was agreed with management to address a single low risk finding.

Corporate Governance – Whistleblowing Arrangements

1.6 An important part of the Council's governance arrangements is the provision of a mechanism to allow employees and other stakeholders to raise concerns about potential wrongdoings, where the interests of the organisation or others are at risk. The Council's Whistleblowing Policy is designed to give employees the confidence to raise concerns without fear of repercussion, and to provide a framework for these concerns to be handled.

1.7 Over the last 10 years, the Council has recorded 28 allegations received as whistleblowing. During the financial year 2024/25, the Council received three whistleblowing allegations.

1.8 The purpose of the audit was to provide assurance that controls are in place to ensure that:

- The Whistleblowing Policy is appropriate and in line with legislative requirements, supporting compliance with regulations;
- Officers adhere to the Whistleblowing Policy to support the appropriate investigation and resolution of reported concerns; and

- There is regular review of whistleblowing reports to identify trends, and appropriate action is taken to mitigate these trends where required.

1.9 As a result of our work, we were able to give an opinion of **substantial assurance** because there is a Whistleblowing Policy in place, accessible via both the Intranet and the Council's website, that provides clear instructions on how and where to raise a whistleblowing concern. The Policy is reviewed periodically to ensure it remains in accordance with legislative requirements and fit for purpose and is supported by guidance for managers, advising them how to handle cases of whistleblowing. We also found that whistleblowing allegations are dealt with in accordance with policy.

1.10 A minor action was agreed with management to improve the way whistleblowing cases are recorded, to improve the Council's ability to analyse these and to identify trends.

Pension Fund Investments

1.11 The East Sussex Pension Fund is part of the national Local Government Pension Scheme and provides retirement benefits for employees of East Sussex County Council (ESCC), as well as employees from 149 other employers.

1.12 Pension funds have long-term liabilities to pay pensioners, so the Fund's investment strategy must find a delicate balance between necessary risk-taking for growing the Fund, with the secure, sound investment needed to pay benefits. The Council, via the East Sussex Pension Committee, is responsible for setting the Fund's overall investment strategy and reviewing investment performance to ensure the Fund meets its return targets.

1.13 Valued at £5.1bn as of 30 June 2025, the Fund's investment portfolio is diversified across asset classes, including equities, Government bonds, property, and infrastructure. The Fund delegates investment decisions (the actual buying and selling of assets) to external investment fund managers, who operate to specific performance targets and benchmarks.

1.14 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- The Fund's investments perform sufficiently well to meet the Fund's liabilities;
- Investment returns are received in full and in a timely manner; and
- Accounting of the Pension Fund is accurate.

1.15 We found that appropriate processes are in place to safeguard the Fund's assets and that funds are invested in only the asset classes permitted and within the maximum investment limits set by the Pension Committee. Independent assurances are obtained which confirm that the Fund Managers appointed by the Council comply with investment restrictions and that any investment errors or exceptions are identified and resolved.

1.16 The Fund's custodian, Northern Trust, ensures that all investment returns are received timeously and in full, and regular reconciliations take place to provide assurance that transactions are accurately reflected in the general ledger.

1.17 As a result of our work, we were able to provide **substantial assurance** over the control environment. There was only one minor area where controls could be strengthened further, and an action was agreed with management to address this.

Oracle Implementation Phase 2 Follow-Up

1.18 As part of our work in supporting the Phase 2 implementation of Oracle, we highlighted areas of control weakness which we felt the Board needed to keep under review, particularly in terms of ensuring appropriate mitigations are in place. These included:

- Role Based Permissions – uncertainty in how user roles and permissions would work in the live system and how conflicts that exist between roles and permissions will be managed;
- Audit Logs – risks around the lack of audit logs and monitoring processes; and
- Interfaces and Reconciliations – risks in relation to the integration process at a business level where it was not yet clear what all the arrangements and controls for the system interfaces would be.

1.19 Following Phase 2 implementation, we have sought to revisit these areas, and our findings are set out below:

Role Based Permissions

1.20 The review confirmed robust system access controls are in place, managed by the Oracle Technical Support Team, to prevent unauthorised access and protect sensitive data. Internal access is synchronised with the Active Directory, while external accounts require manual creation and senior approval, with future automation of permissions in development.

1.21 However, we found that procedures for privileged access oversight are not fully documented, highlighting the need for a formal Privileged Access Management (PAM) policy and ongoing monitoring of support team capacity where there is no clear governance framework for how privileged access is granted, monitored, and reviewed. This increases the likelihood of inconsistent practices and gaps in accountability.

1.22 All account changes are tracked via support tickets with required managerial approval, ensuring permissions align with user roles.

Audit Logs

1.23 Audit logs are a critical detective and compensating control in an ERP system and provide a record of activities that allow for a comprehensive review of compliance and forensic investigation when issues arise. We found that audit logs are not enabled in the system for some high-risk areas, in particular, for logging changes to, and tasks completed by, privileged accounts. In addition, there is no documented evidence that business areas understand the audit log requirements, capabilities of what already exists in high-risk areas or that the risks associated with incomplete audit logs are understood and have been accepted. Without clear approval and governance, the Council faces increased risk that information is not available over what activity has been undertaken within the system and by whom.

Interfaces (Integrations) and Reconciliation

1.24 The control weaknesses previously identified in relation to the integration arrangements for the Accounts Receivable module remain, with a need to formalise the interface arrangements to manage the quality and integrity of the data in order to reduce the risk of fraud and/or misappropriation.

1.25 In other areas, based on the current arrangements, we were satisfied that there are reasonable controls in place, however, there is still some formalisation of the interface processes required, particularly in relation to ownership of this.

1.26 During our review, we found that functional support documentation and technical support documentation (FSD and TSD) needs to be updated to reflect the current working arrangements and to ensure the system can continue to function in a Business as Usual environment. However, it is positive to note that no incidents have been reported against the interfaces since the Phase 2 go-live.

1.27 All of our findings from this piece of work were presented to the Programme Board in the form of a position statement. In response, the Programme Board asked the Programme Management Office to make the necessary changes to address our findings through the programme's work allocation and risk management processes. We will continue to support the Programme Board and monitor the effectiveness of the controls in place to manage the risks identified.

Digital Literacy and Skills Training

1.28 With the Council being more reliant on information technology and data than ever before, it is important that the workforce understands the risks associated with the systems and data they use each day. In this environment, training becomes an integral preventive control to keep systems and data safe.

1.29 This audit sought to provide assurance that:

- The Council has a robust definition of what digital literacy and skills are required of officers;
- Training is current, easily accessible, and communicated frequently;
- Governance training and the IT Security Policy is supported by governance and practical digital literacy, and skills training link the two.

1.30 In completing the audit, we were able to provide **reasonable assurance**. We found that Council policies, such as the Data Protection & Information Security Policy, and mandatory Information Governance and Security training, clearly define the knowledge expectations for officers to safeguard Council IT assets, data, and systems. Policies are reinforced through accessible training modules, ensuring compliance with legislation and connecting policy with practical skills. Training is delivered through various formats, including eLearning, guidance documents, bespoke sessions, and in-person workshops. Much of this training is delivered by the Tech Advocates team. The Council has responded to emerging needs, such as training for new technologies like Copilot, and issuing targeted communications following cyber incidents.

1.31 Opportunities to improve the control environment were identified. The absence of a unified, Council-wide strategy for digital literacy and skills development may lead to inconsistent skill levels, fragmented initiatives, and missed opportunities for organisational efficiency and innovation. The fragmented nature of policies covering digital, data, and IT concepts means some areas, particularly

device, data, and software security, are not comprehensively addressed through training, leading to potential cybersecurity vulnerabilities. Participation in available digital skills training is relatively low. The current training approach is reactive, based on issues that have arisen from new technologies and shifts in Council processes, rather than proactively increasing the skill level of users or developing greater technological efficiencies for Council processes.

1.32 To mitigate these risks, actions have been agreed to maintain current training resources, adopt a comprehensive digital skills strategy, and regularly review content gaps to better equip the workforce.

Neighbourhood Support Team (Hastings and Rother) Cultural Compliance

1.33 The Neighbourhood Support Team (NST) – Hastings & Rother, is an assessment and care management team within the Council's Adult Social Care department. The NST supports adults whose primary presenting need relates to physical health conditions and disabilities, neurological conditions and disabilities, age-related disability, end of life care, mild or moderate mental health issues, mild or moderate learning difficulties or disabilities, autism and associated conditions, physical disability with substance misuse as a secondary element, and acquired brain injury.

1.34 The objective of this audit was to provide assurance over compliance with corporate policies and procedures within the NST. In completing this work, we were only able to provide an opinion of **partial assurance** having identified areas where improvement was required, including the need to ensure that:

- An action plan to address the forecast (at the time of the audit) budget overspend for 2025/26 of £130k is developed;
- All staff involved in recruitment have completed the necessary training to help ensure compliance with policy and guidance;
- Staff expenditure claims are completed correctly and subject to appropriate review;
- Staff management processes are conducted in compliance with Council policy, including in relation to induction, probation, e-learning, supervision and annual leave; and
- Client personal information is held securely.

1.35 Actions for improvement were agreed with management in these areas as part of a formal management action plan, and a follow-up review will be undertaken to assess the extent to which the agreed actions have been implemented.

Section 17 Payments

1.36 Under Section 17 of the Children Act (1989), local authorities have a statutory duty to:

- a) safeguard and promote the welfare of children within their area who are in need; and
- b) so far as is consistent with that duty, promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs.

1.37 Section 17 budgets for the 2024/25 financial year totalled £1.7m, with total expenditure exceeding £2.5m, an overspend of almost £900k (52%).

1.38 East Sussex Children's Services, in line with many other local authorities, has experienced a significant increase in Section 17 expenditure due to a combination of interrelated pressures. Rising

demand for support is being driven by escalating child and family poverty, the cost-of-living crisis, and a sharp increase in families living in temporary accommodation.

1.39 At the same time, diminished capacity and resources within partner agencies, including the voluntary and community sector, have impacted on vital preventative support, leaving the Council to meet more acute needs. The complexity of cases has grown, with overlapping issues such as poor parental mental health, substance misuse, and housing instability now commonplace.

1.40 The overall objective of our audit was to review the adequacy of key controls and procedures in relation to Section 17 Payments, including that:

- Payments are only made in line with expectations of the Children Act (1989);
- Processes in relation to Section 17 payments are applied equitably by individuals and teams, ensuring all families have the same opportunities;
- The process for review and approval of Section 17 payments is robust and clearly defined;
- Evidence in relation to the use of Section 17 payments is robust, allowing for review of payments and trends; and
- Budget management processes are robust and clearly defined, reducing the risk of overspends and ensuring that sufficient funds remain to support families as appropriate.

1.41 In completing this work, we were only able to provide an opinion of **partial assurance**. We found that there are no defined policies, procedures or training arrangements in place covering Section 17 payments and the situations in which they are appropriate. This is important to provide consistent guidance to staff across multiple social work teams which administer the payments. In addition, payments, to the value of approximately £456k annually, are being made to support Looked After Children (LAC), despite the purpose of Section 17 payments being to “promote the upbringing of children in need by their families”. Making payments in respect of LAC may not always be appropriate and there is no Council policy covering whether payments should be made in respect of LAC, and, if so, in what circumstances.

1.42 We also found instances of staff involved in making Section 17 payments not completing declarations of interest, therefore increasing the risk that payments are not made fairly and without bias.

1.43 We were, however, pleased to note that, apart from those relating to LAC, payments made under Section 17 were appropriate, in line with legislation, and were subject to management approval. Despite the 2024/25 overspend, which was caused, principally, by an increase in demand, appropriate budget management processes were found to be in place.

1.44 A robust action plan to address the issues identified was agreed with management. A follow-up audit will be undertaken to assess the extent to which the agreed actions for improvement have been implemented.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2 In addition, we are continuing to review matches released as part of the National Fraud Initiative (NFI). High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking, whereby we seek written confirmation from services that these have been implemented. As at the end of quarter 1, it was confirmed that 6 of the 6 (100%) high-risk actions due to be implemented on a 12-month rolling basis had been actioned.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan so far this year:

Review	Rationale for Addition
Exceat Bridge	Reported in Q1 progress report.
Cherwell Replacement Project – Governance Arrangements Healthcheck	Added to the plan in response to a request from the service for additional assurance over a large and complex project.
Core Growth Hub Grant	Reported in Q1 progress report.
Cyber Security Programme Support	This assignment has been added to provide ad-hoc advice, governance, and support regarding risk, control, and probity for a recently launched programme aimed at enhancing the Council's cybersecurity arrangements.
Cyber Security in Schools	In response to emerging risks around cybersecurity responsibilities and vulnerabilities within schools.

4.2 To-date, the following audits have been removed from the audit plan:

Planned Audit	Rationale for Removal
Supporting Families programme	The Supporting Families programme ended on 31 March 2025. No further work is required from us at this time.
Cyber Security and Data Loss Risks in Third Party Supply Contracts and Cloud Services	Cancelled to allow resources to support broader programme activities. Nevertheless, key findings from work already completed in this area have been conveyed to the cybersecurity programme for further action.
Shadow IT Governance Arrangements	Contribution to the in-year reduction in audit plan days (see 4.3 below) and to support additional priority work within IT&D.

4.3 As a result of maternity leave and staff resignations during the year (which we have so far been unable to recruit against), we have had to reduce the audit plan by 76 days. This has been achieved through a combination of the removal of audits (as above) and unused contingency time. Fortunately,

through the benefits of sharing resource across the Orbis Internal Audit partnership, we have been able to mitigate the impact of this reduction and will still be able to deliver sufficient work to provide an audit opinion at year-end.

4.4 The following audit work is currently in progress at the time of writing this report (including those at draft report stage, as indicated):

- Surveillance Cameras (draft report)
- Oracle Transition from Hypercare into Business as Usual (draft report)
- External Funding Follow Up (draft report)
- Deprivation of Liberty Safeguards (draft report)
- Pension Fund Administration of Pension Benefits (draft report)
- Online Safety Act – Compliance (draft report)
- Pension Fund Preparedness for Pooling Reforms
- HR Recruitment
- Revenue Budgetary Control
- General Ledger
- Children's Services Liquidlogic (LCS) and Controcc Systems
- Adult Social Care and Health Liquidlogic (LAS) and Controcc Systems
- Schools – various
- Cherwell Replacement Project
- Add Your Own Device
- Artificial Intelligence Tools
- General Data Protection Regulations Compliance – Covert Recording
- Cyber Security Programme Support
- Cyber Security in Schools

5. Internal Audit Performance

5.1 Public Sector Internal Audit Standards (PSIAS), replaced on 1 April 2025 by new Global Internal Audit Standards (GIAS), required the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The results of our most recent self-assessment are included in the table below.

5.2 Our latest quality review exercise in December 2025 identified no major areas of non-conformance, with only minor improvements necessary relating to internal record keeping within the service.

5.3 In addition to our periodic self-assessments of effectiveness, the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	2025/26 Internal Audit Strategy and Annual Audit Plan endorsed by Audit Committee on 28 March 2025.
	Annual Audit Report and Opinion	By end July	G	2024/25 Internal Audit Annual Report and Audit Opinion noted by Audit Committee on 4 July 2024.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	75.4% achieved by the end of Q3, against a Q3 target of 67.5%.
	Percentage of audit plan days delivered	90%	A	64.1% achieved by the end of Q3, against a Q3 target of 67.5%.
Compliance with Professional Standards	Global Internal Audit Standards	Conforms	G	April 2025 - Self Assessment against the Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance identified, including the update of the Audit Charter.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	97% for high priority agreed actions	G	100% - see section 3.1 above.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
Our staff	Professionally Qualified/Accredited	80%	G	80%*

*Includes part-qualified staff and those undertaking professional training.

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Report to:	Audit Committee
Date:	13 February 2026
By:	Chief Operating Officer
Title of report:	East Sussex County Council Counter Fraud and Corruption Strategy
Purpose of report:	To present the Council's recently updated Counter Fraud and Corruption Strategy

RECOMMENDATION: Audit Committee is recommended to review and endorse the Council's Counter Fraud and Corruption Strategy and Framework.

1. Background Information

1.1 The purpose of this report is to provide details of the proposed changes to the Council's Counter Fraud and Corruption Strategy and Framework (Appendix 1) for the Committee to consider ahead of its approval by Governance Committee.

2. Supporting Information

2.1 This Counter Fraud Strategy is aligned to '[Fighting Fraud & Corruption Locally](#)' (FFCL), the Local Government Counter Fraud and Corruption Strategy for the 2020s, which provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities.

2.2 The strategy outlines East Sussex County Council's (ESCC) commitment to the highest standards of corporate governance, ethical behaviour, and financial stewardship. The Council adopts a zero-tolerance approach to fraud, bribery, and corruption, recognising the harm these offences cause to individuals, communities and public resources.

2.3 The strategy is built on 5 core principles – Govern, Acknowledge, Prevent, Pursue, and Protect – which guide the Council's actions in embedding an anti-fraud culture, understanding and mitigating fraud risks, developing robust internal controls, and ensuring effective investigation and recovery processes.

2.4 The framework is supported by related policies such as Whistleblowing, Anti-Bribery, Anti-Money Laundering, and Sanctions, and emphasises the importance of transparency, accountability, and continuous improvement in fraud prevention.

2.5 Operationally, the strategy details procedures for reporting and investigating suspected fraud, including clear roles for the Money Laundering Reporting Officer and protocols for handling allegations. It stresses the need for ongoing staff training, due diligence in recruitment, and regular risk assessments to adapt to emerging threats.

2.6 The Council's approach to sanctions is proportionate and considers disciplinary, civil, and criminal proceedings, with a focus on recovering public funds and deterring future wrongdoing.

2.7 The document also highlights the 'seven principles of public life'—selflessness, integrity, objectivity, accountability, openness, honesty, and leadership—as the ethical foundation for all Council members and staff, ensuring public trust and safeguarding the Council's reputation.

2.8 The amendments made to the ESCC Strategy include the following:

- Update to contact details in the Anti Money Laundering Policy appended to the strategy at Annex 1.1 of Appendix 1;
- Refreshed links to external websites for related policies.

3. Conclusions and Reasons for Recommendation

3.1 The amendments set out above strengthen the Council's compliance with best practice and ensures the revised strategy reflects recent organisational changes.

ROS PARKER
Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739
Simon White, Audit Manager, Tel No. 07779 455501



ESCC Counter Fraud and Corruption Strategy

Statement on Fraud by the Corporate Management Team

The East Sussex County Council Corporate Management Team (CMT) are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We take our responsibilities for public money seriously and recognise that fraud against the Council harms the individuals, communities and businesses of East Sussex and for that reason, fraud, bribery and corruption against the Council will not be tolerated, and all such occurrences will be investigated. We will undertake to consider the circumstances of each case of alleged fraud we investigate to ensure we seek a fair and balanced outcome.

We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Council, and a strong stance being taken where fraud is found.

The diverse nature of services provided by the Council mean that there are many areas where we could be a target for fraud. We will ensure we understand the main fraud risks we face and set out how we protect against them in our fraud risk registers.

We, CMT, with your support, will strive to ensure that we have robust processes in place to help prevent the risk of fraud, and that we do not forget the risk of fraud in our drive to improve efficiency in our services.

ESCC Counter Fraud and Corruption Strategy

Name of Service:	Internal Audit & Counter Fraud (Orbis IA)	
Consultation:	Statutory Officers Group Corporate Management Team Audit Committee Governance Committee	
Version Control		
Version No	Reason for Change	
001	Refresh to reflect recent FFCL	
002	Inclusion of version control and review date	
003	Amendment of contact details	
004	Review and update of policy	
005		
006		
007		
Prepared date: 29 January 2026		Simon White
Endorsed date: 13 February 2026		Audit Committee
Approval date: TBC		Governance Committee
Review date:		tbc

Introduction

The public is entitled to expect the Council to conduct its business with integrity, honesty and openness and demand the highest standards of ethical conduct from those working for and with it. The Council takes the threat of fraud and corruption and its statutory duty to protect the public funds it administers seriously, and has allocated specific resource to focus on coordinating its approach to protecting its assets and finances from fraud, corruption, and other wrongdoing. The Council expects the highest ethical and legal standards from its members, officers, contractors and agents carrying out business on its behalf.

It is essential that it protects the public purse and ensures that Council funds are used only for their intended purpose: to support and deliver services to our community. As such the Council maintains a zero-tolerance approach to fraud and corruption whether it is attempted from outside the Council or within.

It is an expectation that where employees have workplace concerns, or suspect wrongdoing, that this is raised through appropriate channels. All allegations relating to potential fraud, financial maladministration, conflicts of interest, breach of confidentiality, improper use of resources, ICT misuse or any other forms of financial irregularity should be reported to Internal Audit, who will take appropriate action.

The strategy forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Whistleblowing Policy, Anti-Bribery Policy, Anti-Money Laundering Policy, Sanctions Policy, Employee Code of Conduct, and Financial Regulations. The framework includes guidance on types of fraud and corruption, how to report concerns, and the investigation process. This strategy and framework set out the Council's commitment to preventing, detecting and deterring fraud and corruption to ensure public funds are used for their intended purposes.

Strategic approach

To fulfil the Council's Counter Fraud Strategy, the Authority must ensure that fraud, bribery, corruption, and misappropriation is minimised. Every pound lost to fraud and corruption is a reduction in resources and negatively influences the Authority's ability to deliver its objectives.

The Council has reviewed its arrangements in line with the Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blueprint for tackling fraud in Local Government. The strategy outlines four strategic principles for effective fraud management, together with the overarching principle of 'Protect':



Action Plan

What we will do against each of these strategic principles is set out in the following table.

Our principles	What we will do
Govern	• Ensure that there is full support from the top of the organisation and throughout, for the robust investigation into any allegations of fraud, bribery, corruption, or wrongdoing; • Ensure that our zero-tolerance culture is embedded throughout the organisation; • Promote our Whistleblowing Policy to both employees and those external to the organisation; • Report instances of fraud and corruption to the Audit Committee, who support officers in their work to prevent, detect and investigate fraud and corruption.
Acknowledge	• Acknowledge and understand fraud risks; • Commit the right support to tackle fraud and corruption; • Conduct and maintain a strategic fraud risk assessment for the Council; • Develop and maintain a strong framework of internal controls; • Commit support and resources to tackling fraud and corruption; • Demonstrate a robust counter fraud response; • Communicate the risks to those charged with Governance.

Prevent	• Develop and maintain a robust and effective anti-fraud culture; • Ensure that the standards in public life adopted are set out clearly in the Council's policies and effectively communicated; • Conduct employee and third-party due diligence; • Make the best use of information and technology to identify and tackle fraud; • Continue to invest in the training and development of investigative staff to ensure high levels of competence, so that staff have the right skills and follow set standards; • Regularly communicate with staff on countering fraud and provide fraud awareness training; • Identify control weaknesses and enhance fraud controls and processes; • Communicate counter fraud activity and successes through reporting to CMT, Audit Committee and staff training/workshops.
Pursue	• Prioritise the recovery of financial losses as a result of fraud, and use of civil sanctions where appropriate; • Develop capability and capacity to investigate and punish offenders, through the support of appropriate disciplinary processes and working with outside agencies, including the Police. • Monitor and promote our confidential reporting hotline; • Develop and maintain internal investigation protocols and disclosure protocols; • Provide a consistent and effective response for dealing with fraud cases; • Collaborate across geographical boundaries with other local authorities through working groups, sharing of intelligence, benchmarking, and on joint investigations; • Learn lessons from identified fraud and corruption and close the gaps in control weaknesses that allowed any wrongdoing to be perpetrated.
Protect <i>(this is an overarching aim which sits across the previous four principles)</i>	• Recognise the harm that fraud can cause in the community; • Protect the Council, the public funds it administers, as well as residents and other stakeholders, from risks and financial losses relating to fraud and corruption, now, and in the future.

Governance

This is about the Council having robust arrangements and executive support to ensure 'zero-tolerance' anti-fraud, bribery and corruption measures are embedded throughout the organisation.

Internal Audit work closely with senior officers, including the CMT/Chief Executive. CMT are committed to setting a 'tone from the top' through the support of a zero-tolerance approach to fraud and corruption, which includes the investment of resources into a dedicated Counter Fraud team that sits within Internal Audit.

The Chief Internal Auditor reports all instances of identified fraud, theft, and corruption quarterly to CMT and the Audit Committee. The Chief Internal Auditor additionally maintains a close relationship with the sitting chair of this committee, ensuring that members are appropriately briefed of all significant instances of identified wrongdoing.

The Council expects everyone carrying out Council business to protect the public purse and to report suspicions of dishonest behaviour. The promotion of a strong anti-fraud culture will deter potential fraudsters and those considering wrongdoing, as well as encouraging a safe environment in which individuals can feel comfortable to raise concerns, without fear of reprisals or victimisation.

Acknowledge

The Council accepts that no Authority is immune from the risk of fraud, bribery, and wrongdoing. It seeks to use all available recourse to help to reduce the opportunity, motivation and justification for fraud, bribery, and wrongdoing and to act robustly when it is identified.

A fraud and misconduct risk assessment is maintained to help the Council identify the risks it faces from fraud, corruption, bribery, and other wrongdoing. This risk assessment then documents the controls in place to mitigate these risks, identifies gaps or weaknesses in the control mechanisms, and feeds into the development of a work programme to target and reduce these risks.

The Council will regularly review its approach to tackling fraud, keeping abreast of emerging risks and current trends which occur across the Council and nationally.

This strategy is part of the counter fraud framework, which includes the following policies and procedures which set out the Council's commitment to preventing, detecting, and deterring fraud and corruption to ensure public funds are used for their intended purposes:

- Employee Code of Conduct;
- Code of Conduct for Members;
- Whistleblowing Policy;
- Anti-money Laundering Policy;
- Sanctions Policy;
- Anti-bribery Policy;
- Financial Regulations;
- Procurement Standing Orders.

Prevent

The Council faces a variety of risks and threats and acknowledges that prevention is the best and most efficient way to tackle fraud, bribery, and wrongdoing and to prevent / minimise losses.

The best defence against fraud, corruption, bribery, and wrongdoing is to create and maintain a strong and robust anti-fraud culture within the Council. The Council will promote the standards of business conduct it expects and requires from all its employees (including contractors and Councillors) as documented in the Council's Code of Conduct (and set out under the 'Seven principles of public life' heading later in this strategy).

The Council will continue to invest in the training and professional development of Internal Audit staff to ensure high levels of competence, so that staff have the right skills to prevent, identify, investigate, and pursue fraud, corruption, and other wrongdoing.

Practical counter fraud and risk guidance and training has been produced and is disseminated to staff. This details risk identifiers and is based on lessons learned elsewhere and recognisable risk scenarios. Targeted anti-fraud presentations are also delivered to services, which are prioritised via a risk-based approach.

Internal Audit will continue to make the best use of information and technology to identify and tackle fraud. This will include the development and utilisation of data analytics, both as embedded tests that sit within audit work, and targeted proactive exercises aimed at identifying fraud and error.

The Council also recognises that a key preventative measure to combat fraud and misconduct is to ensure that the appropriate due diligence is exercised in the hiring, retention, and promotion of employees and relevant third parties. This applies to all staff whether, permanent, temporary, contracted, or voluntary. Procedures will be followed in accordance with the Council's recruitment and selection framework. We will always undertake the appropriate pre-employment checks (for example: qualification verification and obtaining references) before any employment offer is confirmed.

Any system weakness identified as part of the work carried out by Internal Audit will be recorded, with controls recommended to minimise any system weaknesses and these will be agreed and monitored to ensure compliance as part of the audit process. The Chief Internal Auditor will report all instances of identified fraud, theft, and corruption at least quarterly to CMT and Audit Committee.

Pursue

Fraud, corruption, and malpractice will not be tolerated and where it is identified the Council will deal with proven wrongdoings in the strongest possible terms, including:

- Disciplinary action;
- Reporting to the Police or other external agencies;
- Prioritise the recovery of any losses on behalf of the taxpayer, including use of criminal or civil legal action through the Courts.

The Counter Fraud team within Internal Audit will provide a consistent and effective response for responding to allegations of alleged financial irregularity. The team works to defined internal investigation protocols, which are under regular review and are shared with management and HR. The team collaborates across geographical boundaries with other local authorities through working groups, sharing of intelligence, and benchmarking.

Where information relating to a potential or actual offence or wrongdoing is uncovered, a comprehensive, independent, and objective investigation will be conducted. Any investigation will take account of relevant policies and legislation.

The purpose of any investigation is to gather all available facts to enable an objective and credible assessment of the alleged irregularity and to enable a decision to be made as to a sound course of action.

In such instances, Internal Audit will work closely with management and where appropriate, other local authorities or other agencies such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon.

Referral to the Police on matters of alleged fraud or other financial irregularity is a matter for the Chief Internal Auditor, in consultation with the Section 151 Officer and the relevant senior managers. Any referral made to the Police will not prohibit action under the Council's disciplinary procedure.

In cases of alleged theft, fraud, corruption, or other irregularity involving staff, the Council may pursue the case through its disciplinary processes, even if the member of staff has submitted their resignation.

All completed investigations will include a review of lessons learned which may result in the production of an Internal Control Report for management. This aims to identify where there are any gaps or weaknesses in the system of internal control which contributed to the ability of the identified fraud, theft, corruption, or other irregularity to be perpetrated. This report will contain actions for management which will aim to close these gaps in control. These actions will be monitored and reported upon, in line with Internal Audit's action tracking process.

Seven Principles of Public Life

The Council is committed to the highest ethical standards as set out in the Code of Conduct. The Council believes the 'seven principles of public life' are the foundation of a strong anti-fraud culture and expects all members, officers, and contractors to follow these principles, as well as all legal rules, policies, and procedures.

The seven principles of public life and a brief explanation are listed below:

Principle	Explanation
Selflessness	Act solely in terms of the public interest and not for the purpose of gain for yourself, family or friends.
Integrity	Avoid placing yourself under any obligation to people or organisations that might seek to influence you in your work.
Objectivity	Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Be accountable to the public for your decisions and actions and submit yourself to scrutiny as appropriate.

Openness	Act and take decisions in an open and transparent manner. Information should only be withheld from the public if there are clear and lawful reasons for doing so.
Honesty	Be truthful. This includes declaring any conflicts of interest and taking steps to resolve such conflicts.
Leadership	Actively promote and support these principles by applying them to your own behaviour and challenging poor behaviour.

Definitions

Fraud - can be broadly described as, someone acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false statement or representation;
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose;
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

Theft - Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, consumables, machinery, or even data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Council property.

Obtaining services dishonestly – is broadly where services which were to be paid for were obtained knowing or intending that no payment (or only part-payment) would be made.

Bribery – is ‘the offering, promising, giving, soliciting, agreement to accept or acceptance of a financial or other advantage which may induce or reward a person to perform improperly a relevant function’ under The Bribery Act 2010.

Corruption – is the offering or acceptance of inducements designed to influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets or meals.

Money laundering – is the process of converting illegally obtained money or assets into ‘clean’ money or assets with no obvious link to their criminal origin. Detailed guidance is set out in the Council’s Anti-Money Laundering Policy (attached as annex 1.1).

This strategy also covers other irregularities or wrongdoing, for example failure to comply with Financial Regulations, Standing Orders, National and Local Codes of Conduct, Health and Safety Regulations and all other relevant laws and legislation that result in an avoidable loss to the Council.

East Sussex County Council Related Policies

[Code of Conduct](#) (Part 5 (2) of [Council Constitution](#))

[Whistleblowing Policy](#)

[Whistleblowing Policy Guidance for Managers](#)

[Financial Procedures Rules](#) (Part 4 (7) of [Council Constitution](#))

The following policies are attached as an Annexes:

- 1.1 Anti-Money Laundering Policy**
- 1.2 Sanctions Policy**
- 1.3 Anti-Bribery Policy**

1.1 Anti-Money Laundering Policy

Policy statement

East Sussex County Council will do all it can to:

- Prevent any attempts to use the Council and its staff to launder money;
- Identify potential areas where money laundering may occur; and
- Comply with all legal and statutory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.

1. Introduction

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (and all relevant amending legislation) place obligations on the Council, including its members and employees, with respect to suspected money laundering.
- 1.2 While most money laundering activity in the UK occurs outside of the public sector, vigilance by Council employees and members can help identify those who are, or may be, perpetrating crimes relating to the financing of terrorism and money laundering.
- 1.3 This policy forms part of the Council's counter fraud framework and sets out:
 - Definitions and legal background in respect of money laundering;
 - The Council's approach to money laundering including the responsibility of members and officers to report suspicions promptly; and
 - Guidance and procedures for members and officers.

2. Scope of the policy

- 2.1 This policy applies to all members and officers of the Council and aims to maintain the high standards of conduct that the public is entitled to expect from the Council.
- 2.2 It is vital that all members and officers are aware of their responsibilities and remain vigilant; criminal sanctions may be imposed for breaches of legislation.
- 2.3 Failure to comply with the procedures set out in this policy will result in action being considered under the Sanctions Policy. This may include disciplinary action in line with the Officer, or Member, Code of Conduct.

3. Definitions and legal background

- 3.1 Money laundering is the process of converting illegally obtained money or assets into 'clean' money or assets with no obvious link to their criminal origin.
- 3.2 There are three primary money laundering offences set out in legislation:

- Concealing, disguising, converting, transferring, or removing from the UK any criminal property (Section 327 of the Proceeds of Crime Act 2002);
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328); and
- Acquiring, using or possessing criminal property (Section 329).

3.3 There are also two secondary offences:

- Failure to disclose any of the three primary offences; and
- Tipping off (the act of informing a person suspected of money laundering in such a way as to prejudice an investigation).

3.4 Any member or employee of the Council may potentially be implicated in money laundering if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The key requirement is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

3.5 In addition to the above, proliferation financing is the provision of funds or financial services to support the development, acquisition or use of weapons of mass destruction. While local government is a low risk, compliance with the AML Policy due diligence and SAR requirements applies to all relevant transactions the Council enters into.

4. The Money Laundering Reporting Officer (MLRO)

4.1 The officer nominated to receive disclosures about money laundering activities within the Council is the Auditor Manager (Counter Fraud):

Simon White
Audit Manager (Counter Fraud)

Telephone: 07779 455501
Email: simon.white@surreycc.gov.uk

Surrey County Council
Woodhatch Place
11 Cockshot Hill
Reigate
Surrey, RH2 8EF

4.2 In the absence of the MLRO, the Principal Auditor (Counter Fraud) is authorised to deputise:

Georgia Steers
Principal Auditor

Telephone: 07827 233595
Email: Georgia.Steers@brighton-hove.gov.uk

Brighton & Hove City Council
Hove Town Hall
Norton Road
Hove
BN3 4AG

5. Procedures

Cash

5.1 The Council will not accept any cash payment in excess of £5,000 irrespective of whether this is through a single payment or series of linked payments. 'Cash' includes notes, coins, banker's drafts and travellers cheques.

- 5.2 This does not necessarily mean that cash transactions below this value are legitimate and legal. Professional scepticism is encouraged at all times and any suspicions must be reported to the MLRO or their deputy.

Responsibilities of members and officers

- 5.3 Any member or officer who suspects money laundering activity must report their suspicion promptly (as soon as practicable) to the MLRO or their deputy if appropriate. If you prefer, you can discuss your suspicions with your line manager first.
- 5.4 Your disclosure must be made at the earliest opportunity following the information coming to your attention, not weeks or months later, and should be made to the MLRO or deputy using the form attached at the end of this policy.
- 5.5 You must follow any subsequent directions from the MLRO or deputy. You must not:
- Make any further enquiries into the matter;
 - Take any further steps in any related transaction without authorisation from the MLRO or deputy;
 - Disclose or otherwise indicate your suspicions to the person suspected of money laundering; or
 - Discuss the matter with others or make a note on file that a report to the MLRO or deputy has been made, as this may alert the suspected perpetrator.

Responsibilities of the MLRO

- 5.6 The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency (NCA). Any decision not to submit a report to the NCA must be recorded.
- 5.7 If they so determine, the MLRO or deputy must promptly submit an online Suspicious Activity Report (SAR) to the NCA. Alternatively, a SAR may be manually reported to the NCA. Both online and up to date manual reporting forms are available on the NCA's website.
- 5.8 If a disclosure provides the MLRO or deputy with knowledge or reasonable grounds to suspect that a person is engaged in money laundering, and they do not disclose this to the NCA as soon as practicable, the MLRO or deputy will have committed a criminal offence.

Risk based approach, customer due diligence and record retention

- 5.9 Under MLR 2017, the Council is obliged to adopt a risk-based approach towards anti-money laundering regulations and how they approach due diligence.
- 5.10 MLR 2017 stipulate risk mitigation policies must be in writing and be proportionate to the risks identified. They must include internal controls over money-laundering and terrorist financing risks. They must also include revised customer due diligence procedures as well as reporting, record keeping and monitoring requirements.
- 5.11 Regulation 18 of MLR 2017 requires a written risk assessment to identify and assess the risk of money laundering and terrorist financing that the Council faces. This will:

- Assist in developing policies, procedures and controls to mitigate the risk of money laundering and terrorist financing;
- Help in applying a risk-based approach to detecting and preventing money laundering terrorist financing Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers;
- Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers.

5.12 In carrying out risk assessments we will take into account information on money- laundering and terrorist financing risks made available by the Law Society and/or SRA, and risk factors relating to:

- Customers;
- Geographic areas where the Council operates;
- Products and services;
- Transactions;
- Delivery Channels.

5.13 Under MLR 2017, there ceases to be "automatic" simplified due diligence requirements for any transactions. Instead, a relevant person needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. There are various levels of due diligence as follows:

- Simplified due diligence is only permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist funding, taking into account the risk assessment;
- Enhanced due diligence' (Regulation 33) for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested;
- The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified;
- Before forming a business relationship with a limited company, LLP, or certain types of trusts, the council must check details in the Persons with Significant Interests filed with Companies House / Trust Registration Service. They must report any material discrepancies between information on Companies House / Trust Registration Service and information obtained as a result of their customer due diligence;
- The business relationship should be scrutinised throughout its existence and not just at the beginning.

5.14 In all cases, the evidence of the customer identification and record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:

- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations;
- The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring;
- A copy of the identification documents accepted and verification evidence obtained;
- References to the evidence of identity.

5.15 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one-off transaction(s) cannot proceed any further.

5.16 The customer identification procedure must be carried out when the Council is carrying out 'relevant business' and:

- Forms a business partnership with a customer;
- Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of £5,000 or more;
- Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of £5,000 or more;
- It is known or suspected that a one-off transaction, or a series of them, involves money laundering;

This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, asset management, audit and legal services with a financial or real estate transaction.

5.17 In the above circumstances, employees must:

- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company);
- Verify their identity using reliable, independent sources of information, identify who benefits from the transaction;
- Monitor transactions to make sure they are consistent with what you understand about that person or country;
- Understand the source of their funds;
- Ensure there is a logical reason why they would want to do business with the Council.

5.18 Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.

5.19 The steps that will be followed to continuously mitigate the risks associated with money laundering are:

- Applying customer due diligence measures to verify the identity of customers and any beneficial owners obtaining additional information on customers;
- Conducting ongoing monitoring of the transactions and activity of customers with whom there is a business relationship;
- Having systems to identify and scrutinise unusual transactions and activity to determine whether there are reasonable grounds for knowing or suspecting that money laundering or terrorist financing may be taking place.

5.20 Risks will be reviewed continuously as part of the annual review of the Council Risk Register.

6. Guidance and training

6.1 The Council will:

- Make members and officers aware of the requirements and obligations placed on the Council, and on themselves as individuals, by anti-money laundering legislation; and

- Give targeted training to those considered to be the most likely to encounter money laundering.

6.2 Further information can be obtained from the MLRO and the following sources:

- Anti-money laundering responsibilities from gov.uk: <https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>
- Anti-money laundering guidance from the Law Society: <http://www.lawsociety.org.uk/support-services/advice/articles/quick-guide-to-the-money-laundering-regulations-2017/>
- CIPFA: www.cipfa.org/members/members-in-practice/anti-money-laundering
- The National Crime Agency: www.nationalcrimeagency.gov.uk

[OFFICIAL – SENSITIVE]

Confidential report to the Money Laundering Reporting Officer

To: Money Laundering Reporting Officer

From: _____ [insert your name]

Title/Service: _____ [insert your post title and service]

Telephone: _____

Date of report: _____

Response needed by: _____ [e.g. transaction due date]

Name(s) and address(es) of person(s) involved:

[If a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

[Please give full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

	Yes	No	
Has any investigation been undertaken?	☐	☐	If 'yes' please provide details below
Have you discussed your suspicions with anyone else?	☐	☐	

Details of investigation undertaken and/or discussions held:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

[OFFICIAL – SENSITIVE]

To be completed by the Money Laundering Reporting Officer

Date report received:

Date acknowledged:

Evaluation		
What action is to be taken?		
Are there reasonable grounds to suspect money laundering activity? If so, please provide details		
Reporting		
If there are reasonable grounds for suspicion, will a report be made to the NCA?	☐ Yes	☐ No
If 'no', reasons for non-disclosure		
If 'yes', date of report to NCA		Online / Manual [delete as appropriate]
Consent		
Is NCA consent required for any ongoing or imminent transactions?	☐ Yes	☐ No
If 'yes', please confirm details		
Date consent received from NCA		
Date consent passed on to officer		
Other relevant information		

Signed _____

Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

1.2 Sanctions Policy

Policy statement

East Sussex County Council will ensure that:

- Appropriate sanctions are applied in all proven cases of fraud, theft and corruption;
- Public funds are recovered wherever possible; and
- The sanction decision making process is robust, transparent and fair.

1. Introduction

- 1.1 The Council takes its responsibility to protect public funds seriously and expects its business to be conducted to the highest ethical and legal standards. Where there is evidence of fraud, theft or corruption against the Council, those responsible, whether internal or external to the Council, will be held accountable for their actions using the full range of sanctions available.
- 1.2 This policy forms part of the Council's counter fraud framework and sets out:
 - The range of sanctions available; and
 - Guidance on determining the appropriate action to take.
- 1.3 This policy is not prescriptive. A range of factors will require consideration before deciding on the appropriate sanction, including the individual circumstances of each case and the seriousness of the offence.

2. Sanction options

- 2.1 Where there is evidence of fraud, theft or corruption, the following options will be considered:
 - No further action
 - Referral to professional bodies
 - Disciplinary action
 - Civil proceedings
 - Criminal prosecution
- 2.2 These options are not mutually exclusive and parallel sanctions may be pursued.

No further action

- 2.3 The Council may consider closing a case without taking any further action. This may be due to the following factors:
 - Evidence is not robust or reliable
 - The offence is minor
 - The cost to pursue the case is not proportionate to the offence committed

Referral to professional bodies

- 2.4 Where there is adequate evidence that a person or entity has breached professional duties or responsibilities, the Council will refer the matter to the relevant professional body. This may include the Disclosure and Barring Service if there is evidence of a safeguarding concern.

Disciplinary action

- 2.5 In the event that an allegation is made against a Council employee, the investigating officer will consult with Human Resources and the employee's line manager regarding risk assessments and disciplinary action. Any disciplinary action will be in accordance with the Council's Disciplinary Policy. Sanctions may include warnings or dismissal on the grounds of gross misconduct.
- 2.6 Additional sanction options will be considered alongside any disciplinary action including referral to professional bodies, civil proceedings and criminal prosecution.

Civil proceedings

- 2.7 Where evidence is not sufficient to prove a case beyond reasonable doubt, and therefore successful criminal prosecution is unlikely, the Council may consider civil proceedings for which the standard of proof is on the balance of probability.
- 2.8 Regardless of whether any sanction action is taken, the Council will always seek recovery of overpaid, misused or unfairly gained monies. The following measures may be considered in the pursuit of financial recovery:
- Consultation with the Council's Payroll and Pensions Teams to redress financial loss caused by employees;
 - Application of the Credit Control Team's usual procedures, which includes civil action when necessary;
 - Legal action such as search orders and freezing/tracing injunctions to preserve evidence and assets; and
 - Recovery of money through appropriate legal proceedings.

Criminal prosecution

- 2.9 Where there is sufficient evidence to indicate that a criminal act has taken place, the case may be referred to the police. The decision to refer the issue to enforcement agencies, such as Sussex Police, will be taken by the Section 151 and / or Monitoring Officer as advised by the Chief Internal Auditor.
- 2.10 The police or Crown Prosecution Service will provide a final decision on whether to pursue the case. This decision will consider the following:
- **Evidential criteria** such that the evidence must be:
 - Clear, reliable and admissible in court
 - Strong enough for a realistic chance of prosecution; to prove a case 'beyond reasonable doubt'
 - Whether prosecution is in the **public interest**, taking into account:
 - Seriousness and/or monetary value of the offence
 - Cost and proportionality of the prosecution
 - Age, health and level of culpability of the suspect
 - Circumstances of and harm caused to the victim
 - Other factors such as community impact
- 2.11 Where the Council considers it "expedient for the promotion or protection of the interests" of its residents, Section 222 of the Local Government Act 1972 empowers the Council to:

- Prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name; and
- In their own name, make representations in the interests of residents at any public inquiry held by or on behalf of a public body under any enactment.

2.12 The Council will only consider undertaking prosecutions through this route under exceptional circumstances and any decision to do so will be taken by the Section 151 Officer and Monitoring Officer as advised by the Chief Internal Auditor.

2.13 Any criminal proceedings will include an attempt to recover money under the Proceeds of Crime Act 2002.

3. Leaving the Council

3.1 During the course of an investigation or disciplinary action, the employee(s) suspected of fraud, theft or corruption may choose to resign from their employment with the Council. In this case, following a review of evidence, the Council may continue to pursue referral to professional bodies, civil proceedings or criminal prosecution.

3.2 The employee's line manager will also consult with Human Resources to determine whether it will be appropriate to provide a reference to future employers.

4. Publicity

4.1 The decision to publicise outcomes will consider the following criteria:

- Interests of East Sussex County Council;
- Interests of East Sussex residents; and
- Deterrent value to others.

1.3 Anti-Bribery Policy

Policy statement

Brighton & Hove Council will:

- Not tolerate bribery or corruption in any form or at any level;
- Consider anti-bribery measures as part of its governance process; and
- Commit to policies and procedures to prevent, deter and detect bribery.

1. Introduction

- 1.1 The Council expects its business to be conducted with probity, openness and accountability. Key to maintaining the Council's high standards is the requirement for members, officers, contractors and agents carrying out business on behalf of the Council to behave honestly, lawfully and with integrity.
- 1.2 This policy forms part of the Council's counter fraud framework and sets out:
 - Definitions and legal background in respect of bribery; and
 - The Council's approach to bribery including fulfilling its duties under the Bribery Act 2010 (the Act).

2. Scope of the policy

- 2.1 This policy applies to all areas of Council business and therefore all members, officers, contractors and agents carrying out business on behalf of the Council. Any act of bribery by a person outside the Council will be a matter for the police.
- 2.2 This policy should be read alongside other relevant policies such as the Code of Conduct and Procurement Standing Orders.
- 2.3 Failure to comply with this policy will result in action being considered under the Sanctions Policy.

3. Definitions and legal background

- 3.1 Bribery is the act of offering, giving, receiving or seeking an inducement or reward intended to influence the performance of a relevant function or duty to gain a personal, commercial, regulatory or contractual advantage.

Bribery Act 2010

- 3.2 The Act includes four key offences:
 - Offering, promising or giving a bribe to reward a person for improperly performing a relevant function (Section 1);
 - Requesting, agreeing to accept or receiving a bribe as a reward for improperly performing a relevant function (Section 2);
 - Bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business (Section 6); and
 - A corporate offence by a 'commercial organisation' of failing to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business (Section 7).

- 3.3 The Act makes no distinction between a bribe being offered, promised or given directly or through a third party. Further, it makes no difference whether the person requesting, agreeing to accept or receiving the bribe knows or believes that the performance of the function will be improper; or whether this person asks another person to carry out the improper performance of the function on their behalf.
- 3.4 The Council accepts that it may be classed as a 'commercial organisation' in relation to the corporate offence of failing to prevent bribery. The Act allows for a defence to this corporate offence if an organisation can show that it had in place 'adequate procedures' designed to prevent bribery.
- 3.5 Good practice and robust governance arrangements include having adequate procedures in place to prevent bribery and protect the Council from reputational and legal damage. Whether an organisation's procedures are 'adequate' will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation.

Public Contracts Regulations 2006

- 3.6 The Public Contracts Regulations 2006 place a duty on the Council to automatically and perpetually exclude from participation in a procurement procedure any company or director that has been convicted of a corruption offence. The Council may disregard this regulation on an exceptional basis, for example due to reasons relating to the public interest such as public health or protection of the environment.

4. The Council's approach to bribery

- 4.1 The Council has in place a framework of arrangements intended to manage the risk of bribery and corruption and ensure business is conducted to the highest standards. This policy does not change the requirements of other guidance, which includes:
 - Member and Officer Codes of Conduct, which require members and officers to declare any personal or pecuniary interests;
 - Procurement Standing Orders governing the negotiation of contracts; and
 - Gifts and Hospitality Policy as stipulated by the Council's Code of Conduct, which sets out the restrictions on accepting gifts and hospitality and the need to register approved gifts that are accepted.
- 4.2 In the context of this policy, it is unacceptable for members, officers, contractors and agents carrying out business for or on behalf of the Council to:
 - Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
 - Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to 'facilitate'¹ or expedite a routine procedure;
 - Accept payment from a third party that is known or suspected to be offered with an expectation that it will obtain a business advantage for them;

¹ Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions, including but not limited to: awarding contracts; making appointments to temporary or permanent positions; and determining eligibility to receive services.

- Accept a gift or hospitality from a third party if it is known or suspected that it is offered with an expectation that a business advantage will be provided by the Council in return;
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy; or
- Engage in activity in breach of this policy.

5. Reporting suspected bribery

- 5.1 You should report any suspected acts of bribery. If you have been offered an inducement from another party, you should report this even if you declined.
- 5.2 The Council has put in place a safe environment to report suspected cases of fraud and corruption, including bribery. Any individual may contact the Council's Internal Audit team directly as below.

Email: confidentialreporting@eastsussex.gov.uk

Report to:	Audit Committee
Date of meeting:	13 February 2026
By:	Chief Operating Officer
Title:	Audit Committee Oracle Subgroup Update
Purpose:	To provide an update to the Audit Committee of the Oracle Subgroup's most recent activity

RECOMMENDATION:

The Audit Committee is recommended to note that the Committee's Oracle Subgroup has regularly reviewed the Council's Oracle Implementation programme.

1 Background

- 1.1 The Committee at its meeting in September 2021 approved the establishment of a Subgroup to provide oversight of progress with the Oracle implementation programme, seeking assurance that the programme is performing adequately.
- 1.2 The Oracle Implementation Programme was established by the County Council in 2019. Prompted by the expected expiry of support for the Council's existing Enterprise Resource Planning (ERP) software, SAP, the vision for Oracle is 'to implement a suite of back-office systems that best meet the current and future needs of the Council and which provides optimal return on investment'.

2 Supporting information

Work of the Subgroup

- 2.1 Since the last update to the Audit Committee on 21 November 2025, work on Phase 3 of the Oracle implementation (HR and payroll) has progressed and is now well into its User Acceptance Testing (UAT) period with a planned exit of mid March 2026. The ability of the programme to successfully exit UAT will influence the earliest go-live date that would be achievable for this phase and options are therefore still being considered for this.
- 2.2 Since 21 November 2025, the Subgroup met on 16 January 2026 and a summary of the minutes is included in Appendix A. The information presented to the Subgroup is included in Appendix B.
- 2.3 At this meeting the Subgroup recognised the positive progress made in both the technical elements of Phase 3 and the significant engagement being undertaken with the organisation as part of ensuring that staff are ready to use the new system. In addition, the continued work on Phase 2 was noted, in particular the planning being undertaken in the run up to the first year-end in Oracle.

3. Conclusion and reasons for recommendations

- 3.1 The Committee is recommended to note that the Committee's Oracle Subgroup has reviewed the Council's Oracle programme to its satisfaction and continues to receive regular updates.

ROS PARKER

Chief Operating Officer

Contact Officer: John Davidson, Oracle Delivery Lead, Tel: 07534 699102

Email: john.davidson@eastsussex.gov.uk

BACKGROUND DOCUMENTS:

None

**AUDIT COMMITTEE
ORACLE SUBGROUP
16 January 2026**

ATTENDEES:

Councillor Colin Swansborough
Councillor Philip Lunn

OFFICERS IN ATTENDANCE:

Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Mark Winton, Audit Manager - Delivery
Grace Addison, Governance and Democracy Officer

APOLOGIES:

Councillor Matthew Beaver
Councillor Gerard Fox
John Davidson, Oracle Programme Lead

1. VERBAL UPDATE from Chief Operating Officer

1.1. RP updated the subgroup that since the last meeting, Phase 1 modules are now all live and have been well received by the finance team.

1.2. RP informed the subgroup that Phase 2 has now moved into business as usual (BAU) with system ownership now residing with the support model team and service teams.

1.3. RP highlighted some of the ongoing activity including the rationalisation of Oracle licences and quarterly updates to the system. RP added that planning is underway to close and prepare the 2025/26 accounts for the first time using Oracle.

1.4. RP reiterated that Phase 3 is a more challenging build and needs to be highly accurate due to the high reputational risk, and the affect on the administration of payroll.

1.5. RP updated the subgroup that Phase 3 has now entered User Acceptance Testing (UAT) with a planned exit of mid-March. A Data Migration (DM) run is also underway. Following UAT, a further DM will be needed as well as Parallel Payroll Runs prior to moving to cut over and go-live.

1.6. RP informed the subgroup that professional training will take place in teams that are most affected (such as the payroll team), and specific guidance materials will be produced to support staff who will have less interaction with the system.

1.7. RP noted the risks surrounding meeting the go-live date including sufficient programme resource being available to source both the work on BAU and Phase 3.

1.8. RP added that the Oracle Support Model team is still in place from Phase 2 but will be adapted to reflect the capabilities required for Phase 3 support.

2. DISCUSSION

2.1 The subgroup discussed the following points:

- The potential for the use of Artificial Intelligence in Oracle.
- The effect of Local Government Reorganisation on existing systems.

Oracle Implementation Update

Audit Committee Sub-Group

16 January 2026

Contents

- Phase 1 programme update
- Phase 2 programme update
- Phase 3 programme update
 - Technical implementation
 - Organisational readiness
 - Support model
 - Governance and audit
 - Risks

Programme delivery principles

Oracle is currently being implemented based on a phased roll out of functionality as follows:

- Phase 1 EPM (Enterprise Performance Management) – further split into multiple small roll outs. c. 125 staff affected
- Phase 2 Finance (with dependant HR processes), Procurement, Recruitment and Helpdesk modules. c. 1,500 staff affected
- Phase 3 Payroll and all remaining HR processes. c. 10,000 staff affected

And to take an 'adopt not adapt' approach

Phase 1 – EPM

- The EPM (Workforce Planning and Revenue Monitoring) phase only affects c. 125 users, contained largely within the Finance team. The first module successfully went live in September 2024.
- Since then, all other modules for EPM in ESCC are now live, and have been well received by the finance team such as revenue monitoring, capital monitoring, budgeting and virements.
- Lessons learned from Phase 1 were fed into Phase 2.

Phase 2

- Phase 2 (Finance, Procurement, Helpdesk and Recruitment) successfully went live as planned on 17 April 2025.
- Now moved into business as usual (BAU) with ownership of the system residing within the support model team and the service teams
- Activity still continues, such as:
 - Managing quarterly update cycles and keeping documentation up to date
 - Rationalisation of Oracle licences
 - Feeding lessons learned into phase 3
 - Considering how to get the best use out of the system such as through the use of its inbuilt AI and roll out a Supplier Portal
 - Programme governance and internal/external audit activity remains in place e.g. Grant Thornton have undertaken a systems audit – report is due shortly
 - Planning to close and prepare the 2025/26 accounts, for the first time on Oracle

Phase 3

- Scope of Phase 3 includes:
 - Payroll
 - Employee self-service
 - Manager self-service

Phase 3 Principles

- Same principles will apply as the most cost-effective approach:
 - Adopt not Adapt where possible.
 - Targeting the earliest achievable date – dates are currently being considered for autumn 2026 but will need to bear in mind the organisational context, including LGR, and school term times
 - Focusing on activity critical to go-live with non-critical activity being deferred until after go-live.
 - Delivery elements - Technical implementation; Organisational readiness; Support model; Governance/internal audit. Building out from complementary Phase 2 activity.
 - Feeding in lessons learned from Phases 1 and 2.

Phase 3

- Phase 3 is harder than phase 2 from a technical build perspective, needs to be very accurate (to the nearest £1) and has a higher reputational impact if there are issues.
- More challenging, higher stakes, more people affected (i.e. all staff) in a more sensitive area (people's pay). Higher risk, more public, more chance of reputational impact.
- Impact on users beyond the HR team is less complex – limited to claiming/approving expenses, claiming/approving overtime and keeping personal information and working hours etc up to date
- Whilst the four core delivery elements of i) technical delivery ii) organisational readiness iii) governance and iv) support model remain, the weighting of programme activity is therefore more on technical delivery
- iii) and iv) are already in place and are to be carried forward from phase 2 and built upon where required

Phase 3 – Technical Delivery

- Since the last Audit Committee Oracle Sub-group meeting Phase 3 has now entered User Acceptance Testing (UAT) with a planned exit of mid March. It is also in the process of a Data Migration (DM) run.
- The ability of the programme to exit UAT will be based on the level of confidence in the quality of the system build (undertaken by Infosys, the Council's implementation partner), and in the quality of the data migrated.
- If quality is at a sufficient threshold to exit UAT in the planned timeframe, an autumn go-live for phase 3 (as the earliest possible) would be feasible.
- Given sensitivities around pay and the number of staff affected, sufficient quality is absolutely critical.
- Following UAT it will then be necessary to complete a further DM run, as well as Parallel Payroll Runs (PPR) before moving to cut over and go-live, followed by a period of hypercare.
- PPR – comparison of SAP vs Oracle payroll calculations (minimum 2 monthly payroll comparison, likely to be 3)

Phase 3 – Organisational Readiness

- Since the last Audit Committee Oracle Sub-group meeting work on organisational readiness has increased and includes:
 - Feeding in lessons learned from Phase 2
 - Change Impact Assessments and a matrix of which teams/cohorts of staff will need to understand which changes in process
 - Extensive engagement with Departmental Management Teams on likely changes in working practices
 - Extending the content in Oracle Guided Learning
 - Documentation of support materials
 - Re-engagement with Oracle Advocates
- Unlikely to be traditional training but instead focused on specific processes tailored to each persona, and delivered in bitesize learnings e.g. a video showing how to claim expenses
- Adoption and take up of new processes is also dependant on third party (schools) engagement that the Council can influence but not control.

Phase 3 – Governance, Audit and Support

- Programme governance remains in place such as regular workstream board meetings, programme board meetings, sponsor meetings, internal audit, CMT updates (including the re-establishment of fortnightly exception reports) and audit committee updates.
- Given that the programme is now moving towards UAT exit, it is proposed to increase the frequency of the Audit Committee Oracle Sub-group meetings to monthly
- The scope of internal audit activity for Phase 3 has been planned and includes a review of DM11 and supporting go live readiness quality criteria.
- The Oracle Support Model team remains in place from Phase 2, but will be adapted in due course to reflect the capabilities required for Phase 3 support

Phase 3 - Risks

Risks to hitting go live:

- Sufficient programme resource being available due to the conflict between working on BAU and working on the programme and due to risk of single points of failure being absent
- Organisational capacity and readiness at a time where there are significant other organisational priorities and pressures
- Organisational resistance to change causing delay
- Change requests causing technical scope creep and delay
- Poor quality of system build or data migrated
- Potential for technical issues to arise ('unknown unknowns')

Report to: Audit Committee

Date: 13 February 2026

By: Chief Finance Officer

Title of report: Review of the Grant Thornton (GT) report to those charged with governance and Statement of Accounts for 2024/25

Purpose of report: For the Committee to review the Independent Auditor's (GT) report to those charged with governance prior to its submission to the Governance Committee.

RECOMMENDATIONS: The Audit Committee is recommended to:

- (1) note the report and its appendices; and**
 - (2) identify any concerns arising from the Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee.**
-

1. Background

1.1 This report summarises the key findings arising from GT's audit work in relation to the Council's 2024/25 financial statements. The audit report, at Appendix 1, references that whilst final audit files review remains to be completed, together with a review of the final set of financial statements, there is no suggestion that this will identify issues that require the audit opinion or statement of accounts to change.

2. Supporting Information

2.1 Under its terms of reference, it is the role of this Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.2 It is the role of the Governance Committee to approve the County Council Statement of Accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit of the accounts.

2.3 The Grant Thornton Audit Findings Report to those charged with governance is attached at Appendix 1, with the Council's Statement of Accounts for 2024/25 at Appendix 2.

2.4 I am pleased to be able to report that GT are anticipating being able to issue an unqualified audit opinion for the 2024/25 Statement of Accounts.

2.5 The Audit Findings Report, pages 45 to 51, sets out the Audit Adjustments identified. A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved. There were also items for which the decision was made not to adjust, as either not material or an extrapolated misstatement for which adjustment was not appropriate. Any decision to adjust the accounts considers whether the adjustment improves the reader's understanding of the accounts.

2.6 The Audit Findings Report, pages 52 to 56, identifies 3 new management recommendations, for which there are management responses:

Issue and Risk	Recommendation	Management Response
PFI Schools Calculation The schools PFI liability has been calculated using a high-level indexation approach. This has overstated the liability compared to the detailed IFRS16 recalculation used by Grant Thornton. At £1.7m the variation, whilst above trivial, has been reported as an unadjusted error.	The Council uses the detailed PFI model calculations in the future to better conform with IFRS16 and ensure a more accurate calculation of the year-on-year changes.	Management agreed this point and the revised approach will be applied in the 2025/26 year and following years. This change will be implemented in time for the production of the 2025/26 statement of accounts.
Formal access reviews for journal posters In reviewing journal entry controls, it was noted that a large number of users have the ability to post journals. While understanding that the size of the Council team requires that a large number of people have access, and the overall role assignment controls appear appropriate given the size of the Council, we identified that there is no formal process for periodic access reviews to remove or amend rights.	The Council implement a more formal documented process for periodic access review.	As part of the move to Oracle the Finance Users have been thoroughly reviewed and access granting the ability to post journals within the General Ledger has been provided on a more restricted basis.
GIA and Land Area Records There were instances identified where the Council was unable or struggled to obtain backing for their gross internal areas (GIA) and Land Areas.	This issue still persists, having raised in 2023/24, with the Council stating there is an ongoing project to remeasure GIAs.	Management have stated that they will continue the ongoing process to review and update documentation and obtain updated support where necessary.

2.7 The Audit Findings Report, page 65, sets out total audit fees of £284,000. The fee will be subject to Public Sector Audit Appointments (PSAA) review and confirmation in due course.

3. Conclusion and reasons for recommendations

3.1 In carrying out their responsibility for review, Members of the Audit Committee should consider:

- The findings made by the external auditors as a result of final audit of the 2024/25

- accounts; and
- Whether there are any issues arising that Members might wish to bring to the attention of the Governance Committee when it meets to approve the Statement of Accounts for 2024/25.

IAN GUTSELL

Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer

Tel. No.: 07825 523633

Email: Ian.Gutsell@eastsussex.gov.uk

Local Member(s): All

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Audit Findings (ISA 260) Report for East Sussex County Council

Year ended 31 March 2025

13 February 2026



DRAFT –

DELETE WHEN REPORT

IS FINALISED

East Sussex County Council
County Hall St. Annes Crescent,
Lewes,
East Sussex,
BN7 1UE

13 February 2026

Dear Members of the Audit Committee,

Audit Findings for East Sussex County Council for the 31 March 2025

Grant Thornton UK LLP

8 Finsbury Circus.
London.
EC2M 7EA

T +44 (0)20 7391 9500

www.grantthornton.co.uk

Page 70

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Chartered Accountants

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DRAFT –

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Joanne Brown

Partner
For Grant Thornton UK LLP

Chartered Accountants

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Contents

Section	Page
Headlines and status of the audit	5
Materiality	11
Overview of significant risks identified	14
Other findings	23
Communication requirements and other responsibilities	38
Audit adjustments	45
Value for money	57
Independence considerations	60
Appendices	66

01 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of East Sussex County Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-December as planned. Our findings are summarised on pages 14 to 37. We have identified disclosure adjustments to the financial statements, which are set out on pages 45 to 51. We also identified an error of £1.7m in the financial statements which if adjusted would not impact Authority's Comprehensive Income and Expenditure Statement as it solely impacted the Balance Sheet and netted off between assets and liabilities. These have no impact on the level of the Authority's usable reserves.

We have also raised recommendations for management as a result of our audit work. These are set out at page 52-54. Our follow up of recommendations from the prior year's audit are detailed at page 55-56.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- Receipt of the final Investments Confirmation;
- Confirmation from the Capital Manager to confirm that there are no material capital commitments we should be aware of;
- Completion of Senior Management quality review of the completed audit sections which could potentially raise further queries for the Council to respond too;
- Receipt of the signed management representation letter; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

(continued)

Headlines

Financial statements

(continued)

Our anticipated financial statements audit opinion based upon the completed work to date and subject to satisfactory completion of the above outstanding points will be unqualified. We anticipate signing your accounts in February 2026 following the meeting of the Audit Committee on 13 February 2026.

Value for money (VFM) arrangements

Page 75

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our VFM work and our detailed commentary was set out in the Auditor's Annual Report, which was presented to the Audit Committee meeting on the 21 November 2025. While we did not identify any significant weaknesses in arrangements within the criteria for Governance and Improving economy, efficiency and effectiveness, we identified one significant weakness in the Authority's arrangements for Financial Sustainability, and we retained a Key Recommendation in this area. Our findings are set out in more detail in the value for money arrangements section of this report (pages 57-59).

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

National context – audit backlog

Government proposals around the backstop

On 30 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 by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

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.

Note that for the audit of East Sussex County Council an unmodified opinion has been issued for all prior years where all work has been successfully completed. This is due to close collaborative work by both the audit team and the Council finance team in project planning the audit process in line with statutory deadlines. Both teams have measures in place to continue this close collaborative working to achieve the more challenging publishing dates in the future.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

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 the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The impact on the Authority financial statements is as follows:

- The impact of IFRS 16 was not material, leading to the recognition of £7.3m of right of use assets on the transition date of 1 April 2024.
- The Council has applied judgements and estimation assumptions in line with the guidance put in place by CIPFA to recognise right of use assets and lease liabilities for leased assets as appropriate.
- Professional judgments have been applied by the Council relating to lease term assumptions, and the valuation of peppercorn leases.

(continued)

Headlines

Implementation of IFRS 16

(continued)

- The Council has established new accounting policies for the implementation and application of the requirements of IFRS 16, and accounting disclosures so that the initial and ongoing impact of the new standard in the accounts is presented clearly and in accordance with the Code.
- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using direct inquiries/questionnaires to departments to confirm the details of leases at the 31 March 2024 for transition.
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.

See page 24 for details of the audit work which we have carried out to gain assurance over the appropriateness of the Council's implementation of the new standard. Overall, we were satisfied that has demonstrated a reasonable and systematic approach to identifying and assessing leases, has made reasonable judgements/estimates and has made Code-compliant disclosures in the financial statements.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 28 March 2025, we determined materiality at the planning stage as £23.6m based on 2% of prior year gross expenditure. Upon receipt of draft financial statements at year-end, gross expenditure for the Council was £1,299m which was used to set the final materiality. This gave us an updated materiality level of £25.9m. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £25.9m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as view of the council's control environment, and experience in prior year audits.
- We have used 2% of gross expenditure as the basis for determining materiality.
- This percentage was utilised to establish headline materiality in accordance with our firm's guidance for audits classified as 'major audits' and categorised as Category 2 risk. For such audits, materiality based on gross expenditure can be set at a maximum of 2% of the total, a % level which we considered appropriate to the risk level of the audit considering our overall knowledge and experience of auditing the entity over several years.

Performance materiality

- We have determined performance materiality at £19.425m, this is based on 75% of headline materiality.
- This percentage remains unchanged from planning as we noted no significant changes to the control environment or other changes at the client that would require us to lower this level determination.

Specific materiality

- We have determined a lower performance materiality for Officers' Remuneration Disclosures at £0.1m.

Reporting threshold

- We will report to you all misstatements identified in excess of £1.295m (our triviality threshold, determined at 5% of the headline materiality), in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	25,900,000	We have determined financial statement materiality based on a proportion (2%) of the gross expenditure of the council for the financial year.
Performance materiality	19,425,000	The maximum amount of misstatement the audit team could accept in an individual account or group of related accounts. This is less than materiality due to “aggregation risk” and represents 75% of the materiality figure determined above.
Specific materiality for {Offers’ Remuneration}	100,000	Our assessment of what users would consider to be material with respect to Officers Remuneration. This is to scope in the public sensitivity and interest into senior officers pay in particular for public sector entities.
Reporting threshold	1,295,000	We are obligated to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.

03 Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Presumed risk of fraud in revenue recognition	Significant risk rebutted	↔	✗	Low	●
Presumed risk of fraud in expenditure recognition	Significant risk rebutted	↔	✗	Low	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of net pension liability	Significant	↔	✗	Medium	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Page 84

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption 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. These can either be due to fraud or error.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	Our audit work did not identify any significant issues relating to management override of controls. As part of our review of journal entry controls, we noted that a large number of users have the ability to post journals. While we understand that the size of the Council team requires that a large number of people have access, and the overall role assignment controls appear appropriate given the size of the Council, we identified that there is no formal process for periodic access reviews to remove or amend rights. In our testing we did not note any issues with officers posting inappropriately or with access/posting to the system not appropriate to permissions, and as such do not consider this to be a significant issue or to impact on our overall assessment of risk of management override. In discussion with management in this year and previous years, we have noted that there is an informal process in place. We have therefore made a best practice control recommendation on page 54 to implement a more formal, documented process for periodic access review.

Significant risks

Page 85

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of income for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for income and evaluated the design of the associated controls; • Reviewed and sample tested income to supporting evidence corroborating the appropriateness of the recognition of the income, and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of income.	Our audit work has not identified any issues in respect of revenue recognition.

Significant risks

Page 86

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. Assessment detailed in the Audit Plan is still appropriate in which we identified and completed a risk assessment of all expenditure streams for the Council. We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for expenditure and evaluated the design of the associated controls; • Reviewed and sample tested expenditure to supporting evidence corroborating the occurrence of the service/good obtained and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of expenditure.	Our audit work has not identified any issues in respect of expenditure recognition.

Significant risks

Risk identified

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.

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.

Audit procedures performed

We carried out the following audit procedures:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation expert;
- Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- Assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value;
- Tested revaluations made during the year to see if they are input correctly into the Authority's asset register;

(continued below)

Key observations

Within our audit work we noted instances where the council struggled to evidence the GIAs and Land areas used by the valuer.

For Land Areas, four of the assets tested exhibited variances from what the valuer used in their calculations. Similar occurrences happened with GIA in which variances were noted between what the valuer had been provided by the council and what the audit team received. In some cases the Council was unable to find or struggled to obtain backing for their GIAs and Land areas. Where this information was found for GIAs, it was in the form of outdated condition surveys which did not agree with what the valuer was provided (either by the council or by their predecessors).

Our testing covered a significant portion of the land and buildings population, and as such we were able to make projection assessments which allowed us to conclude that these discrepancies indicated a variance across the population which could not be material and we were therefore satisfied the land area/GIA information was adequate overall.

Significant risks

Risk identified	Audit procedures performed	Key observations
	(continued) • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engaged an auditor’s expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.	(continued) The Council in the previous year stated there is an ongoing project to remeasure GIAs. We have made a control recommendation in 2022/23 and 2023/24 to improve record keeping and evidence around GIA/land areas to support valuations, and we have retained that recommendation for 2024/25, acknowledging that our testing indicates this is not a significant control deficiency that would cause significant/material error in the valuations. We have retained this recommendation for this year. See page 55 for further commentary and for management’s response. Our audit work has not identified any further issues in respect of the valuation of land and buildings.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability The Authority’s share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£34.7m) in the Authority’s Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.	We carried out the following audit procedures: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority’s pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performed additional procedures suggested within the report; and • Obtained assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	From the work performed, we have not identified any issues with respect to the valuation of the pension liability. The Council has used the figures provided by the actuary and have not amended these in any way. We have tested the competences and capabilities of the actuary, therefore satisfied that no incentives to misstate the net pension liability exist.

Significant risks

Page 90

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. Based on our audit procedures, we concluded that there were no significant risks for material misstatement arising from the source data as we did not identify any significant events or conditions through our analytical procedures that would materially impact the pension liability assumptions.	See prior page for procedures performed.	(continued) We have reviewed the IAS19 assurances from the auditor of the East Sussex Pension Fund. We identified an immaterial disclosure misstatement arising from the conclusions of the Pension Fund audit regarding the net Pension Fund assets. This misstatement is based on the audit of the full portfolio where there was an understatement of the pension fund investment assets valuations, and the estimated impact on the council has been projected at £2,217,420. This would increase the net pension fund asset, an impact which would be netted off by an equal and opposite adjustment to the asset ceiling which restricts the amount a council can recognise as a pension fund asset. And therefore there is no impact on the balance sheet and this would only impact the disclosure in Note 42 of the financial statements. This was discussed with the Council finance team, and they concluded that as the misstatement was immaterial they would not amend the disclosures. We agree this is reasonable based on our audit materiality thresholds, and this is included as an unadjusted disclosure misstatement on page 50.

04 Other findings

Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
IFRS 16 implementation	Procedures performed: - Agreed current year lease amounts to the Trial Balance, Fixed Asset Register, and Lease Register. - Obtained the disclosure requirements for leases from the CIPFA Code of Practice (2024/25) and reviewed the Council’s financial statements for compliance. - Assessed completeness and accuracy of Right-of-Use Assets (ROUA) and lease liabilities by: Comparing current year ROUA and lease liability balances to prior year figures. Reviewing the insurance schedule to identify leased assets not included in IFRS 16 workings. Assessing whether management applied appropriate discount rates in lease calculations. Verifying that ROUAs were correctly included in the calculation of Minimum Revenue Provision (MRP). Confirming that low-value and short-term leases were appropriately excluded from IFRS 16 workings. Checking that peppercorn leases were correctly accounted for in accordance with the Code.	Findings: As per CIPFA Code 4.2.4.20, A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. Thus, as per the above, the maturity analysis for the Lessors should be given in iterations of one year, however within the accounts the council have grouped Lessor income lines into 0-1, 1-5 and 5+ Years. This is relating to the Lessors note only. This analysis was not included as a disclosure in the draft financial statements. Additionally, we noted that the weighted average of incremental borrowing rates was not disclosed as required. Auditor view We raised the above points with management and recommended that they amend the financial statements so that they are compliant with the CIPFA Code per above. Management response Management has agreed to appropriately make the above changes.

Other areas impacting the audit

Page 93

Issue	Commentary
Recognition and presentation of grant income The Authority receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Authority is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Authority also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Procedures performed For Grants Received in Advance, we tested a sample of items and reviewed supporting documentation to obtain assurance over existence, rights and obligations, and valuation and allocation. Audit team has further obtained the revenue and capital grant listings for 24/25 and compared this to the 23/24 listing, in order to verify completeness. Findings In the 2023/24 year we highlighted an area of balance sheet nomenclature where the Council was disclosing a balance of “Income in Advance” on the Balance Sheet. The Code states that only Grants and Contributions Received in Advance are required to be reported on the face of the Balance Sheet. We recommended that the Council move the genuine income in advance within this total into the balance of Short Term Creditors and to change the title of the remaining balance. The Council decided not to make this change and instead to carry out further analysis of this balance in the 2024/25 financial statements to ensure the change is accurate. We highlighted this as an area of the accounts that was not fully Code-compliant which should be corrected. The Council has carried out that further analysis in 2024/25 and as a result has restated the Balance Sheet by reclassifying £21.190m into Short Term Creditors and renaming the remaining balance of £13.049m to Grants and Contributions Received in advance. We were satisfied this meant the prior year 2023/24 Balance Sheet classifications were now Code-compliant, and the current year 2024/25 Balance Sheet was correctly presented in the draft financial statements. We highlighted that in order to comply with IAS1 the Council should also show how much would have been restated for the issue for the comparatives in the year before the restated year (2023/24) where that amount was material. After discussion we agreed that where the restatement did not impact overall total liabilities/net assets that presentation of a third balance sheet would be excessive, and that disclosure as an explanatory note below the Balance Sheet would be sufficient for users of the accounts to understand the impact in 2022/23. This has been disclosed correctly in commentary below the Balance Sheet in the final accounts, and we include this as an adjusted disclosure misstatement on page 50. (continued)

Other areas impacting the audit (continued)

Issue	Commentary
(continued)	(continued) In our review of the prior year balances we identified an additional £4.3m misclassification between current and non-current Grants Received in Advance. Although this was not material, the Council opted to correct this in the prior year Balance Sheet for consistency. This was restated correctly in the final accounts comparative 2023/24 Balance Seet, and there was no error in the 2024/25 classifications. We include this as an adjusted disclosure misstatement on page 49. We also identified a prior-year classification issue where a £3.9m Market Sustainability and Improvement fund grant was classified as grant income within the Cost of Services, rather than Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement (CIES). As this was immaterial the Council opted not to restate the prior year, and we are satisfied that this is reasonable and is in compliance with the International Audit Standards. This grant was correctly classified/presented in the current year CIES in the draft accounts. Management response Management has agreed the points above, and amendments to the accounts have been made as set out above and on page 49.

Other areas impacting the audit

Issue	Commentary	
Missing Contingent Liability We have identified a contingent liability during our work performed on Pensions for the "Virgin Media Ltd v NTL Pension Trustees II (and others)" case which was not also disclosed in Note 43: Contingent Liabilities.	We noted in the Notes to the Pension Fund accounts a case which still not concluded and has the potential to impact the pension scheme through a further liability to be incurred by the council.	Auditor view We have communicated this to the client, who has agreed to include a corresponding narrative in the accounts to explain this. Management response Management has provided a narrative to be included in the Contingent Liability which provides an explanation for the status and potential impact of the contingent liability.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue for the Council is recognised in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS15) or non-exchange transaction (IPSAS23). With non-exchange transactions there is no or only nominal consideration in return.	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN
Expenditure recognition	Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN
Valuation methods	Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN

Assessment:

-  **Red** = Marginal accounting policy which could potentially be open to challenge by regulators
-  **Amber** = Accounting policy appropriate but scope for improved disclosure
-  **Green** = Accounting policy appropriate and disclosures sufficient

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Page 97

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £379.7m at 31 March 2025	Other land and buildings includes specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV). The Council engaged an external expert valuer to complete the valuation of properties as at 31 March 2025 on a 3-year cyclical basis. 50% of total assets were revalued during 2024/25. For each asset, management obtain the input and advice of their professional valuer, considered what the appropriate data inputs and method would be for specific assets/groups of assets. Sources of estimation uncertainty have been considered and disclosed in the financial statements. (continued)	• We have assessed management’s valuation expert and concluded they are competent, capable and objective in producing the estimate. We have analysed the method, data and assumptions used to derive the accounting estimate; • We have assessed completeness and accuracy of the underlying information used to determine the estimate; • We confirmed there are no changes to valuation method; (continued)	● Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings	(continued) Management have considered the year end value of assets not revalued by their professional valuer in year. They have considered the average valuation movements for different classifications of land and buildings during the 2024/25 year and have applied this average against the assets not revalued to estimate whether the movement in valuation would be material. In doing this they were satisfied that the net movements were below trivial and therefore are satisfied that they could not lead to material misstatement. The total year end valuation of land and buildings was £379.7m, a net decrease of £9m from 2023/24 (£388.7m).	(continued) - Validated sources of information used by management, management’s point estimate and disclosures relating to the accounting estimate; - We have reviewed management’s approach to assets not revalued; - In respect of the approach referred to in the above bullet point: we have assessed the adequacy of the disclosure of estimate.	 Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate

Valuation of net pension liability
£34.733m at 31 March 2025

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.

Summary of management's approach

The Council's net pension liability at 31 March 2025 is £34.733m (PY £40.016m). This is made up from a Pension Asset of £359.5m, an asset ceiling of £394.3m was then applied in line with IFRIC 14, to calculate the net liability. This balance is comprised of the East Sussex County Council PF Local Government and unfunded defined benefit pension scheme obligations.

The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

(continued)

Auditor commentary

- We concluded management's actuarial expert is competent, capable and objective in producing the estimate;
- Based on analytical procedures we concluded the Council's share of assets and liability was in line with our expectations.
- We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce and that the method applied was reasonable;

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.6-5.95%	Reasonable – within the range provided by our auditor's expert actuary.
Pension increase rate	2.9%	2.85-2.95%	Reasonable– within the range provided by our auditor's expert actuary.
Salary growth	2.9%	0.5% to 2.5% p.a. above Pension Increase Rate	Optimistic
Life expectancy – Males currently aged 45/65	20.9 /21.9	Pensioners: 19.2 – 21.8 Non-pensioners: 20.6 – 23.1	Reasonable– within the range provided by our auditor's expert actuary.
Life expectancy – Females currently aged 45/65	23.9 / 25.4	Pensioners: 22.7 – 24.3 Non-pensioners: 24.1 – 25.7	Reasonable– within the range provided by our auditor's expert actuary.

(continued)

Assessment

● **Green**

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of net pension liability	(continued) The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.116m net actuarial gain/loss during 2024/25.	(continued) • Our auditors’ expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management’s expert. As set out below all assumptions were within the expected range apart from Salary Growth. We have therefore challenged the client to understand why these rates were used, further to this we have carried out sensitivity analysis to satisfy ourselves that the impact of this could never be material. Therefore, satisfied that the following assessment is appropriate: • We have contacted the auditor of the pension fund accounts to obtain assurances over the completeness and accuracy of information which has been provided to the actuary for determining the estimate. We have also carried out testing back to support held by the Council. Note in the assurance letters from the pension fund auditor they highlighted an issue relating to key items in level 3 investments testing where they have identified a £8.182m variance between the investment amount as per listing and the investment manager, when apportioned for the Council’s proportion is £2.217m. The projected errors were not material and were not adjusted in Note 42. • We reviewed the adequacy of disclosure of estimate in the financial statements	● Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Recognition and presentation of grant income £417.7m in 2024/25	As per our discussions with the client. Government grants are based on pre-agreed amounts which are communicated by the relevant government agency. The Authority will receive a letter which outlines the grant awarded and the relevant period, and any conditions of the grant, which can be agreed to the financial records. The authority monitors the conditions of the grants so that it can recognise the revenues in line with the agreement. The terms often are around the period the grant relates to, and if any amount does not relate to the period (or other condition not complied with) it is treated as a grant in advance. We are therefore satisfied that transactions are being recorded in the correct period.	• The grants tested were for the Council's own use not for distribution therefore the Authority is only acting as a principal and not as an agent. • Based on our testing, we are satisfied that the completeness and accuracy of the underlying information used to assess whether any conditions remain outstanding (as distinct from restrictions) have been confirmed. This supports the determination of whether the grant should be recognised as a receipt in advance or as income. • We are satisfied with the adequacy of disclosure of judgement in the financial statements. As noted on page 24, we noted some prior year classification issues for grants received in advance, some picked up by the Council and restated in the draft accounts and some picked up in audit review/testing and either adjusted for or left unadjusted as immaterial. We are satisfied that these related only to the Balance Sheet classification of the creditor and were errors/issues with the recognition of the income in the Comprehensive Income and Expenditure Statement.	● Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Asset 4000	ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Green	None
ContrOCC	ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Green	None
SAP	Detailed ITGC assessment (design effectiveness only)	 Red	 Red	 Red	 Green	We identified 3 significant deficiencies summarised on the following pages 36 and 37.

The significant deficiencies identified in the Technology Acquisition, Development and Maintenance and Security Management control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production (continued)

- Assessment:**
- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
 - [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
 - [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
 - [Black] Not in scope for assessment

Other findings – Information Technology

(continued)

environment , as there are only limited segregation of duties in the team structure. Accesses are regularly reviewed and generally temporary and out of necessity due to team size. Similar deficiencies were identified and reported to the council in our 2022/23 and 2023/24 financial year audits.

For 2024/25 the overall ITGC rating remains at the same level (with an additional significant deficiency identified in the Security Management area), and while previously reported deficiencies have not been remediated our IT team noted that there was an improvement in management of this area with a lower volume of profiles having issues of concern overall, but still noting that there was a concern over permissions/”superuser” statuses being assigned without a clear end date. We understand however that the Council was, at the end of the 2024/25 year, implementing the new Oracle system and transferring data/tables from previous systems to the new system, and as such there were clearer business reasons for certain users to have these permissions/system abilities during 2024/25. We have set out 3 significant deficiencies, and recommendations to address where on the next page.

We do not regard these deficiencies as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process, and there are separate controls and mitigations in the journals and accounts production process which would detect and prevent fraudulent journal postings and management override of control. This is a significant deficiency however in overall IT governance. We understand as the Council was implementing the new system during the 2024/25 that further significant changes/developments in the SAP system were not considered to be the priority. As the Oracle system has now been implemented in place of SAP our IT audit team will revisit these findings in 2025/26 to fully understand how the IT control environment has been updated with respect to the new system/processes in place.

Significant deficiency findings within SAP– Information Technology

Recommendations

Page 104

Significant deficiency		Recommendation
1	Users identified with inappropriate access to ABAP debugger in production Some users had inappropriate access to the ABAP debugger in production and there was not a clear end date/temporary status for this level of access. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should ensure that the ABAP Debugger access is strictly controlled, as well as perform periodic access reviews and document and enforce a formal change management process for all production code corrections. Management response: The debug access has been removed, and access will be reviewed and actioned. Completion date for overall recommendation 31 March 2026.
2	Powerful Profile Assigned to Interactive-Enabled Accounts One Interactive-Enabled Account was identified with powerful profile rights granting unrestricted access to all SAP transactions and system functions. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke SAP_ALL access from dialog and service users unless formally justified, establish a formal emergency access procedure, implement periodic reviews of user access, enforce segregation of duties and maintain audit logs and monitor activities of users with elevated access. Management response: Access will be reviewed and actioned. Completion date for recommendation 31 March 2026.

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency		Recommendation
3	Table Maintenance Access Assigned to Users in Production Environment 35 users in the SAP production environment had unrestricted table maintenance access, increasing the risk of unauthorized or inappropriate changes to critical system tables. Management have explained that business function requires access to update tables in production. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke unrestricted table maintenance access from all users unless explicitly required, restrict table maintenance access aligned to users’ job responsibilities, implement a formal access request and approval process, establish periodic reviews of user access and enforce segregation of duties. Management response: The roles that allow the users maintenance access to tables will be reviewed and actioned. Completion date for recommendation 31 March 2026.

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any incidents or other issues identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• We draw your attention to the draft Letter of Representation which is included in the papers for this meeting.

Other communication requirements

Issue	Commentary
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority’s banking and investment/loan partners. This permission was granted and the requests were sent. There is currently 1 requests not received and we are pursuing a response.
Disclosures	• Our review found no material omissions in the financial statements.
Audit evidence and explanations	• All information and explanations requested from management was provided.
Significant difficulties	• No significant challenges arose during the audit to delay audit completion.
Other matters	• No other matters required for discussion.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We cannot yet certify the closure of the 2024/25 audit where confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

06 Audit adjustments

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Note 14 Property, Plant, and Equipment	We noted a classification error moving £239k from “Assets reclassified within PPE” line to “Derecognition - Disposals line”.	✓
Note 30 Pooled Budget and partnership arrangement	In our review of Pooled Budget arrangements, we noted that the apportionment calculated between the partnership entities for the 24/25 Orbis funding was incorrect. The total amount stated is correct however the following figures should be amended to show the Outturn Actual figures per each entity using the correct percentage apportionment. Surrey County Council is currently -£6,263k however should be -£6,304k, East Sussex County Council is currently -£4,739k however should be -£3,484k and Brighton & Hove City Council is -£1,677k whereas this should be -£2,890k.	✓
Note 14 Property, Plant, and Equipment	We also noted classification error of £11k in the Vehicles, Plant, Furniture and Equipment column between “Derecognition - Disposals (Other)” which should be £11k smaller at £1,123k, and “Derecognition - Disposals (Schools)” which should be £11k larger at £3,387k. This follows to the accumulated depreciation figures in which the “Derecognition - Disposals (Other)” balance should be £11k smaller at £720k and “Derecognition - Disposals (Schools)” should be increased by £11k to £361k.	✓
Note 2. Accounting Policies xix. Leases	As per 4.2.2.105 of the CIPFA code, management are required to disclose: 'e. the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet at the date of initial application'. As such auditor has challenged management on this and requested the rate to be included as currently it is just stated in the Accounting Policies.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 46 Trust Funds	We noted a totalling error for the Closing Balance of Robertsbridge Youth Centre which should be (122) instead of (12).	✓
Note 42 Defined Benefits Pension Schemes	The total amount for “current service cost including admin expenses” includes the figures for both “past service costs” of £210k and “(gain)/loss from settlements” £-583k meaning that £373k has been double counted in this figure which should be £34,291k instead of £33,918k. This follows though in the subsequent totals: - “Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services” will become £30,424k and; - “Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code” should show £30,424k.	✓
Narrative report	The actual percentage reported for the General Fund target minimum level of general contingency should be 2.84% instead of the current 2.76%.	✓
Narrative report	The Narrative Report states: “ <i>The general contingency for 2025/26 is £5.3m and will be used in the first instance to cushion the impact of pressures in-year.</i> ” Our testing identified that the correct figure should be £5.7m instead of £5.3m.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 26 Cash Flow Statement	Within Operating Activities, the figure for "Other non-cash items charged to the net deficit on the provision of services" is to be revised to £4,200k from £4,676k. This adjustment is driven by the reclassification of a Salix Grant of £510k, which will be removed from the "Capital grants credited to deficit on provision of services," to £49,991k from £49,481k. These changes impact the total figures reported on the face of the Cashflow statement as "Adjustments to net deficit on the provision of services for non cash movements" will become £111,208k instead of £110,731k and "Adjustments for items included in the net deficit on the provision of services that are investing or financing activities" will become £51,808k instead of £51,368k, making the total net cash inflow from operating activities £28,994k instead of £29,030k.	✓
Note 27 Cash Flow Statement	Within Investing Activities, the figure for Proceeds from the sale of PPE should be (£1,293k) instead of (£1,363k) due to an error in the formula used by the client which pulled through the figure from Operating Activities section for receipts which was meant to be initially removing the deferred capital of receipts figure of £35k (as it hadn't impacted on the CIES) but it had been entered with the wrong signage and instead of reducing the balance by £35k was adding it and created an imbalance of £70k. Hence the revised total should also be changed to (£54,439k) from (£54,509k) for Net cash flows from investing activities on the face of the Cashflow Statement as well as Proceeds from the sale of Property Plant and Equipment, Investment Properties and Intangible Assets which becomes £1,817k instead of £1,887k, also changing the totals to (£1,293k) from (£1,363k).	✓
Note 4 Critical Judgements in applying Accounting Policies	The period was incorrectly stated as 31 March 2025 instead of 31 March 2026 for the assessment of the Council's Medium Term Financial Planning process. This is a disclosure error with no impact on financial figures or asset valuations. The note should reflect the correct assessment period ending 31 March 2026.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Balance Sheet Income in Advance classifications – prior year 2023/24	Following our review of the prior year restatement of income in advance balances, we highlighted that in order to comply with IAS1 the Council should also show how much would have been restated for the issue for the comparatives in the year before the restated year (2023/24). After discussion with the Council Finance Team we agreed that where the restatement did not impact overall total liabilities/net assets that presentation of a third balance sheet would be excessive, and that disclosure as an explanatory note below the Balance Sheet would be sufficient for users of the accounts to understand the impact in 2022/23. This has been disclosed correctly in commentary below the Balance Sheet in the final accounts, and we are satisfied this is adequate to achieve the objectives of allowing users of the financial accounts to understand the impact.	✓
Balance Sheet Income in Advance classifications – prior year 2023/24	In our review of the prior year balances we identified an additional £4.3m misclassification between current and non-current Grants Received in Advance. Although this was not material, the Council opted to correct this in the prior year Balance Sheet for consistency. This was restated correctly in the final accounts comparative 2023/24 Balance Seet, and there was no error in the 2024/25 classifications.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 42 Defined Benefits Pension Schemes	Disclosure Misstatement due to conclusions of the Pension Fund audit discussed previously in relation to the net Pension Fund Assets £2,217,420 of page 22. This misstatement is based on the audit of the full portfolio where there was an understatement of the pension fund investment assets valuations, and the estimated impact on the council has been projected at £2,217,420. This would increase the net pension fund asset, an impact which would be netted off by an equal and opposite adjustment to the asset ceiling which restricts the amount a council can recognise as a pension fund asset.	x
Note 39 Leases	As per CIPFA Code 4.2.4.20, "A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years." Thus as per the above, the maturity analysis for the Lessors should be given in iterations of one year, however within the accounts the Council have currently grouped Lessor income lines into 0-1, 1-5 and 5+ Years. This is relating to the Lessors note only.	✓
Note 43 Contingent Liabilities	We have identified a contingent liability during our work performed on Pensions for the "Virgin Media Ltd v NTL Pension Trustees II (and others)" case which was not individually disclosed within Note 43 despite showing in the Pension Fund accounts. The Council have agreed to include a narrative in this note to provide further details.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
In the Schools PFI recalculation, we noted variances between the Grant Thornton recalculated figures and Management's numbers. On discussion with the Council, they explained that the Schools PFI liability was calculated using a high-level indexation approach, which appears to have overstated the liability compared to the detailed IFRS 16 recalculation performed by the Grant Thornton PFI team. Management's approach applied cumulative indexation rates from the start of the arrangement up to 01/04/2024 and then again for 2024/25, which is a simplified method and does not fully comply with IFRS 16 requirements for remeasurement based on detailed payment schedules and discounting. Consequently, the liability balance is higher than the recalculated figure, and the difference is above trivial. Client has acknowledged this variance and agreed to use the method applied by the Audit Team in subsequent years. This variance therefore remains as an unadjusted misstatement in 24/25 as it is immaterial.	Nil	Dr Lease Liability £1,713,270	Nil	Nil
		Cr Right-of-Use Asset £1,713,270		
Overall impact of current year unadjusted misstatements	0	0	0	0

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Note the below recommendation is retained/continued from the prior 2 years.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low	<u>PFI Schools Calculation</u> In the Schools PFI recalculation performed by the Grant Thornton PFI team, we identified variances between the Grant Thornton recalculated figures and Management’s numbers. On discussion with the Council, they explained that the Schools PFI liability was calculated using a high-level indexation approach, which has overstated the liability compared to the detailed IFRS 16 recalculation performed by Grant Thornton. Management’s approach applied cumulative indexation rates from the start of the arrangement up to 01/04/2024 and then again for 2024/25, which is a simplified method and does not fully comply with IFRS 16 requirements for remeasurement based on detailed payment schedules and discounting. Consequently, the liability balance is higher than the recalculated figure, and the difference is above trivial. Since the total cumulative variance in school PFI is £1.7 m which is above trivial but below PM hence this has been reported as an unadjusted error.	We recommend that the council uses the detailed PFI model calculations in the future to better conform with IFRS 16 and ensure a more accurate calculation of the year-on-year changes. Management response Management have agreed this point and the revised approach will be applied in the 2025/26 year and following years. This change will be implemented in time for the production of the 2025/26 accounts.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	<u>Formal access reviews for journal posters</u> As part of our review of journal entry controls, we noted that a large number of users have the ability to post journals. While we understand that the size of the Council team requires that a large number of people have access, and the overall role assignment controls appear appropriate given the size of the Council, we identified that there is no formal process for periodic access reviews to remove or amend rights.	We recommend that the council implement a more formal, documented process for periodic access review. Management response Management have stated that, while using SAP, an informal approach was in place to annually review the users that had the ability to post journals. However, as part of the move to Oracle, the finance users have been thoroughly reviewed and access granting the ability to post journals within the General Ledger has been provided on a more restricted basis than the access in SAP. Access to the finance roles will be reviewed regularly (at a minimum of annually) to ensure the access is kept up to date.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented one of our recommendations, however the other raised is still a current issued. See below for details.

Page 123

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>GIA and Land Area Records</u> 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.	This issue still persists as set out in our findings on pages 19-20 within the Council as we have raised a similar control environment deficiency in the current year. The Council has stated there is still an ongoing project to remeasure GIAs. Management response Management have stated that they will continue the ongoing process to review and update the documentation held on land and floor areas and obtain updated support where necessary.

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<u>Cut off error in insurance claim income recognition</u> 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.	We have noted one error in our sample testing whereby income has been recognised in the incorrect period, however we have isolated the error and noted that this is a trivial misstatement. We are therefore satisfied that the council has met our prior year recommendation.

Assessment

- ✓ Action completed
- X Not yet addressed

07 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to you as an interim report at the meeting of the Audit Committee on 21 November 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



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.



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.

In undertaking this work we have identified one continued significant weaknesses in arrangements, and issued one key recommendation.

See the page below for a summary of the significant weakness and key recommendation as reported to the Committee on 21 November 2025.

(continued)

Value for Money arrangements (continued)

(continued)

Significant Weakness in Arrangements

In undertaking this work we have identified one continued significant weaknesses in arrangements, and issued one key recommendation.

In our report as presented to the audit Committee on 21 November 2025, we continued to recognised a weakness in arrangements and reiterated the need for action by the Council via a Key Recommendation. We acknowledged the Council's actions in relation to savings being made in Children's Services, an improvement in the overspend for 2024/25 (compared to prior year) and are aware that the Council have commissioned CIPFA to do a financial resilience review. As such the risk has not increased significantly since the prior year, although it continues to exist, and the Council is actively taking steps to manage the risk. Therefore although a weakness continues to be observed, it has not been escalated above a Key Recommendation. This will be kept under review as part of our 2025/26 work.

Key Recommendation: The Council should continue to seek to be financially sustainable in the medium to longer term by continuing to raise the challenges faced in all appropriate forums, including with MHCLG. Savings plans should continue to be developed, 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. Conversations should continue, on suitable funding for demand led services alongside national local government reform, as being discussed at a national level.

Our view on this weakness and the recommendation have not changed since reported in November 2025, and we will finalise the Auditor's Annual Report alongside signing the auditor's report on the financial statements.

08 Independence considerations

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). In this context, there are no independence matters that we would like to report to you.

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 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 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.
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, senior management or staff.

Independence considerations

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention 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.

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Teachers Pension Return	£12,500	£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 low in comparison to the total fee for the audit 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.
			Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
			Management (if GT were to recommend a particular action or make a decision on behalf of management)	The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.
Total	£12,500	£12,500		

Fees and non-audit services

Total audit and non-audit fee

Audit fee	Non-audit fee
Scale fees: £275,000	Certification of Teachers Pension Return: £12,500
Use of external audit valuation expert: £4,000	
Fee for work on IFRS 16 implementation: £5,000	

The above fees are exclusive of VAT and out of pocket expenses.
The fees agree to the financial statements.

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. 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.	●	
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 Group’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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		
Expected modifications to the auditor's report, or emphasis of matter		

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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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East Sussex County Council

Statement of Accounts

2024/25

Contents	Page
Narrative Report	4
Statement of Responsibilities for the Statement of Accounts	17
Independent Auditor's Report to East Sussex County Council	18
Annual Governance Statement	22
Accounting Statements	
Comprehensive Income and Expenditure Statement	39
Movement in Reserves Statement	40
Balance Sheet	42
Cash Flow Statement	43
Notes to the Accounting Statements	44
East Sussex Pension Fund Accounts	116
Glossary of Terms	157

Additional Information

In addition to the Statement of Accounts, financial information can be gathered from the County Council's agendas and other publications, which are on display in the major public libraries in the County. Information on the Council's budget and finances can also be found on the website <https://www.eastsussex.gov.uk/your-council/finance>

Further information on particular aspects of the County Council's finances may be obtained from:

Joanna Membry
Financial Accounting Team
P O Box 3
County Hall
Lewes, East Sussex
BN7 1UE

or by email to: ClosureOfAccounts@eastsussex.gov.uk

Index of Notes to the Accounting Statements

Note	Page
1. Authorisation of the Statement of Accounts.....	44
2. Accounting Policies	44
3. Accounting Standards that have been issued but have not yet been adopted	59
4. Critical Judgements in applying Accounting Policies	60
5. Assumptions made about the future and other major sources of estimation uncertainty	61
6. Expenditure and Funding Analysis.....	63
7. Adjustments between accounting basis and funding basis under regulations	67
8. Material items of income and expenses.....	69
9. Events after the Balance Sheet date.....	69
10. Transfers to/from Earmarked Reserves.....	70
11. Other Operating Expenditure	71
12. Financing and Investment Income and Expenditure	71
13. Taxation and Non Specific Grant Income	72
14. Property, Plant, and Equipment	73
15. Investment Properties	77
16. Intangible Assets.....	79
17. Heritage Assets	79
18. Financial Instruments	80
19. Assets Held for Sale	84
20. Current & Long Term Debtors and Payments in Advance.....	85
21. Cash and Cash Equivalents, Bank overdraft and accrued balances for third parties	85
22. Creditors and Income in Advance.....	86
23. Provisions.....	86
24. Usable Reserves.....	87
25. Unusable Reserves.....	88
26. Cash Flow Statement – Operating Activities	92
27. Cash Flow Statement – Investing Activities	92
28. Cash Flow Statement – Financing Activities	93
29. Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities	93
30. Pooled Budget and Partnership Arrangements.....	93
31. Members’ Allowances	94
32. Officers’ Remuneration	96
33. Termination Benefits & Exit Packages	98

34.	External Audit Costs.....	98
35.	Grant Income	99
36.	Dedicated Schools Grant	100
37.	Related Parties.....	101
38.	Capital Expenditure and Capital Financing.....	102
39.	Leases.....	103
40.	Other long term liabilities, including Private Finance Initiatives and Similar Contracts	105
41.	Pensions Schemes Accounted for as Defined Contribution Schemes.....	107
42.	Defined Benefits Pension Schemes	107
43.	Contingent Liabilities	111
44.	Contingent Assets	111
45.	Nature and extent of risks arising from Financial Instruments	111
46.	Trust Funds	115
47.	Closed Landfill Sites	115

Narrative Report

About East Sussex County Council

East Sussex County Council (ESCC) is one of 21 upper-tier county councils in England, covering an area of around 172,000 hectares. Around 558,400 people are estimated to live in East Sussex in 2024. The Council forms the upper tier of local government within East Sussex (excluding Brighton & Hove City Council).

East Sussex has a rich natural environment, with over two thirds of the county being covered by one or more environmental designations: the three largest being Area of Outstanding Natural Beauty 48%, National Park 13% and Environmental Stewardship Agreement 11%. The key habitats are grassland, arable farmland and woodland.

The county is divided into 50 electoral divisions, each represented by one Councillor. Local elections are held every four years, with the last full election taking place on 6 May 2021. Two by-elections were held in 2023/24, on 27 July and 3 August 2023. The current political make-up of the Council is:

- Conservative – 23 seats
- Liberal Democrats – 12 seats
- Labour – 5 seats
- Green – 5 seats
- Independent Democrats – 2 seats
- Independents – 3 seats

The next full local election was due in May 2025, but has been deferred for a year due to Local Government Reorganisation.

Councillors make sure that the services that ESCC provides meet the needs of residents and those who work in the county, by setting the overall policies and strategies for the Council and by monitoring the way in which these are carried out.

They have set four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term. Making best use of resources in the short and long term is the gateway priority through which any activity and accompanying resources must pass.



Chief Officers, led by our Chief Executive Becky Shaw, help Councillors to develop policies and objectives. Their main role is to provide the public with the highest possible standards of service within the money that the Councillors make available.

Council Officers are the people who work for the Council and who are paid to deliver the services agreed by Councillors. Overall, the workforce comprises 8,978 people and 7,246 'full time equivalent' employees as at 31 March 2025.

The five ESCC departments and their main responsibilities are:

- Adult Social Care and Health: Provide social care services for residents over 16, including residential care and sensory care services. It also has the public health remit.
- Children's Services: Provide social care for people under the age of 16, state education and other childcare services.
- Communities, Economy and Transport: Responsible for community services such as libraries and registrars, customer access and services, roads, transport planning, economy and the East Sussex environment.
- Business Services: Responsible for managing our finances, IT, human resources, procurement and property.
- Governance Services: Provides advice on governance of the Council, including legal and constitutional arrangements.

Financial Report

In presenting these draft accounts for 2024/25, they have been prepared in line with the CIPFA code of accounting practice.

The 2024/25 Approved Budget

The County Council plans and monitors its performance, policy and resources through a single process, called Reconciling Policy, Performance and Resources (RPPR). For full details of the County Council's challenges and the financial implications, the attached is a link to the report on the Council's website, which was presented to Council on 6 February 2024:

[Agenda for Full Council on Tuesday, 6th February, 2024, 10.00 am | East Sussex County Council](#)

Narrative Report

The RPPR process:

- Enables us to be business-like and test comparative returns on investment so that the Council can be confident it is making best use of resources. It also ensures savings in one area do not give rise to unforeseen consequences in another area;
- Maximises efficiency, exploits technology, and makes the best use of all our assets;
- Maximises East Sussex resources through strong partnership working, income generation, lobbying and exploring new ways of working;
- Removes management and support costs wherever possible, to maximise the resources available to the front line;
- Sustains investment in activity that will most help manage demand;
- Encourages communities to help achieve their priority outcomes;
- Is open and transparent to provide clarity about priorities and consequences, specifying clearly what the County Council will do;
- Delivers service change and facilitative programmes aimed at providing modern services which meet the needs of local people, working with others to do this in a way that makes the best use of resources; and
- Uses our local evidence base to meet the most important needs of our communities and leading to innovative solutions which build a compelling future, rather than managing decline.

The RPPR process matches available resources with delivery plans for priority outcomes. It has enabled us to give relative protection to priority services. The process has been applied across all services in the development of the Council Plan supported by the Medium-Term Financial Plan (MTFP) and Capital Programme. The table below sets out the necessary investments in services to meet the needs of our residents.

Summary of Budget Growth and Funding	2024/25 (£m)
Inflation: contractual	28.2
Pay Awards	7.9
Service Investment:	
Adult Social Care	3.9
Children's Services	19.1
Management of service pressures through other revenue budgets	(8.0)
Total Budget Growth	51.1
Council Tax	(21.7)
Business Rates	(7.5)
Government Grants	(7.6)
Total Additional Funding	(36.8)
Budget Deficit	14.3
One-off use of reserves	(14.3)
Budget Deficit After One-Off Use of Reserves	0.0

The Capital Programme is also very constrained by limited resources. In the past, Members have been able to meet core need and make investment in the County's economy, for example significant additional investment in road and broadband infrastructure. The current programme, based on an assumption of significantly reduced future funding, contains only basic need for school places, highways, building maintenance, IT&D, libraries and house adaptations.

The Authority's 10 year planned programme is supported by a 20 year Capital Strategy. The purpose of the strategy is to drive the authority's capital investment ambition in support of the Council Plan, whilst ensuring appropriate capital expenditure, capital financing and treasury management.

Outturn 2024/25

The Council maintains a robust framework of budget monitoring to ensure pressures are identified early and action taken by directorates to manage potential variations within their cash limited budgets. Despite this, the council's net outturn at year end was £542.82m against a revised net budget of £537.00m, a net overspend of £5.82m. The revenue budget outturn is set out under 'Analysis of the Revenue Budget' on page 7; it is presented before Corporate Funding and therefore differs in presentation from the Quarter 4 Monitoring Report presented to Cabinet on 24 June 2025.

[Agenda Document for Cabinet, 24/06/2025 10:00](#)

Service budgets overspent by £21.86m in 2024/25. This comprised a significant overspend in Children's Services, with cost pressures around agency residential placements for Looked After Children and increase in demand and unit costs for Home to School Transport. Not included in the figures reported above is the position of the Dedicated Schools Grant (DSG), which, in accordance with the Schools and Early Years Finance (England) Regulations 2020, is required by local authorities to be carried forward on their balance sheets. As of 31st March 2025, the Council has a cumulative DSG surplus of £2.84m, which is very unusual as most local authorities have significant DSG deficits. However, this will not continue as a forecast cumulative deficit is expected by the end of 2025/26. The statutory override, which was due to expire in March 2026, has been extended to March 2028, which means that after that point, any deficit will then be offset against useable council reserves. Adult Social Care overspent

in 2024/25 by £10.00m, primarily due to increasing complexity of need and pressures arising from demographic growth and demand, which has risen sharply since the end of the COVID-19 pandemic, during which it was suppressed.

The service overspend is offset by an underspend of £14.26m in Corporate Budgets, where all the General Contingency budget was required to be applied, and Treasury Management underspent by £2.60m due to no additional borrowing during the year plus improved investment returns resulting from higher than forecast interest rates. The potential impact of growing levels of aged client debt on the financial position has been reflected in Corporate Budgets. Additional Social Care Grant of £5.39m, a planned draw of £14.34m plus an additional draw of £7.60m from the Financial Management Reserve have also been used to offset the service overspend. This is one-off funding that cannot be used again and therefore the financial position is not sustainable in future years.

Homes for Ukraine Scheme

Since March 2022, a programme of services has been established to support Ukrainian guests to settle in East Sussex. The programme is led by East Sussex County Council (ESCC) with oversight and governance being provided by the Homes for Ukraine Programme Board. The programme is delivered in cross-sector partnership against shared priorities; independence & wellbeing, English language support, access to employment & education, sustainable and affordable housing/accommodation and sustainable sponsorship. Funding for the programme is provided by the Department for Levelling Up, Housing & Communities (DLUHC) and the allocation is calculated on the bases of i) a tariff payment per guest arriving and ii) a thank you payment to each sponsoring household. The final grant settlement is yet to be confirmed by DLUHC but has been estimated at a total of £20.1m. Of this, £3.5m was spent in 2024/25 in supporting 1,930 guests who were reported to have arrived in East Sussex in the period 1 March 2022 to 31 March 2025. The balance of the grant funding will be carried forward to 2025/26 to fund ongoing costs of supporting guests.

Household Support Fund

To continue to address the impact of the cost-of-living crisis, the government announced a further extension to the original Household Support Fund (HSF) which ended on 31 March 2022. For the period 2024/25 there were two extensions to the fund. The fifth extension (HSF5) of the Household Support Fund covered the period 1 April 2024 to 30 September 2024, and the sixth extension (HSF6) covered the period 01 October 2024 to 31 March 2025. The grant is intended to support those most in need and the expectation is that the funding should be used to support households with food, energy and water, housing costs, and other essentials. East Sussex County Council received a total allocation in 2024-25 of £7.794m (HSF5 and HSF6 combined) and the allocation was fully spent in supporting eligible households in several ways including:

- Distribution of £1.565 m on targeted support through District and Borough Councils.
- £3.705m on provision of food vouchers to eligible free school meal pupils for the school holidays.
- Distribution of £1.275m on targeted support through Voluntary Community and Social Enterprises.
- £0.475m on provision of food through Foodbanks and Food Partnerships.
- Distribution of £0.5m directly to vulnerable families and children via Children's Services teams.
- Provision of £0.050m support through Warmer Homes.
- Provision of £0.225m for prevention projects (including funding for Advice Services, tenancy sustainment projects and Food Partnership projects)

Narrative Report

Analysis of the Revenue Budget

The table below shows actual net spending of £542.82m during 2024/25, based on the total cost of providing services including charges for support services, treasury management and use of assets.

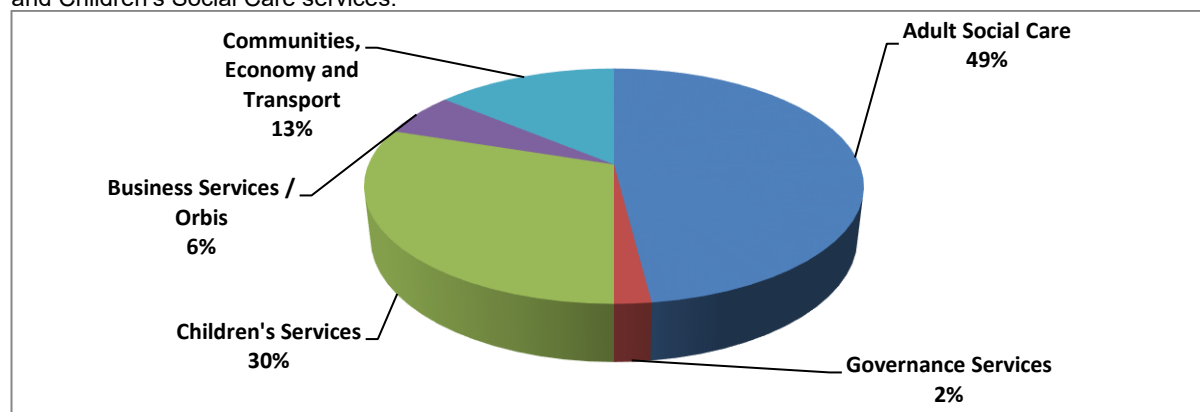
The analysis of revenue expenditure provided is for budgetary comparison purposes and reconciles to the analysis contained in the Expenditure and Funding Analysis (EFA) on page 63. The table below sets out the revenue budget for 2024/25 using the standard management reporting format and how these compare with outturn:

Departments	Current Budget	Actual Outturn	Variation
	£m	£m	£m
Adult Social Care	261.47	271.46	9.99
Public Health	-	-	-
Governance Services	9.24	9.15	(0.09)
Children's Services	146.99	160.64	13.65
Orbis	3.79	3.79	-
Business Services	26.96	26.56	(0.40)
Communities, Economy and Transport	72.87	71.58	(1.29)
Service Spend	521.32	543.18	21.86
Corporate Budgets	20.05	13.46	(6.59)
Debt Impairment	-	0.75	0.75
Transfers to/from Reserves	(15.45)	(23.05)	(7.60)
Treasury Management	11.08	8.48	(2.60)
Net Expenditure	537.00	542.82	5.82
Financed from:			
Revenue Support Grant	(4.35)	(4.35)	-
Social Care Grant	(56.71)	(62.10)	(5.39)
Service Grant	(0.48)	(0.52)	(0.04)
Business Rates	(101.36)	(101.75)	(0.39)
Council Tax	(373.55)	(373.55)	-
New Home Bonus Grant	(0.55)	(0.55)	-
	(537.00)	(542.82)	(5.82)
Balances:			
Opening	10.00	10.00	
Added / (withdrawn) during the year	-	-	
Closing	10.00	10.00	

Narrative Report

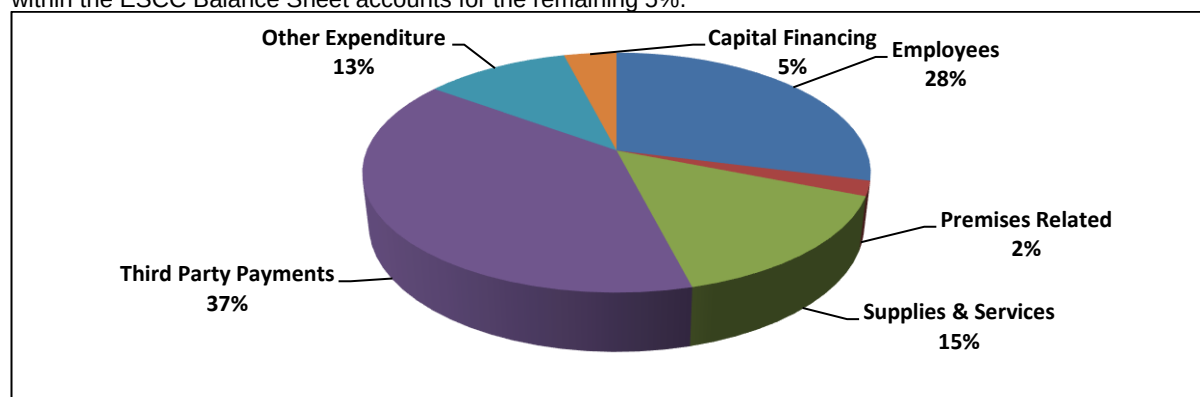
How much was spent on the revenue account – by service

The Council services expenditure is presented in the chart below, and shows that 79% of total service spend was spent on Adults and Children's Social Care services.



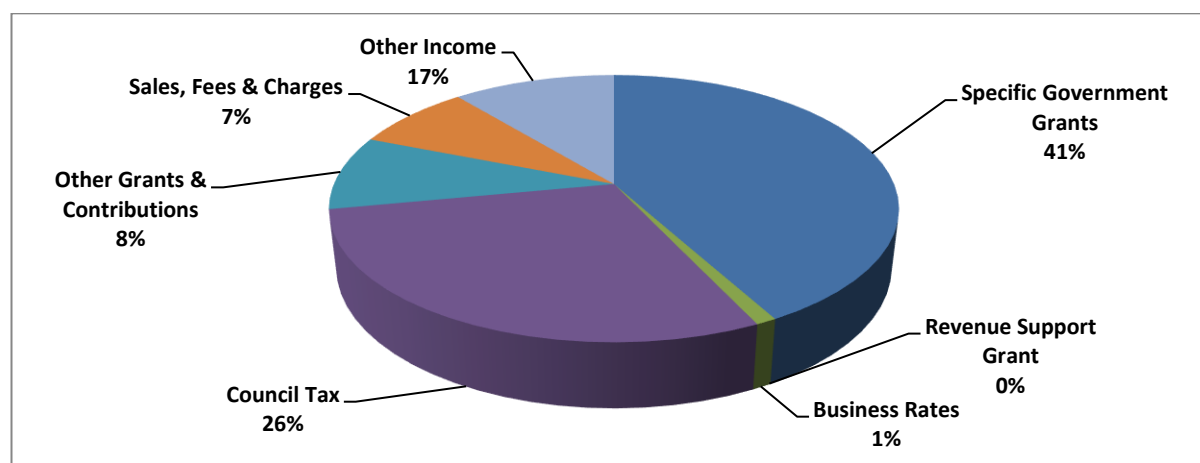
What the money was spent on – by expenditure type

County Council services are staff intensive and employee costs account for 28% of the expenditure. Non-employee expenditure includes costs of premises at 2%, supplies and services at 15% and third party payments at 37%, with other expenditure at 13%. Capital financing (the cost of borrowing, interest and repayments) and accounting for on-going Private Finance Initiative (PFI) within the ESCC Balance Sheet accounts for the remaining 5%.



Where the money came from

The chart shows that 41% of our income came from Specific Government grants including Dedicated Schools Grant (DSG), many of which have limited flexibility for their use. 26% came from residents through Council Tax, 8% from other grants & contributions, 17% from other income including use of reserves and bank interest. Business Rates consisted of 1%, and 7% of our income came from users of our services, with Revenue Support Grant representing 0.29% of the Council's Funding.



Narrative Report

The Capital Programme

Capital expenditure represents money spent by the Council on purchasing, upgrading, and improving assets that will be of benefit to the community over many years. The approved capital budget (gross) at February 2024 for 2024/25 was £104.6m. This was further adjusted to reflect the variation at outturn (March 2025), re-profiling of budgets and approved variations in line with financial regulations and governance (detail of which is shown below).

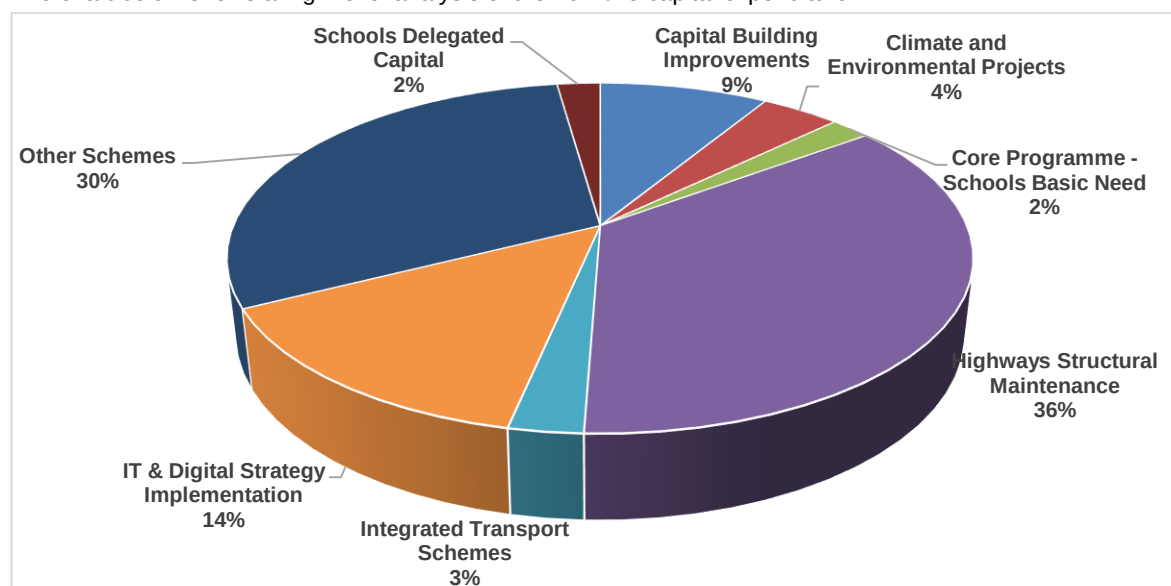
Capital Programme gross movements during 2024/25:

	£m
Budget as per February 2024	96.7
Project re-profiling following reviews	(10.9)
Approved Variations	18.9
Budget as per February 2025	104.7
Post budget approved variations	1.9
Revised Budget as per March 2025	106.6

During the financial year the capital programme is regularly reviewed and where necessary projects are re-profiled as part of the ongoing RPPR process. The revised gross budget for the end of March 2024 was £106.6m.

In 2024/25 the County Council spent £87.0m gross of which £24.9m was supported by scheme specific resources, giving a net expenditure of £62.1m. The larger schemes that took place during the year included the structural maintenance of highway infrastructure throughout the county, IT & digital strategy implementation, Youth Investment Fund works, capital building improvements, and many other improvements to schools, buildings and roads. There has been slippage across a number of projects as the programme continues to experience extended lead-in times, and where inflation and material cost increases have resulted in the pause and reassessment of a number of projects to ensure delivery within budgets, as well as other project specific factors.

The chart below shows a high-level analysis of the 2024/25 capital expenditure.



As per the approved budget at February 2025, the County Council plans to invest £130.8m in capital projects in 2025/26, funded by:

	£m
Borrowing	34.1
Scheme Specific grants and contributions	51.1
Non-specific grants	29.5
Capital reserves and revenue contributions	12.1
Capital Receipts	4.0
Total resources	130.8

Narrative Report

Non-Financial Performance

The non-financial performance of the Council is reported quarterly and the year end position for 2024/25 was reported to Cabinet on 24 June 2025. Attached below is a link to the report on the Council's website:

[Agenda Document for Cabinet, 24/06/2025 10:00](#)

Earmarked Reserves and Provisions

The financial statements also set out details of the Council's earmarked reserves, which are another essential tool to manage risk exposure and smooth the impact of major costs and unexpected events. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP Bulletin 99 - Local Authority Reserves and Balances.

It is the S151 Officer's duty to consider the robustness of the Council's budgets, the adequacy of reserves and the general fund when they are set annually. This consideration is summarised in the annual Robustness Statement which is published as part of RPPR. The Council's reserves policy supports the Council's strategic agenda and corporate cross cutting priorities, and in particular:

- Ongoing demand in both adults and children's social care
- The impact of enduring inflation that, while lower than recent years, remains above target
- Increases in the National Living Wage and changes to employer's national insurance contributions that impacts social care provision costs
- Investment required to replace the council's ERP system
- Increase borrowing costs due to higher interest rates
- Uncertainty over future funding from Government and the outcome of Funding Reform
- Upfront costs associated with Local Government Reorganisation

Reserves are the only source of financing available to fund risks and one-off pressures over a number of years. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is increasingly limited.

Details of the Council's earmarked reserves can be found on page 69, Note 10 to the Accounting Statements.

The level of the general fund is consistent with the overall financial environment and the key financial risks faced by the Council. This risk assessment is formally carried out at least twice annually and takes account of circumstances at the time. The Council's general fund balance of £10.0m at the year end plus general contingency of £5.3m is in line with the target minimum level of 2.5% (actual 2.84%) of the net revenue budget set by the Council.

In calculating the level of provisions, the Council exercises judgement; they are measured at the Council's best estimate of the costs required to settle obligations at the Balance Sheet date. The level of the Council's provisions is set out in Note 23.

Future Years

The General Fund balance of £10.0m is a minimum general balance which, whilst it remains lower proportionately than a lot of other authorities, is considered adequate on the basis that an in-year budgeted general contingency is also held. Should the General Fund Balance have to be used, the Council would have to consider how this could be topped back up to an adequate level to manage future years' risks. The general contingency for 2025/26 is £5.7m and will be used in the first instance to cushion the impact of pressures in-year. Any unused balance will be transferred to strategic reserves at the end of the financial year, in line with the approved reserves policy.

Strategic, Service and Other earmarked reserves held at 31 March 2025 totalled £78.6m. Of this, £25.5m is statutorily ringfenced for others bodies (e.g. Public Health and schools), £9.1m relates to future funding for the capital programme, £19.8m to meet the estimated future costs of managing the Private Finance Initiative (PFI) waste facility, and £7.7m to mitigate specific risks around insurance liabilities.

Within the opening balances of the strategic Financial Management and Transformation Reserves, £11.3m is considered to be available for any unforeseen budgetary pressures, noting that its use would impact on the Authority's MTFP: firstly the reserve would need to be built up again, thereby adding an additional budget pressure; secondly, if the reserve is not available to support the development and investment in services then this would place additional burdens on the future financial viability of the authority.

In presenting a balanced budget for 2025/26, £11.4m of service specific reserves were used. In setting a balanced budget for 2024/25, the Council undertook a planned draw of £14.3m from strategic reserves, and a further draw of £7.6m was required to cover the projected overspend in 2024/25. The impact of the draws in 2024/25 and 2025/26 to balance the budget has reduced useable reserves to levels whereby managing any emergent pressures in 2026/27 will be financially unsustainable.

The Council does not hold large balances for capital receipts or unapplied capital grants, and any balances have a planned use.

Whilst the level of reserves is considered adequate to enable the council to set a balanced position in 2025/26, strategic reserves are projected to reduce to £4.5m by 2029, which is unsustainable and underlines the need for actions to be taken if government

Narrative Report

funding is not forthcoming. The use of reserves in this way means the council has had to abandon its usual approach of maintaining reserves to help future proof Council services from unforeseen risks and contributes to the Council's unsustainable financial position.

Financial Challenges for 2025/26 and beyond

At a national level, 2025/26 saw the final 1-year Local Government Financial Settlement (LGFS) before the outcome of the government's Funding Review, Business Rates Reset and the detail behind the Comprehensive Spending Review, which are taking place during 2025 and will determine the 2026/27 multi-year settlement. At this stage, the impact on ESCC's funding is unknown, although there is concern that the government's stated focus on deprivation will see a shift in funding towards urban areas in the North and Midlands, away from rural counties in the Southeast.

The 2025/26 LGFS saw an increase in grant funding to the Council, including a £8.9m increase in the Social Care Grant and a £1.5m allocation of Children's Social Care Prevention Grant. However, there was the loss of £0.5m Services Grant, plus the Council did not receive an allocation from the new £600m Recovery Grant, where allocations were specifically targeted to meet need and deprivation, particularly in non-shire authorities.

The Council has recognised recent service pressures in Adult Social Care and Children's Services and invested an additional £54.9m in service budgets for 2025/26. Despite this investment, the risk of overspends remains due to enduring inflation, rises in the National Living Wage and unfunded employer's national insurance contributions for providers, and ongoing demand for care – particularly in looked after children, home to school transport and adult's with social care needs.

At a local level, East Sussex has a much older age profile compared to England and the South East. 26% of the county's population is aged 65 or over, compared to 19% in England and 20% regionally. 3.9% of the population is over 85 years old, compared to 2.8% in the South East and 2.5% nationally.

In East Sussex there are 329 LSOAs, 22 are in the most deprived 10% nationally, 16 of these are in Hastings, four in Eastbourne, and two in Rother. 21 Lower Super Output Areas (LSOAs) are in the least deprived 10%, 13 are in Wealden, six in Lewes, and two in Eastbourne. People living in more deprived areas often face multiple challenges and therefore may be more likely to access Council and other public services. Deprived LSOAs are characterised by poorer health and disability, lower skills, educational disadvantage, higher crime and drug misuse.

73.1% of the East Sussex working age population (age 16-64) were in employment between April 2022 to March 2023. This was lower than the national average of 75.7% and the average across the South East of 78.0%.

As a result of all of these pressures, the additional funding was not at a level sufficient to fund the investment, and the Council still required a significant draw on reserves of £11.4m in 2025/26.

The table below sets out the investment for 2025/26:

Summary of Budget Growth and Funding 2025/26	2025/26 (£m)
Non-Pay Inflation	25.1
Pay Awards	6.4
Service Investment:	
Adult Social Care	7.5
Children's Services	9.4
Other service budgets	4.9
Other corporate budgets	1.6
Total Budget Growth	54.9
Council Tax	(25.8)
Business Rates	(0.5)
Government Grants	(15.3)
Total Additional Funding	941.6
Annual Budget Deficit	13.3
Deficit carried forward from 2024/25	14.3
Total Budget Deficit	27.6
New savings delivered in 2024/25	(2.7)
New savings 2025/26	(13.5)
One-off use of reserves	(11.4)
Budget Deficit After Savings and One-Off Use of Reserves	0

Narrative Report

Looking ahead, there remains a significant gap between the income we currently expect to receive and the costs of providing core services, with significant additional risk arising from Adult Social Care and Children's Services. Fundamentally, without significant additional funding in the 2026/27 multi-year settlement, we will not have the financial resources we need for the future and impacts on services and our residents will continue to be felt.

In addition to funding uncertainty and demand pressures, there are a number of national policy initiatives that will have an impact on ESCC. The English Devolution White Paper will see the potential creation of a Mayoral Combined County Authority (MCCA) for Sussex. Local Government Reorganisation will change the structure of councils within East Sussex, with associated opportunities and risks for the Council and the county. Other initiatives include: children's social care and education reforms; the Casey Commission into social care for adults; and significant policy developments related to planning, infrastructure and transport. All of these reforms will require a significant local response.

As part of the Comprehensive Spending Review 2025, the government announced transformation funding for local authorities and a 2.6% real terms increase in Core Spending Power for councils over the spending review period. However, the majority of this increase will be funded via annual increases in council tax passed onto residents and, notwithstanding any risk to ESCC of funding reform, the scale of the increase is not enough to address the current financial pressures facing ESCC.

At the time of publication, the government has launched its next consultation paper on funding reforms, known as Fair Funding 2.0. The relative needs formulae (RNFs) used to assess each authority's relative needs have been updated and proposals have been issued to simplify the funding framework for local government. Indications are that the needs of shire counties have to some degree been reflected in the new RNFs and the proposals reflect a shift of funding towards counties. The indicative figures show ESCC will receive an increase in its needs assessment of 5.3% compared with the current RNFs. However, funding allocations will be subject to a resources adjustment, not published as part of the consultation, which will account for differing ability to raise Council Tax. This means that ESCC may not gain from the reforms once the settlement is announced towards the end of this year. The outcome of the business rates reset (BRRS) is also still awaited, which will also impact on ESCC's funding for 2026/27 and beyond.

In order to set a balanced budget in future years, the Council is working internally to explore a range of solutions, including use of reserves, income maximisation, further savings and applying for Exceptional Financial Support (EFS). As the Ministry of Housing, Communities and Local Government (MHCLG) look to the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide assurance for any EFS requests, ESCC have commissioned CIPFA to undertake the required financial assurance review in anticipation of having to approach MHCLG for EFS and the review is underway at the time of publication of these accounts. We also continue to lobby government to make the case for a sustainable financial settlement that deals with the demands faced by ESCC.

For the Capital Programme, there remain challenges in price pressures and uncertainty around the level of government grants and other sources of capital programme funding such as developer contributions, which alongside a volatile interest rate environment, could significantly increase the cost of borrowing to fund the capital programme, increasing pressures on the Council's revenue budget in an already challenging financial environment. During 2024/25 a thorough review of the programme was undertaken to significantly reduce expenditure on projects funded through borrowing and the resulting impact of the cost of financing borrowing the revenue budget.

All these factors, alongside the underlying demographic and economic factors of the county, combine to create the volatile and highly challenging backdrop against which we must plan for the future.

Climate Change

In October 2019 the County Council declared a climate emergency and its latest corporate climate emergency action plan, covering 2025/26, is embedded in the Council Plan and relevant departmental Portfolio Plans. The action plan commits to reducing the County Council's corporate carbon emissions by 13% per year, which is a science-based reduction target, with the aim of reaching net zero by 2050, at the latest.

In 2021-22 the County Council agreed funding of an additional £9.9m to reduce corporate carbon emissions. In February 2025 the County Council decided that, because of its challenging financial position, it could no longer afford to have a dedicated climate change budget. The table below provides a summary of actual spend to date and forecast spend to the end of March 2026. The spend identified for 2025/26 is to complete projects that were started before new expenditure on climate change capital projects was stopped in July 2024.

Narrative Report

	2021/22 actual £'000	2022/23 actual £'000	2023/24 actual £'000	2024/25 actual £'000	2025/26 estimate £'000	Total estimate £'000
Capital:						
LED lighting schemes	38	196	16	19	-	269
Solar PV schemes	6	488	1,066	383	19	1,962
Heat decarbonisation schemes	20	644	1,761	1,634	266	4,325
Revenue:						
Salaries	-	56	181	237	129	603
Training	1	32	11	2	-	46
Consultancy	3	5	107	73	-	188
Total	68	1,421	3,142	2,348	414	7,393
Funding Available:						
Allocated budget - capital & revenue						6,063
Grants						1,330
Total Funding Available						7,393
Remaining Funding						0

The corporate Climate Emergency Plan identifies that the budget for 2025/26 will cover the cost of completing solar PV panels on roofs and decarbonisation of heating. Modelling completed in 2022 by an independent specialist asset management and construction consultancy confirmed that investing in this combination of interventions represents the most effective use of resources to cut carbon at least cost.

Corporate carbon reduction will continue through business-as-usual activity, notably through our procurement processes and our property and fleet maintenance investment.

The accounts have been prepared based on current accounting standards. The risks associated with climate change, whilst it may be argued are being felt now, are longer term and are not reflected in these accounts.

Treasury Management Borrowing Facilities and Investment

The strategy for 2024/25, agreed in February 2024, was set against a background of market uncertainty and a prudent approach was taken with all investments. The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the capital programme and revenue budget. As will be clear from the current global events, it is impossible in practical terms to eliminate all credit and market risk. This Council seeks to be as prudent as possible.

This Council has always adopted a prudent approach on its investment strategy and, in the last few years, there have been changes to the list of the approved organisations used for investment of short-term surpluses. This list is regularly reviewed to ensure that the Council is able to invest at the best available rates consistent with low risk. The organisations are also regularly monitored to ensure that their financial strength and low risk has been maintained.

The average level of funds available for investment purposes during 2024/25 was £185.6m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. It must be noted that the level of cash balances has fallen in recent years due to the financial challenges faced - reducing by 43% in 2024/25.

The total amount received in short term interest and dividends for the twelve months to 31 March 2025 was £9.8m at an average rate of 5.26%.

Investment returns were stable during the year, above the prevailing Bank of England (BoE) interest rate and subsequent cuts from 5.25% at 1 April 2024 to 4.50% at 31 March 2025. During the year the authority reduced balances in liquidity accounts and funds to support both cashflow and to take opportunities to secure a positive level of return into 2025/26. This was achieved by lending to other Local Authorities and select banking names for a duration of up to 12 months, a fall in the BoE base rate is anticipated at steady intervals to 31 March 2026.

At 31 March 2025, the majority of the Council's external debt was held as long-term loans (£207m). No additional longer-term borrowing was undertaken during 2024/25, where the strategy has been to maximise the use of internal reserves to fund the Council's capital financing requirement during a time of relatively high interest rates.

Capital expenditure levels, market conditions and interest rate levels will continue to be monitored in order to minimise borrowing costs over the medium to longer-term and to maintain stability. Given the on-going financial challenges to local government, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Narrative Report

The authority manages cashflow daily with a high level forecast out to 30 November 2026. This is reviewed daily from an estimate to actual and updated for all known material items of income and expenditure.

The Ministry for Housing, Communities and Local Government (MHCLG) requires Councils to set aside 'prudent' provision for the repayment of debt where they have used borrowing arrangements to finance capital expenditure (historic and current) but allows certain flexibility as to how this is calculated.

The authority has a steady debt and investment maturity profile, but when cashflows are forecasted on a downward trend investment notice accounts can be redeemed to support the authority's daily activity. In addition, any 'pinch points' can be funded through short term borrowing in the local authority market, an approved method of borrowing. In the near-term surplus balances are kept liquid but opportunities are taken within the parameters of the investment strategy to support expenditure and any reduced income profile. This is also undertaken following the fundamental principles of security, liquidity and then yield in this current economic climate.

East Sussex Pension Fund

In line with the accounting standard IAS19, the Council's net liability for future pension payments, as shown in the Balance Sheet, has decreased by £5.3m from £40.0m at the start of the year to £34.7m at 31 March 2025. Note 42 to the accounting statement provides detailed information. The resultant impact on the CIES is a net credit of £14.4m to reflect the present value of the defined benefit obligation and, following the Actuarial remeasurements, a net Actuarial loss on pension assets and liabilities of £9.1m.

The explanations for this change in Actuarial remeasurement are as follows:

- Since assessing liabilities for retirement benefits at 31 March 2024, discount rates have increased and future inflation assumptions have remained fairly constant which will have improved the balance sheet position as at 31 March 2025. This change in the real discount rate over the year along with revised financial and demographic assumptions has resulted in a decrease in the liabilities measured at today's prices of around £214.6m
- Asset returns on the Fund in the year to 31 March 2025 were not as high as expected for the Council, which decreased the balance sheet position by £58.4m.
- In applying an asset ceiling adjustment under IFRIC 14 to adjust for the value of the asset that cannot be realised by the Authority either through refunds or by reducing future employer contributions, there was a reduction to the asset value of £165.3m.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities is approximately £1,313.7m in respect of employee members, deferred pensioners and pensioners as at 31 March 2025. There is also a liability of approximately £34.7m in respect of LGPS and Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

In November 2024 the government published a consultation entitled "Local Government Pension Scheme: Fit for the Future". As part of this the ACCESS Pool was requested to provide a proposal to Government on how it would meet the requirements set out in consultation at the end of February 2025. The government indicated that it did not support ACCESS's February proposal and invited each ACCESS Authority to identify which pool they wish to partner with going forward. This will require the East Sussex Pension Fund to consider its pooling arrangements during 2025 and work to move its assets across to a new LGPS pool provider.

The Balance Sheet

Despite the challenges, the Council continues to maintain a strong balance sheet -

At 31 March 2024 £m		At 31 March 2025 £m
1,021,490	Long Term Assets (including Property, Plant & Equipment)	1,047,259
336,410	Current Assets (including debtors and short term investments)	235,446
(197,162)	Current Liabilities (including creditors and bank overdraft)	(163,660)
(333,862)	Long Term Liabilities	(371,178)
826,876	Net Assets	747,867
<u>Represented by:</u>		
192,949	Usable Reserves	134,381
633,927	Unusable Reserves	613,486
826,876	Total Reserves	747,867

The main changes to the balance sheet in 2024/25 are a decrease in useable reserves of £58m matched by a corresponding decrease in short term investments shown within current assets.

Academy Schools – seven schools are expected to convert to Academy status in 2025/26. Six are already off balance-sheet due to being Voluntary Aided and Foundation schools, whereas the net book value of property, plant and equipment of the remaining one will be written out of the Council's balance sheet at the date of conversion. The net book value included within the balance sheet at 31 March 2025 is £3.319m.

Narrative Report

Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). To make the document as useful as possible to its audience and make meaningful comparisons between authorities the Code requires:

- All Statements of Accounts to reflect a consistent presentation;
- Interpretation and explanation of the Statement of Accounts to be provided; and
- The Statement of Accounts and supporting notes to be written in plain language.

This Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Narrative Report - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2024/25;
- The Statement of Responsibilities which details the responsibilities of the Council and the Chief Finance Officer (S151 Officer) concerning the Council's financial affairs and the actual Statement of Accounts;
- The Independent Auditor's Report to the Council – this is provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit;
- Annual Governance Statement – the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2024/25. However, any significant events or developments that occur between 31 March 2025 and the date on which the Statement of Accounts is signed by the Chief Finance Officer must also be reported;
- The Core Accounting Statements comprise:
 - ~ *The Comprehensive Income and Expenditure Statement (CIES)* – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year.
 - ~ *The Movement in Reserves Statement (MiRS)* – this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure and mitigate the risk and impact of unplanned events) and other reserves.
 - ~ *The Balance Sheet* – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
 - ~ *The Cash Flow Statement* – this summarises the changes in cash and cash equivalents of the Council during the reporting period.
- The Accounting Policies Note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements;
- The Notes to the Accounting Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view;
- The Pension Fund Accounts – the East Sussex Pension Fund is administered by the Council; however, the Pension Fund must be completely separate from the Council's own finances. This statement is an extract from the Pension Fund Annual Report and summarises the financial position of the East Sussex Pension Fund, including all income and expenditure for 2024/25, together with assets and liabilities as at 31 March 2025; and
- A glossary to the Statement of Accounts is also included to help to make what is ultimately a technical accounting document more understandable to the reader.
- These accounts were prepared using SAP, the council's previous accounting system. On 17 April 2025 the council began using Oracle as its core accounting system.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2024 and applies for accounting periods commencing on or after 1 April 2024. The key accounting changes principally introduced by the Code in 2024/25 are:

- a) IFRS 16 Leases issued in January 2016
- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.

Narrative Report

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

Under the Code, the Authority is required to disclose details on the impact of an accounting change required by new accounting standards that have been issued, but not yet adopted, by the Code, these are shown in Note 3 on page 59.

The Council's Stewardship, Responsibilities and Financial Management Policies

The Council deals with considerable sums of public money. The Council's Financial Regulations provide the framework within which financial control operates. To conduct its business efficiently, a council needs to ensure that it has sound financial management and procedures in place and that they are strictly adhered to. Strict compliance with these policies ensures that the Council's policy objectives are pursued in a prudent and efficient way. These Financial Regulations provide clarity about the accountability of individuals – Cabinet; Members; the Chief Executive; the Monitoring Officer; the Chief Finance Officer and Service Directors.

There are five key areas covered by the Financial Regulations. These are:

1. General financial management and planning;
2. Accounting and audit arrangements;
3. Control of resources (finances, staffing, systems and contracts);
4. Banking, treasury, investment, and insurance; and
5. External arrangements.

These Financial Regulations link with other internal regulatory documents forming part of the County Council's Constitution, including Standing Orders, Standard Financial Procedures and Departmental Guidance and Procedures. This Statement of Accounts is part of that stewardship process, i.e. the process for being publicly accountable for the collection and application of public money. The responsibilities of the Council and its designated Chief Finance Officer are set out in the Constitution.

The Annual Governance Statement, which accompanies this Statement of Accounts, covers more than just financial matters and is set out in full on pages 22 – 37.

Our financial framework relies on the quality of the financial systems of the Council. There is a commitment to continually seek to improve systems to ensure information is available in an accessible and timely manner and that key financial processes are managed efficiently and economically.

The Audit Opinion

The 2024/25 Audit Opinion and Certificate is available on pages 18 – 21.

After the audit is finished the auditor will issue a certificate of completion.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer – Section 151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts, which include the accounting statements for East Sussex Pension Fund.

The Responsibilities of the Chief Finance Officer – Section 151 Officer

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authorities (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2025.

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the Council's financial position and its income and expenditure for the year ended 31 March 2025.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

xx February 2026

Independent Auditor's report to East Sussex County Council

Report on the audit of the financial statements

TO FOLLOW

TO FOLLOW

TO FOLLOW

TO FOLLOW

Annual Governance Statement for year ended 31 March 2025

East Sussex County Council Annual Governance Statement 2024/25

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2024 to 31 March 2025.

A summary of assurance is given for each of the seven principles on which the Statement is based.

The Purpose of the Governance Assurance Framework

1. East Sussex County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
2. In discharging this overall responsibility, County Councillors ('Members') and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Local Code of Corporate Governance (the 'Local Code'), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website and is set out in Annex C. This Statement also sets out how the Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.
3. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.
4. The Local Code can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally, the Council's system of internal control is designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.
5. The Local Code and the system of internal control have been in place at the Council for the year ended 31 March 2025 and up to the date of the approval of the statement of accounts.
6. The 'Best value standards and intervention: a statutory guide for best value authorities' has been considered as part of producing the Annual Governance Statement. The Council's arrangements for monitoring performance ensures that recommendations for improvements are implemented. The targets set out at Annex E demonstrate the ongoing continuous improvement across all of the best value themes, which will be delivered at pace.
7. The East Sussex County Council Framework for the Annual Governance Statement is set out at Annex D.

Review of effectiveness

8. The Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:
 - the work of Members through the Cabinet, Committees (including Governance Committee, Standards Committee, Audit Committee, Scrutiny Committees) generally and the full Council;
 - the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
 - the work of the Chief Executive, Monitoring Officer, Chief Finance Officer and the Statutory Officers Group (SOG);
 - the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;

Annual Governance Statement for year ended 31 March 2025

- the work of the internal audit service including their quarterly progress reports, ongoing action tracking arrangements and overall annual report and opinion;
- the external auditors in their audit annual letter and annual governance report; the judgements of a range of external inspection and other statutory bodies including the Local Government and Social Care Ombudsman, the Care Quality Commission and the Office for Standards in Education.

Key elements of the governance and internal control environments

9. The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:
- a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
 - an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
 - a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
 - regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
 - established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
 - financial management structures which promote ownership of financial issues within service departments;
 - compliance with CIPFA's Statement on the Role of the Chief Finance Officer;
 - the Council's constitution which sets out clear arrangements for decision-making, scrutiny, communication and the delegation of powers to officers and Members;
 - codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
 - a clear framework for financial governance based on Procurement and Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
 - a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
 - Member committees with clear responsibilities for governance, audit and standards;
 - established arrangements for dealing with complaints and whistleblowing, and combating fraud and corruption;
 - schemes for identifying the development needs of Members and officers, supported by appropriate training;
 - strategies for communication and consultation with the people of East Sussex and our key stakeholders;
 - clear guidance that promotes good governance in our partnership working;
 - a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

The Governance Assurance Framework Principles

10. There are seven principles and sub-principles of Corporate Governance adopted by the Council, as set out below. Assurance for how they are met is provided in the text below each principle in this Statement. Whilst descriptions of how the principles are met are included in each section, this Statement should be viewed in its entirety as there is overlap between the principles and how they are met. Further work to be done is highlighted and set out at Annex E.

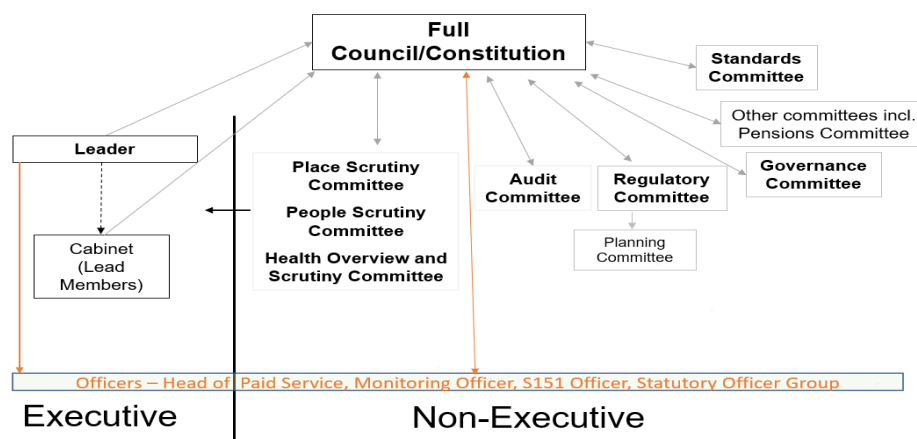
Principle	Description of Principle
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimize the achievement of the intended outcomes.
E	Developing the entity's capacity including the capability of its leadership and the individuals within it.

Annual Governance Statement for year ended 31 March 2025

Principle	Description of Principle
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The County Council's Governance Framework

11. The governance framework covers the allocation of functions, the rules for how they are carried out and the mechanisms for tracking that this happens correctly. The relationship of responsibilities is shown here:



Section A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Assured

The Council has high standards for sound governance as set out in law and government guidance. It promotes a culture of compliance.

The Council's codes of conduct set out expectations and requirements for behaving with integrity for both Members and officers. Action was taken to promote these and provide assurance that they continue to be implemented fully and correctly.

12. The Governance Committee oversees the democratic arrangements of the Council and reviews and advises Full Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require Members and officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.
13. Part 5 of the Constitution contains the Code of Conduct for Members. A parallel Code of Conduct for officers sits in the suite of employee policies. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability, such as the Equality of Opportunity and Diversity Policy Statement. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies.
14. The statutory roles of the Chief Finance Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making as part of the Corporate Management Team, as well as being signatories to all key and other significant decisions.

Annual Governance Statement for year ended 31 March 2025

15. The codes of conduct define the standards of behaviour for Members and officers. All Members undertake training on the Member Code of Conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct. All Members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations, and it is a standing item on all formal meeting agendas for both officers and Members. In relation to the appointment of Members to outside bodies, the Council will avoid structural conflict of interests where possible.
16. In light of proposals for devolution and local government reorganisation announced by the Government, in March 2025 the Monitoring Officer granted (pursuant to power set out in the Council's Scheme of Delegations and the Code of Conduct for Members) dispensations to enable County Councillors to participate fully, speak and vote on any business of the Council relating to these matters, notwithstanding the existence of a relevant Disclosable Pecuniary Interest and/or other prejudicial interest.
17. The Council has a whistleblowing policy to offer a route for challenges to processes or actions within the Council where complainants need confidentiality. The use and effectiveness of the policy is overseen by the SOG made up of the Chief Executive, Monitoring Officer, Chief Finance Officer, Chief Internal Auditor, Assistant Director for HR, and the Chief Operating Officer.
18. A system for recording officer interests, including gifts and hospitality, is in place and kept under review. All employees are required to complete a declaration of interests (DOI) on an annual basis, or more frequently where their circumstances change, whether there is a potential conflict present or not. A project was undertaken to redevelop the DOI system on a new SharePoint platform to allow for current functionality to remain, whilst providing a new look and feel to aid usability. Independent audit advice was provided through working groups in respect of the new system and limited testing to assess the extent to which the system operated effectively was conducted. The Internal Audit team found that the new system worked as expected and that there were no significant control issues. The system was subsequently implemented in October 2024.
19. The Council's Procurement and Contract Standing Orders (PCSOs) and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Chief Operating Officer, Monitoring Officer, and Chief Finance Officer in consultation with the Governance Committee. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made.
20. From 24 February 2025 the Procurement Act 2023 replaced the Public Contracts Regulations 2015, with a transition period for the management, extension or modification of any contracts that were awarded under the previous legislation.
21. Key changes within the Procurement Act 2023 include greater focus on small and medium enterprises and the voluntary, community and social enterprise sector; increased importance placed on contract management; embedding transparency throughout the contract lifecycle; changes in procurement procedures; a requirement to publish a procurement pipeline of opportunities over £2M with a minimum of 18 months forward look; and a requirement for public bodies to have regard for the National Procurement Policy Statement. To ensure that the Council's PCSOs remain up to date and fit for purpose Full Council agreed revised PCSOs on 20 March 2025..
22. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations needing the agreement of the Leader of the Council (for executive functions) or the Governance Committee (for non-executive functions).

Section B: Ensuring openness and comprehensive stakeholder engagement

Assured

The Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership.

Consultation and engagement mechanisms are in place and are used effectively.

The Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency.

Decision-making and Scrutiny

23. The Council is the principal decision-making body and forum for political debate. All Council meetings take place in public and are webcast. The Council sets the strategic aims that form the Policy Framework and determines the Council's budget following a well-developed process of Member engagement and scrutiny.
24. The Executive (Cabinet) takes decisions on most matters of Council policy and service delivery. The non-executive responsibilities of the Council are discharged through its non-executive committees as described in the Constitution. The Council appoints Members to Scrutiny Committees, by which Cabinet is held to account through Member overview and scrutiny. Scrutiny Committees are politically proportionate. Chairs and Vice-Chairs are appointed by Full Council. Influential scrutiny is achieved by ensuring the Scrutiny Committee's involvement in the Reconciling Policy, Performance and Resources (RPPR) process and having significant decisions or proposals previewed. Proposals may also be called in for scrutiny after a decision has been proposed in final form. The Council has determined that all Scrutiny Committee meetings take place in public and be webcast. An overview and summary of the work of the Scrutiny Committees is reported to the Governance Committee on a 6 monthly basis.
25. The Forward Plan describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by Scrutiny Committees to help plan business. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by, and engagement with, all Members.
26. Decision-making operates with a presumption of openness. Cabinet, Lead Member and committee meetings are held in public. Members of the public can subscribe to email updates on Council committee meetings in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings, unless considered exempt from publication, are published at least five clear working days in advance – exceptions are explained in public documents.
27. Decisions and agendas are held on the Council's website. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas, and minutes. Members and staff have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan). Key decisions taken under special urgency provisions (as set out in the Constitution) are reported to the Council. The report to the Council includes a summary of the decisions taken under these provisions.
28. To retain the benefits identified through remote meetings, the Council has agreed the following measures, which are permitted under existing legislation:

Full Council – All Council Members must attend in person.

Cabinet – all Members of the Cabinet must attend in person. Officers and other Members (including opposition spokespersons and local Members), as well as petitioners are permitted (with the agreement of the Chair) to attend and speak remotely.

Planning Committee – All Members of the Committee must attend in person. Officers and members of the public or local Members making representations are permitted to attend remotely.

At the Council's **Panels and Committees** (including Governance Committee, Pension Committee, Scrutiny Committees, Audit Committee and Health and Wellbeing Board) – Committee and Panel Members must be present in person (unless legally permitted to attend remotely). Other participants, including officers and advisors, may attend remotely.

Pension Board – may be wholly remote or a hybrid meeting with some Members present physically and others remotely at the Chair's discretion.

29. Lead Member decisions are not subject to the same legislation that applies to the majority of Council and committee meetings (i.e., that requires the Members of those committees to meet in person). The Council agreed that Lead Member decisions can continue to be made remotely on an ongoing basis, subject to the discretion of the Lead Member to hold a physical meeting if preferred. Other Members, with the agreement of the Lead Member, are able to attend and speak virtually at Lead Member meetings, whether the meeting itself is a remote or a physical meeting. All Lead Member meetings held remotely are webcast to facilitate public access and provision is made at County Hall for those members of the public who may not have access to the webcast to be able to watch it.
30. In October 2024, the Ministry of Housing Communities and Local Government launched a consultation on introducing powers for local authority members to apply for a dispensation to attend formal meetings remotely. The consultation also sought views on potential implementation of proxy voting provisions; this would allow councillors to designate another member of the Council to vote on their behalf when they are unable to attend a meeting either in person or remotely.

Annual Governance Statement for year ended 31 March 2025

31. On 13 November 2024, the Governance Committee agreed to submit a response to the Government's consultation on remote meetings and proxy voting. The Committee supported the proposed introduction of remote meetings but did not support proxy voting. The consultation ended on 19 December and government are in the process of analysing feedback.
32. Communication to the public is via the Council's website, in public meetings, and through social media. The Council's corporate website meets legal requirements to ensure content is accessible to as many people as possible.

Stakeholders and Partnership

33. The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior officers in the district and borough councils. Following the Council's successful application onto the Devolution Priority Programme, the Council is working closely with Brighton and Hove City Council, West Sussex County Council and the local District and Borough Councils on the Government's proposals relating to Local Government Reorganisation and Devolution.
34. There are also regular meetings of all the leaders of the Councils (East Sussex Joint Leaders Meetings), to discuss issues of common interest and regular meetings of all chief executives, including the Chief Fire Officer, Chief Superintendent and the Chief Executive of East Sussex College Group (East Sussex Chief Executives Group). The Leader and Chief Executive of the Council are members of the East Sussex Strategic Partnership, which brings together public services, local businesses, community groups, and Voluntary, Community and Social Enterprise (VCSE) sector organisations to work together in a co-ordinated way to plan local services, tackle issues that matter to residents, and improve quality of life in East Sussex.
35. Regular meetings with other partners are held at various levels between officers to oversee operational, commissioning and service planning. For several years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services, principally through the Better Care Fund.
36. The Sussex Integrated Care System (ICS) is made up of two statutory bodies; the Sussex Health and Care Assembly (the Integrated Care Partnership) and the NHS Sussex Integrated care Board (ICB). The Sussex Assembly is a joint committee formed by the NHS Sussex ICB with East Sussex County Council (ESCC), West Sussex County Council (WSCC), and Brighton & Hove City Council (BHCC). The Leader of the Council is a member of the Sussex Assembly (the ICP) in his role as Chair of the East Sussex Health and Wellbeing Board (HWB), the principal forum for health and social care liaison and partnership in East Sussex. In September 2024, a new Independent Assembly Chair was formally appointed and is hosted by ESCC. The Chair has worked closely with the NHS Sussex ICB Chair and all three Local Authority members to plan meetings and agendas in advance of meetings. NHS Sussex has continued to publish the agendas, papers and meeting recordings on the Sussex Health and Care website. By agreement of the Chief Executives of each of the Councils, the three upper tier Councils in Sussex (namely East Sussex County Council, West Sussex County Council and Brighton and Hove City Council) are represented on the NHS Sussex Integrated Care Board (the ICB) by the ESCC Director of Adult Social Care and Health, the WSCC Director of Children's Services and the BHCC Director of Public Health. Each Officer provides a collective view from their professional peers drawn from across all three councils, and this alternates on a timely basis.
37. The 5-year Sussex Integrated Care Strategy 'Improving Lives Together' was approved by the Sussex Assembly in December 2022 which sets out our shared ambition for a healthier future for everyone in Sussex over the next five years. In line with the NHS England Joint Forward Plan guidance, the supporting 5-year Sussex Shared Delivery Plan (SDP) was developed and agreed by all system partners in July 2023, and covers areas for immediate, continuous and long-term improvement, as well as shared priorities specific to each of the three statutory Health and Wellbeing Boards and their populations in Sussex. Joint work takes place with the NHS on a pan-Sussex and Place (East Sussex) level which contributes to a range of service improvement objectives for the benefit of the East Sussex population. The SDP was refreshed for year 2 (24/25) and this was endorsed by the East Sussex HWB in July 2024.
38. Both the Strategy and the SDP build on our understanding of population health needs in East Sussex, and the refreshed East Sussex Health and Wellbeing Strategy 'Healthy Lives, Healthy People (2022 – 2027)'. Delivery plans reflect the HWB priorities for our population covering children and young people, mental health, community (and integrated community teams) and improving health outcomes, housing health and care and improving hospital discharge. A core principle for this joint work is that the three 'Places' (East Sussex, West Sussex and Brighton and Hove) are primary building blocks in Sussex ICS and are key to strategic leadership, commissioning, and delivery in order to achieve the best outcomes for our population. This is supported by the East Sussex Health and Care Partnership which brings together local NHS partners with the County Council, and representation from Borough and District Councils, the VCSE Alliance and Healthwatch. The Partnership is accountable to the HWB

Annual Governance Statement for year ended 31 March 2025

and is the forum for local strategic management of integration and delivery of the SDP. It also has a key role in overseeing system pressures, specific transformation programmes and the Better Care Fund (BCF) plans on behalf of the HWB.

39. To support this, the Council's HWB have agreed a programme of informal development sessions aimed at strengthening the HWB's role leading and stewarding our system working at Place through exploring a theme from our East Sussex Joint Strategic Needs Assessment. Running until February 2026, each session is designed to improve the consistency of shared knowledge and understanding about our population; generate innovation and ideas; and inform our in-year plans and co-creation of the future HWB Strategy refresh. The outputs from each session are reported and agreed at the subsequent formal HWB meeting held in public.
40. The Council has set out its commitment to working in partnership with residents, businesses, communities, the VCSE sector, and local authority partners through a number of initiatives. It has a set of partnership principles with the VCSE sector for the commitment to more effective ways of working together, building stronger alliances, and empowering joint action.
41. Local Enterprise Partnerships (LEPs) were introduced across England in 2011 as partnerships between councils, businesses and other stakeholders, focussed on driving productivity and job creation. East Sussex formed part of the South East Local Enterprise Partnership (SELEP), which also included Essex, Kent, Medway, Southend and Thurrock.
42. Following the Government's decision to discontinue funding LEPs from April 2024, SELEP took the decision to close operations, with LEP functions and responsibilities transitioning to Upper Tier Local Authorities (UTLAs) from April 2024.
43. Cabinet agreed the SELEP Transition Plan in March 2024 and approved that the Council enter into a Transition Agreement with Essex County Council (as the accountable body for SELEP) and the other SELEP upper tier local authorities to formally transfer arrangements. This Agreement was completed in May 2025.

Devolution and Local Government Reorganisation

44. The Government's English Devolution White Paper was published on 16 December 2024 and represents a wide ranging and ambitious reform and reorganisation of local government structure in all two tier areas and public services more widely. It also strengthens the previous Government's direction of travel to Mayoral Combined Authority based local devolution. In February 2025, following a combined submission from the Council, West Sussex County Council and Brighton and Hove City Council on 9 January 2025, the Government announced that Sussex would be one of six areas included in the Devolution Priority Programme (DPP), working towards establishing a Mayoral County Combined Authority on an accelerated timescale ahead of a mayoral election in May 2026. It was also confirmed that the Council's elections due to take place in May 2025 would be postponed for one year.
45. During 2025/26 the County Council will establish joint governance arrangements with Brighton and Hove City Council and West Sussex County Council to oversee and make decisions in relation to the establishment of the County Combined Authority ahead of the mayoral election.
46. In February the Minister of State for Local Government invited all two tier local authority areas to prepare plans to establish a single tier of local government in East Sussex, with an interim plan setting out progress to be submitted in March 2025 and final proposals in September 2025. The Government's invitation set out guidance to which the Council must have regard. The Council is working with its District and Borough Council partners to develop a proposal for a single unitary authority of the footprint of the current County Council.
47. This work will include communications and public engagement, finance and governance, and identifying service transformation opportunities. Following submission to Government in September the Government will consult on the proposals with a final decision expected in early 2026. Following the Government's decision, a programme of work will be established to manage the transition to any new structure, with shadow unitary elections expected in May 2027 and any new unitary authority being vested in April 2028.
48. Active Member engagement, insight and oversight, including through robust scrutiny arrangements, is critical to both the above programmes of work. In March 2025, Full Council agreed to extend the terms of reference of Place Scrutiny Committee to incorporate devolution and Local Government Reorganisation, given the weighting of potential implications towards services within the remit of Place. Place Scrutiny Committee, as the lead Scrutiny Committee, has established a joint Member Reference Group including members of both Place and People Scrutiny Committees, recognising the potential impacts on services across the Council and the need to draw on expertise from both committees. This Reference Group will meet regularly to provide oversight and scrutiny of ongoing work, . The Audit Committee will have ongoing oversight, particularly in relation to risks arising from the reforms.

Consultation and engagement in East Sussex

49. The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say over the approach and to have the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.
50. The Council uses a variety of ways to inform and engage residents and other stakeholders - publications (printed and digital), press releases and social media to keep people informed of plans or decisions, and engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms.⁵¹ The Council has developed a communications strategy to 2026 setting out how ESCC's communications are designed to support the council's priority outcomes and keep residents well informed of services, information and activities that may be useful to them.
51. Consultation and Engagement Quality Assurance is managed within departments. Services must develop projects which are robust and produce reliable valid data upon which decisions can be made.

Formal consultation

52. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation Principles guidance and, where applicable, the Council's 'Statement of Community Involvement'. Individual services are required to maintain open channels of communication with relevant stakeholder groups and representative bodies where relevant to service planning.
53. All formal public consultations and engagement projects are made accessible online using the '[Citizen Space](#)' consultation hub software. This year a range of work has been completed to improve the accessibility and ease of use of the Hub. Other formats are available on request. They are also published on the Council's News and Press Release webpages. The Council ensures compliance with the public sector equality duty when processing and securing formal key decisions, including through the Council's RPPR process. The Council has taken steps to improve robustness, consistency and appropriateness of use of Equality Impact Assessments (EqIAs), and the template documentation for key decisions now includes a prompt for officers to consider and report on Equality implications, including referring to EqIAs where these are needed. Further attention is required to ensure consistent compliance across all types of decisions.
54. The information gathered is analysed and considered as part of the decision-making process. Analysis reports and decisions are made available on the 'Committee' section of the Council's website, and the 'Citizen Space' engagement hub webpages include links to this as a means of ensuring clarity and increasing public trust in decision-making processes.
55. All elected Members, as part of their induction, were offered Equality, Diversity, and Inclusion in Leadership training to enable them to recognise the considerations that underpin fair decision-making in the Council and to ensure they can fulfil their legal obligations under the Equality Act 2010
56. The Council's Corporate Equality Board continues to champion and support the integration of equality, diversity and inclusion (EDI) in day-to-day business throughout the Council's services. Through its work, the Board helps the Council secure its vision of creating services that understand and effectively respond to our local communities and to meet its legal duties.
57. Through the Board, the Council develops and agrees an annual Equality, Diversity & Inclusion Action Plan. It defines priority cross-council functions for each year and the plan for 2025-26 was agreed in May. Key successes from the 2024-25 Plan include:
- The council's Equality Impact Assessment process has been reviewed and updated. It also now aligns with the findings of the ASC Scrutiny Review into the experiences of people who are 'seldom heard' and includes people with care experience as an additional category to consider.
 - The EDI learning offer, e-learning titles and training courses have been reviewed and refreshed. The offer continues to be updated in response to need and legislation changes. New approaches to measuring longer term impact are being assessed and trialled.
 - Improvements have been made to the Council's Consultation Hub, providing templates and guidance for staff and users of the Hub; improving accessibility of content, format and technology; improving survey clarity; and highlighting the need for plain English and accessibility options.

Annual Governance Statement for year ended 31 March 2025

- There is ongoing work to implement and evaluate changes to the Council's workplace adjustments process. Coaching workshops are being delivered to support managers. Project evaluations so far indicate high engagement and improvements in the IT adjustments process.
58. The Council continues to implement its equality objectives as part of our public sector equality duty compliance.
59. The Council has a Petitions Scheme describing how petitions from residents are dealt with by the Council. These enable a petitioner to speak with a Cabinet Member or at a committee, or to the Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the Council will or will not do in response.

SECTION C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Assured

The Council has established arrangements to define outcomes and monitor performance against agreed measures. These cover the strategic aims for supporting the economy, complement the social value policy of the Council and are built against a theme to address sustainability to support the Council's climate change commitments.

In setting policies and strategies, the Council takes a long-term view of outcomes, taking into account sustainable economic, social, and environmental aims and has effective, comprehensive performance monitoring in place.

The corporate document 'the Council Plan' was adopted by the Council in February 2025. The Plan covers the period 2025-28 and performance has and will continue to be monitored in a structured, timely and transparent way by the leadership team, by Cabinet Members and through Scrutiny Committees.

60. The Council Plan 2025-2026 outlines the priorities for the Council over the next three years and how they are to be assessed in terms of delivery and measures to monitor performance. It was agreed by Full Council in February 2025 and is subject to quarterly performance monitoring by Cabinet and Full Council. The Council Plan was developed by the Cabinet and Corporate Management Team with the engagement of elected Members, Scrutiny Committees, and officers at all levels. Measures and targets were developed and approved as part of the agreed plan and are published online as well as being reported and scrutinised in public.
61. Active monitoring of performance is undertaken through regular reviews of business plans and with all staff through individual staff performance conversations. These arrangements link to performance and regular reviews of business plans. The Cabinet reviews the Quarterly Monitoring Report on a quarterly basis, and this is reported to Full Council. The Council remains committed to the sustainable economic growth of East Sussex. Over the last year we have been developing a new strategy to guide the investment we and our partners make to achieve the growth and prosperity we aspire to. The strategy has been subject to wide ranging consultation, to ensure it reflects the needs of residents, businesses and stakeholders.
62. The new growth strategy for East Sussex – known as 'Prosperity East Sussex' – was adopted by the County Council and Team East Sussex in 2024. Work has now commenced on the development of an accompanying Investment Plan, which will set out what projects and programmes will be delivered during the lifetime of the Strategy. The Investment Plan will be developed with key partners, with a particular emphasis on those that have the remit and resource to deliver against the Strategy's objectives. Whilst the County Council is currently unable to allocate any significant funding towards the Investment Plan, we will continue to identify appropriate external sources with the express aim of securing funding to deliver Prosperity East Sussex.
63. Following the Council's Notice of Motion on climate change, agreed in September 2019, a Climate Emergency Plan was formulated with the aim for the organisation to achieve carbon neutrality from its activities as soon as possible and in any event by 2050. A revised Climate Emergency Action Plan for 2025/26 has been adopted, following Member scrutiny, and is embedded in the Council Plan and relevant portfolio plans.
64. An internal cross-departmental Officer Climate Emergency Board is in place to lead and oversee the delivery of our Climate Emergency Action Plan. Progress is reported regularly, as part of reporting on progress in delivering the Council and portfolio plans.
65. Following an internal audit review of the Council's arrangements in relation to climate change in 2022/23 which received an audit opinion of partial assurance, a follow-up audit was completed 2023-24. This resulted in an improved opinion of reasonable assurance.

Annual Governance Statement for year ended 31 March 2025

66. Climate change is embedded in the Council Plan for 2024/25, in the corporate capital programme as a basic need, and in the corporate strategic risk register. Quarterly reporting to Cabinet and monthly management reporting (internal) will highlight progress on key climate change indicators.
67. The Council's Social Value Policy (adopted in September 2022) seeks to inbed Social Value into the Council's culture through Good Commissioning, Good Procurement and Good Contract Management. The Council's Social Value Review Group, which consists of a group of subject matter experts, enables the Council to deliver real, meaningful value to local communities and residents.
68. The Council adopted an Environmentally Sustainable Procurement Policy in 2022, in conjunction with Surrey County Council and Brighton & Hove City Council. This sets out a clear commitment to ensuring our operations are environmentally sustainable and resilient to future change through our procurement and supply chain activities and has been embedded in a number of contracts since it was adopted. The policy has been kept up to date since its adoption to improve the use of the waste hierarchy, promoting avoidance and reduction, inclusion of Carbon Reduction Plans and aligning it with the National Procurement Policy Statement. This is now further reinforced via our updated Supplier Code of Conduct.
69. In response to changes in the legislative landscape and new National Procurement Policy Statement, Procurement will be working to ensure the obligations on the Council in respect of social value are adhered to. The updated PCSOs adopted by the County Council in March 2025 include specific references to social value.

SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured

The Council takes decisions on interventions based on the priorities agreed in the Council Plan. In areas identified for improvement, systems for governance, oversight, and scrutiny of interventions will continue to be given particular focus.

70. The demand for children's social care and complexity of cases has continued to increase nationally and locally and the cost of all placements but specifically residential and specialist placements has risen significantly. In line with many other councils, there are some instances when no placements are available and ESCC has had to use unregistered placements until a registered placement can be found. The number of instances has reduced in 2024/25. In all cases comprehensive risk assessments are undertaken, which have senior management oversight. Increased visiting by the allocated social worker is undertaken. Due diligence checks are undertaken on all agencies commissioned to provide care and support. In addition, unregistered placements are scrutinised by the Head of Service for Looked After Children, and Assistant Director on a monthly basis and overseen at monthly DMT, and monthly updates are provided to the DCS, Chief Executive and Ofsted.
71. In June 2024, the HM Inspectorate of Probation (HMIP) undertook an inspection of our youth justice services (YJS). The overall rating for East Sussex YJS is 'Good'. The quality of resettlement policy and provision is rated separately and was rated as 'Requires improvement'. Five of the thirteen areas are 'Outstanding' and four are 'Good'. During the inspection week the inspectors reviewed 37 cases. They met with staff, partners, children and young people and parents and carers. The report included three areas that require improvement and one that is inadequate. The report made four recommendations, three for the YJS and one for Sussex Police. An improvement plan to address the recommendations was shared with HMIP in October 2024, with progress against the plan being reviewed regularly via the Chief Officers Group.
72. Ofsted and the Care Quality Commission (CQC) undertook an Area SEND (ASEND) inspection of the East Sussex Local Partnership (ESCC and NHS Sussex Integrated Care Board) in November 2024. There are three possible outcomes for an ASEND inspection, for which East Sussex has 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.
73. The report noted that children and young people with SEND in East Sussex have variable experiences and recognised our own self-assessment and the journey to improve the outcomes for children and young people with SEND in a more consistent way. The East Sussex SEND Strategy seeks to address the areas for improvement, building on the improvement work to date and in line with the Ofsted and CQC requirements. The Strategy will also be 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.

Transformation Programme

74. Children's Services has established a transformation programme to respond to the Government's strategy 'Keeping Children Safe, Helping Families Thrive', published in November 2024, and the Children's Wellbeing and Schools Bill. This will reshape the delivery of early help and social care services by integrating targeted early help with social work teams (Family Help teams) to drive improvements in outcomes and ensure that families receive the right help at the right time. It will also deliver on the Government's guidance regarding the establishment of Multi-Agency Child Protection Teams.
75. Governance for the transformation programme has been established with the Transformation Board chaired by the Director of Children's Services. The transformation programme has two main areas of focus, aligned with the Government's children's social care reforms and with the aim to drive improvements and reduce costs. A number of workstreams have been established, along with a high-level road map. The initial aims, objectives and expected outcomes for the workstreams have been developed. We are also working with pathfinder authorities to support learning and best practice.

CQC Inspection

76. In February 2025 the Council's Adult Social Care and Health (ASCH) Department was assessed by the Care Quality Commission (CQC). This was the first such review for 15 years. The CQC framework assesses how well local authorities are performing against their duties under Part 1 of the Care Act 2014. The assessment framework uses nine quality statements that sit under four themes: working with people; providing support; safety within the system and Leadership.
77. To prepare for the CQC inspection, a self-assessment document was completed to establish areas of strength and areas for improvement. In February 2024 ASCH took part in a peer review process to identify if the self-assessment was accurate. Five departmental priorities were established: safeguarding, prevention, waiting times, quality and value for money and monitored as part of the programme of improvement and preparations work under the Improvement and Assurance Board.
78. The CQC completed their assessment on 14 February 2025. A timescale for when the CQC will make the report available has not been provided but it is anticipated the final report will be made available between May and July 2025. Once the report has been finalised the work that sits under the Improvement and Assurance Programme will be updated to reflect any newly identified priorities forthcoming from the report.
79. The future of Artificial Intelligence (AI) in local government in the UK is a topic of increasing importance and interest given the potential to capture and summarise information and automate complex processes. As AI technology continues to advance and become more widely available, local authorities are exploring how it could be used to improve key services and support communities. At the same time, there are concerns about the potential limitations and risks of using AI in local government, and the need to carefully consider the implications of this technology.
80. The Council's Corporate Digital Board oversees the governance of AI. The Council's Data Protection and Information Security Policy, supported by practical guidance developed by IT&D, provides the overarching guardrails and clear standards of practice to govern the use of AI within the Council. Microsoft Copilot, a generative AI interface that generates new versions of text (e.g. emails, summaries, lists), audio, or visual imagery using large bodies of data in response to user prompts, is being trialled across the Council in a series of pilots that align with service needs.
81. The Corporate Digital Board will continue to facilitate the exploration of potential uses of AI, including copilot, and the sharing of learning and good practice from both within the Council and externally. Where robust business cases for AI exist elsewhere that are applicable and easily transferable to the Council, these will be replicated in a 'fast follower' approach.
82. All Directorates are expected to prepare and monitor Portfolio Plans which set out the actions required to meet the outcomes set in the Council Plan and the measures, targets and milestones used to monitor their delivery. These are in place and progress is reviewed regularly by Departmental Management Teams (DMTs) alongside financial performance and the directorate's risk register. The Portfolio Plans are refreshed each year as part of the annual update of the Council Plan.
83. The Quarterly Monitoring Report provides details of our performance against our objectives in the Council Plan. The Cabinet and Full Council review performance through quarterly monitoring and the work of the Scrutiny Committees and Audit Committee.
84. The Quarterly Monitoring Report provides an overview of performance against the agreed priorities within the Council Plan and tracks financial performance and our strategic risks to ensure intended outcomes are kept in focus and expenditure controlled. The Quarterly Monitoring Report focuses on the delivery of:

Annual Governance Statement for year ended 31 March 2025

- Council Plan and Performance Measures;
- Medium Financial Term Strategy and in-year budget;
- Strategic Risk Management.

85. All recommendations and findings made by the Ombudsman have been accepted and are recorded through the Quarterly Monitoring Reports.
86. Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.
87. A number of officer boards chaired by senior officers ensure oversight of strategic areas of Council business on behalf of the Corporate Management Team. These boards co-ordinate subject matter expertise as well as overseeing arrangements for the delivery of priorities at an officer level, prior to Member consideration. They include the Corporate Equality Board, the Corporate Climate Emergency Board, the Communications Management Board, the Corporate Digital Board, the Customer Experience Board, the Capital Board and the HR Management Board.

SECTION E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured

Officers and Members are expected to have a clear sense of their purpose, roles, and responsibilities in line with the Council's vision and the suite of policies and processes which support it.

The Chief Executive and the Corporate Management Team manage the Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Work continues to enable the Council's leaders to promote a positive and supportive culture and to provide the means of enhancing or reinforcing good leadership skills.

The second cohort of the Ladder to Leadership Programme, developed to enhance the Council's leadership capability, was completed in July 2024. Building on this, the leadership offer will continue to include structured, context-relevant learning and developmental support for leaders and managers to help ensure they have the best possible impact.

All senior leaders are offered a series of masterclasses designed to support the development of Heads of Service and Assistant Directors. These masterclasses provide insight into key topic areas that are relevant for strategic leadership in the public sector.

In celebration of International Women's Day 2025, the Council's Chief Executive hosted a mass mentoring event in March exploring themes of leadership, career development and building confidence which was open to all women at the Council. The mentors came from different organisations including Sussex Police, the voluntary sector and Balfour Beatty.

In June 2024, a new Learning Management System, The East Sussex Learning Portal, was implemented. The system provides all staff with easy access to the full range of eLearning, corporate training offer and departmental development programmes, to support skills development and increase engagement in learning.

A system is in place to ensure that all elected Members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local Members and those positions to which they may be appointed. Areas of focus for review are identified. Members have received training and support to help them to focus on the strategic nature of their roles.

Members

87. Arrangements for the Council's Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Full Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.

Annual Governance Statement for year ended 31 March 2025

88. Member roles – Executive and non-executive roles are defined and published within the Constitution on the Council's website and as part of the Members' Area of the intranet. The Member induction and training programmes cover these roles. All Member development sessions have attendance and feedback recorded.
89. The knowledge and development needs of Members are identified and addressed through a cross-party Member Reference Group (MRG). The MRG oversees the delivery of a planned programme of development to meet Member training needs, taking into account Members' views on priorities through surveys and feedback. It reviews the impact of Member development work and identifies areas for improvement.
90. Member Services have provided access to all Members to training and briefing sessions designed to help them focus on their strategic roles, including sessions relating to Climate Change, the Council's Property Assets, Economic Development, Public Health and Housing, Education East Sussex, Cost of Living and Financial Inclusion. As part of Member Induction, training was also provided to ensure awareness of Information Governance and data protection responsibilities as they apply to elected Members. Members also received guidance on cyber security.
91. Members also received training on their duties around Member Interests and the Code of Conduct in September 2023. Internal guidance in relation to the use of social media is also available to Members. This was updated and agreed by Governance Committee in January 2024. The guidance provides advice to Members on the effective and appropriate use of social media and how it interacts with the Code of Conduct. The Local Government Association social media checklist for Councillors is appended to the guidance and includes a variety of useful links. There is also a standing offer of social media training open to all Members which is provided by the Communications team.
92. Specialist training is given to Members according to the roles they carry out. This includes training for Cabinet Members, Members appointed to the Scrutiny Committees and Members of the Regulatory Committee, Audit Committee, Planning Committee, Pensions Committee and Appeals Panels.
93. Enhanced Disclosure and Barring Service (DBS) checks are carried out for Members in Adult and Children's Services related roles, with an online training module also available. In October 2024, the Council agreed the roles required to have enhanced DBS checks would be expanded to include Members of the Discretionary Transport Appeal Panel and Members acting as nominated substitutes for the Corporate Parenting Panel. The Council also agreed that following an election, all Members would be requested to undertake a basic DBS check. The Council's DBS Policy Statement was subsequently updated to include reference to these changes. The changes were made in response to recommendations set out in an independent review on the effectiveness of the Disclosure and Barring Service regime which included consideration of the eligibility of local Councillors for criminal record checks.

Officers

94. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Deputy Chief Executive as the Monitoring Officer and the Chief Finance Officer as s.151 officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's Constitution. These include the Director of Children's Services, the Director of Adult Social Care (ASC) and the Director of Public Health. All Directors are formally required each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council.
95. SOLACE, CIPFA and Lawyers in Local Government published a Code of Practice for Good Governance for Local Authority Statutory Officers. The Code sets out that the Head of Paid Service (the Chief Executive) of the authority should make arrangements for the deputisation of their role. Following discussions with Group Leaders the Council's Chief Executive nominated the Assistant Chief Executive as Deputy and in October 2024, County Council approved amendments to the Constitution, changing references to the 'Assistant Chief Executive' within the Constitution to 'Deputy Chief Executive'.
96. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet. Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers.
97. In November 2024, the Governance Committee agreed a protocol which sets out the arrangements for the effective operation of the role of Monitoring Officer and the process for where the Monitoring Officer considers it necessary to report a matter to Full Council or the Executive. The Protocol includes the principles and approach that will be taken by the Monitoring Officer in deciding whether to issue a report and the factors which will be given consideration. The protocol was reviewed by Kings Counsel who advised that it is lawful and proportionate.

Annual Governance Statement for year ended 31 March 2025

98. Personal development priorities are agreed through a personal development review process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. Leadership skills and development for senior officers is led by the Assistant Director of Human Resources and Organisational Development.
99. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. Being an employer of choice is key to ensuring the Council can attract and retain the high calibre staff it needs. There are a number of initiatives that have been put in place to support this, including:
 - the implementation of hybrid working arrangements as part of the Workstyles review;
 - the launch of a new employer recruitment brand – ‘We Choose East Sussex’;
 - a range of targeted recruitment and retention strategies including a ‘Refer a Friend Scheme’, ‘Apprenticeships Incentives Policy’, an updated relocation policy, salary sacrifice schemes, employee loans policy and financial wellbeing resources;
 - delivery of inclusive recruitment training to operational managers;
 - development of a ‘managers toolkit’ to support strategic workforce planning within departments;
 - targeted actions such as the use of market supplements etc. for specifically identified job roles where a particular focus is needed; and
 - review of the corporate Equality, Diversity and Inclusion Action Plan which includes a number of workforce specific actions to support having a diverse workforce.
100. The Officer’s Guide to Governance acts as a reference guide for officers to understand how the Council’s governance processes operate. The Guide covers a range of topics including: the Council’s Constitution, the role of Members, Scrutiny, Procurement, Finance and Data & Information Management and draws together a range of information from other sources into a single document.

SECTION F: Managing risks and performance through robust internal control and strong public financial management

Assured

Risk management is robust overall and risks are being considered during business planning and decision-making processes, corporately and across all services.

Service and corporate performance management has been addressed in earlier sections of the report.

The Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

101. The Constitution sets out the rules to ensure robust internal control over the Council’s finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for Member and officer oversight and transparency.
102. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA ‘Good Practice Guide for Financial Regulations in a modern English Council’. Control is maintained through regular management information, supervision and a structure of delegation and accountability. External audit of the 2021/22 and 2022/23 statement of accounts has now been concluded and Grant Thornton has provided their final report, which confirms an unqualified audit opinion. This was reported to Audit Committee on 28 March 2024 and Governance Committee on 25 June 2024. The accounts for 2023/24 have also been concluded and reported to Governance Committee on 10 December 2024. Grant Thornton have also provided their Annual “Value for Money” Report for 2023/24, which was reported to Cabinet on 28 January 2025. The Council’s financial management arrangements conform to the governance requirements of the CIPFA ‘Statement on the Role of the Chief Finance Officer in Local Government 2010’. A continuous review is maintained. The Financial Regulations and Procedures are kept under review by the Chief Finance Officer. ESCC and ESPF (East Sussex Pension Fund) are up to date with all external audit work and reporting.
103. In completing and signing the Directorate Assurance Statement, each Chief Officer reviews the effectiveness of governance arrangements, risk management processes and the system of internal control and considers:
 - The adequacy and effectiveness of management review processes;
 - The work of the department’s management team and other managers and staff;
 - The regular review of the department’s performance against both financial and non-financial targets;

Annual Governance Statement for year ended 31 March 2025

- Outcomes from the strategic and operational risk management processes;
- The level of compliance with the Council's key policies and procedures;
- Relevant internal audit reports and results of follow-ups regarding implementation of agreed actions in relation to audit findings; and
- Outcomes from reviews of services by other bodies including our external auditors, inspectorates and other statutory and regulatory review bodies.

104. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. Directors are required to ensure and confirm the effectiveness of the scheme of officer authorisation and have worked with the Deputy Chief Executive to ensure that there is shared understanding of the operation of delegations and the need to continually review them.
105. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Chief Internal Auditor's Annual Audit Report and Opinion 2024/25, by the external auditor and other agencies and inspectorates. These findings are brought together within this Statement and are reported annually to the Audit Committee. The Audit Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed under Principle G below.
106. The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its four priority outcomes. To achieve this, sound risk management policy and practice are firmly embedded within the culture of the Council.
107. As often a point of last resort in responding to need, in developing its Risk Management Framework the Council recognises that the services it provides can be inherently risky and is not able to, nor seeks to, eliminate all risk. Robust risk management practice helps to ensure that the Council takes appropriately informed decisions, having properly evaluated the potential risks and the associated opportunities.
108. The Council's risk management process sets out the identification, analysis and control of risk. The level of risk to which the Council is willing to be exposed to and/or tolerate is inherently considered as part of this process, with appropriate escalation when required.
109. The Council's risk profile is dynamic and continually changing due to the large and diverse range of services provided and objectives of the Council, and due to the influence of external factors and/or internal influences. The level of risk can alter and consequently, identified risks and associated mitigations are regularly re-assessed to address and combat the impact of these changes. In addition, new risks will periodically emerge which must be identified and analysed to reduce the Council's exposure to adverse risk.
110. Risk information is recorded within registers maintained at a corporate (strategic) level and individual department/divisional level. As a minimum, all risk registers should be formally reviewed and updated on a quarterly basis as part of the Council monitoring process. This process includes a review of departmental risk registers by each DMT, including any strategic risks for which the Chief Officer concerned has responsibility, prior to subsequent review by the Corporate Management Team. The Strategic Risk Register is also reviewed and updated by the Corporate Management Team prior to being reported to Cabinet and the Audit Committee.
111. As part of the above process, consideration is given as to the escalation and de-escalation of risks between the Departmental and Strategic Risk Registers.
112. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports.
113. Risk management is delivered through robust directorate controls including the business planning process, supported by the Risk Management Framework. The Chief Operating Officer carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.
114. The Council's core Finance and Human Resources system (SAP) will no longer be supported after 2027 and is therefore being replaced by the Cloud-based Oracle Fusion system to ensure that critical business functions, such as running a payroll, can continue to be reliably delivered post-2027. Oracle also provides improved financial controls as well as improved data and information usage to support further developments to increase agile and digital working. An independent review of the system and programme confirmed that Oracle is a suitable product for the Council and a phased roll-out commenced during 2024/25. Most modules of Phase 1 (Enterprise Performance Management) and all of Phase 2 (Finance with dependent HR processes, Procurement, Recruitment and Helpdesk modules) have now been delivered. Phase 3 (Payroll and all remaining HR processes) will be rolled out during 2025 and 2026. Updates in relation to the progress of the implementation were regularly

Annual Governance Statement for year ended 31 March 2025

reported to the Audit Committee and CMT to ensure that progress was being made and risks were appropriately mitigated.

SECTION G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Assured

The Council has transparent processes in place through publication of the Forward Plan of key decisions as well as agendas and reports of its meetings and those of its committees. This includes key decision reports on the website and the prominence given to reporting and enforcing of agreed audit actions through the Audit Committee, which meets in public.

The Council has effective, open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. This has also been addressed through the development of the performance management reporting arrangements linked to the implementation of the Council Plan.

115. All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet, Lead Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session, but only when the subject matter of the report meets the prescribed criteria set out in the Local Government Act 1972.

Assurance and Significant Governance Issues

116. The Audit Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of agreed audit actions
117. As reported in the previous Annual Governance Statement, the Council was the subject of a Corporate Peer Review in 2023. It is usual practice for the LGA to undertake a progress review following a CPC and this was arranged for March 2025. However, in agreement with the LGA, the progress review was subsequently deferred in light of Government proposals for devolution and local government reorganisation.
118. The Annual Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided substantial assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2024 to 31 March 2025.
119. Additionally, every five years, Orbis Internal Audit is subject to an independent external assessment, with the scope including assessment of compliance, benchmarking against best practice and assessment of internal audit's profile and impact with client organisations. The most recent review was completed in Autumn 2022 by the Chartered Institute of Internal Auditors who assessed Orbis internal audit as achieving the highest level of conformance against professional standards, with no areas of non-compliance identified.
120. The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.
121. Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out in Annex A to this Statement, together with the department responsible for them. Each Director has included in their Directorate Assurance Statement confirmation that the actions identified for 2024/25 have been completed or provided an update and explanation regarding progress.

Annual Governance Statement for year ended 31 March 2025

122. In 2022 CIPFA updated its position statement on local authority audit committees and recommended that each local authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise. Also in 2022, the Council's external auditor recommended the Council to carry out a self-assessment of the effectiveness of the Council's Audit Committee in line with the National Audit Office's (NAO) 'Audit and Risk Assurance Committee effectiveness tool'. In October 2023, the Council agreed the proposal to add two co-opted independent members to the Audit Committee.
123. In addition, officers of the Council have carried out an assessment of the Audit Committee and members of the Audit Committee were asked to self-assess their skills, both of which were carried out by reference to the CIPFA Code of Practice. The findings of the self-assessment were reported to the Audit Committee in March 2024. For the large part, the assessment identified full compliance to good practice; however, some areas for improvement were identified, including a standalone Audit Committee Annual Report being presented to Governance Committee and a review of the Audit Committee Terms of Reference. The first Audit Committee Annual report was considered by the Governance Committee in July 2024.
124. The Council took steps to recruit co-opted members to the Audit Committee in 2024/25; however, this was unsuccessful. Whilst this poses a potential risk, training and development for existing committee members will continue while recruitment for the co-opted members continues to be explored. It is anticipated that the two independent members of the Committee will now be recruited in 2025/26 based on the skills gaps identified through the member self-assessment.
125. No assurance can ever be absolute; however, this Statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's governance arrangements. On the basis of the review of the sources of assurance set out in this Statement (in Annex A), the LGA CPC and the self-assessments carried out, we are satisfied that the Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.
126. The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan monitoring process. The areas outlined in Annex A will be monitored through departmental business plans.
127. Details of bodies where the Council is a Member or appoints a Director are set out in Annex B. Where members are appointed to outside bodies, the Council avoids structural conflict of interests where possible.

Keith Glazier Leader of the Council 15 July 2025

Becky Shaw Chief Executive 15 July 2025

<https://democracy.eastsussex.gov.uk/documents/s68842/Annual%20Governance%20Statement%202024-25%20Governance.pdf>

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2023/24				2024/25		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
425,887	(148,806)	277,081	Adult Social Care	442,463	(157,925)	284,538
35,516	(34,104)	1,412	Public Health	37,630	(35,458)	2,172
9,061	(762)	8,299	Governance Services	6,848	(372)	6,476
491,512	(318,272)	173,240	Children's Services	550,540	(354,140)	196,400
58,606	(26,625)	31,981	Business Services	59,080	(25,761)	33,319
157,868	(55,921)	101,947	Communities, Economy & Transport	196,100	(60,982)	135,118
6,420	(2,493)	3,927	Corporate Expenditure	6,441	(855)	5,586
1,184,870	(586,983)	597,887	Cost of Services	1,299,102	(635,493)	663,609
12,433	-	12,433	Other operating expenditure - Note 11	19,432	-	19,432
13,757	(14,571)	(814)	Financing and investment (income) and expenditure - Note 12	15,723	(11,305)	4,418
-	(552,368)	(552,368)	Taxation and non-specific grant income - Note 13	-	(599,065)	(599,065)
		57,138	Deficit on Provision of Services			88,394
		(25,807)	Surplus on revaluation of non-current assets – Note 25			(18,501)
		9,854	Remeasurement of the net defined pension liability – Note 25			9,116
		(15,953)	Other Comprehensive (Income) and Expenditure			(9,385)
		41,185	Total Comprehensive (Income) and Expenditure			79,009

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure and mitigate risk and impact of unplanned events) and other 'unusable' reserves. It shows how the movements in year of the reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Schools balance movements in the year following those adjustments.

2023/24	General Fund Balance	Schools Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023 - Notes 24 and 25	9,999	20,082	214,744	244,825	2,372	12,805	260,002	608,059	868,061
Movement in Reserves during 2023/24									
Total Comprehensive Income and Expenditure	(57,138)	-	-	(57,138)	-	-	(57,138)	15,953	(41,185)
Adjustments between accounting basis & funding basis under regulations - Note 7	(17,092)	-	-	(17,092)	4,929	2,248	(9,915)	9,915	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(74,230)	-	-	(74,230)	4,929	2,248	(67,053)	25,868	(41,185)
Transfers to / (from) Earmarked Reserves - Note 10	74,230	(1,824)	(72,406)	-	-	-	-	-	-
Increase / (Decrease) in Year	-	(1,824)	(72,406)	(74,230)	4,929	2,248	(67,053)	25,868	(41,185)
Balance at 31 March 2024 - Notes 24 and 25	9,999	18,258	142,338	170,595	7,301	15,053	192,949	633,927	826,876

Movement in Reserves Statement

2024/25	General Fund Balance	Schools Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2024 - Notes 24 and 25	9,999	18,258	142,338	170,595	7,301	15,053	192,949	633,927	826,876
Movement in Reserves during 2024/25									
Total Comprehensive Income and Expenditure	(88,394)	-	-	(88,394)	-	-	(88,394)	9,385	(79,009)
Adjustments between accounting basis & funding basis under regulations - Note 7	31,193	-	-	31,193	(2,950)	1,583	29,826	(29,826)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(57,201)	-	-	(57,201)	(2,950)	1,583	(58,568)	(20,441)	(79,009)
Transfers to / (from) Earmarked Reserves - Note 10	57,201	(2,215)	(54,986)	-	-	-	-	-	-
Increase / (Decrease) in Year	-	(2,215)	(54,986)	(57,201)	(2,950)	1,583	(58,568)	(20,441)	(79,009)
Balance at 31 March 2025 - Notes 24 and 25	9,999	16,043	87,352	113,394	4,351	16,636	134,381	613,486	747,867

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves represents those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2024 Restated £000		Note	31 March 2025 £000
974,405	Property, Plant & Equipment	14	992,389
654	Heritage Assets	17	654
9,941	Investment Property	15	11,245
24,365	Intangible Assets	16	31,566
4,210	Long Term Investments	18	4,359
7,915	Long Term Debtors	20	7,046
1,021,490	Long Term Assets		1,047,259
188,541	Short Term Investments	18	98,421
3,556	Assets Held for Sale	19	6,019
11,482	Payments in Advance	20	16,568
15	Inventories		15
105,253	Short Term Debtors	20	86,480
27,563	Cash and Cash Equivalents	21	27,943
336,410	Current Assets		235,446
(8,736)*	Grants and Contributions Received in Advance	35	(6,723)
(9,697)	Short Term Borrowing	18	(6,179)
(9,574)	Bank overdraft and Accrued balance for third parties	21	(1,790)
(4,734)	Provisions	23	(3,895)
(160,108)*	Short Term Creditors	22	(145,073)
(192,849)	Current Liabilities		(163,660)
(40,016)	Liabilities related to defined benefits pension schemes	42	(34,733)
(9,886)	Provisions	23	(9,725)
(212,344)	Long Term Borrowing	18	(207,241)
(25,019)*	Capital Grants & Contributions Receipts in Advance	35	(40,520)
(50,910)	Other Long Term Liabilities	40	(78,959)
(338,175)	Long Term Liabilities		(371,178)
826,876	Net Assets		747,867
192,949	Usable Reserves	24	134,381
633,927	Unusable Reserves	25	613,486
826,876	Total Reserves		747,867

*The 2023/24 Balance Sheet has been re-presented to align with the CIPFA Code requirement that only Grants and Contributions received in advance are shown as a separate line item. Other amounts previously included within "Income in Advance" that related to other forms of income received in advance have been reclassified to Short Term Creditors. The equivalent adjustment for 2022/23 would have moved £30.3m income in advance into short term creditors, leaving £7.9m for Grants & Contributions Received in Advance.

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2025 and its Comprehensive Income and Expenditure Statement for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

The Governance Committee approved the Statement of Accounts on xx February 2026

East Sussex County Council

Page 42

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2023/24		2024/25
£000		£000
57,138	Net deficit on the provision of services	88,394
(72,292)	Adjustments to net deficit on the provision of services for non-cash movements	(111,208)
55,440	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	51,808
40,286	Net cash inflow from Operating Activities - Note 26	28,994
(43,288)	Investing Activities - Note 27	(54,472)
10,838	Financing Activities - Note 28	17,314
7,836	Net decrease in net cash and cash equivalents - Note 21	(8,164)
(25,825)	Net cash and cash equivalents at the beginning of the reporting period - Note 21	(17,989)
(17,989)	Net cash and cash equivalents at the end of the reporting period - Note 21	(26,153)

Notes to the Accounting Statements

1. Authorisation of the Statement of Accounts

Authorisation of the Statement of Accounts - These accounts were authorised for issue by Ian Gutsell, Chief Finance Officer (Section 151 Officer), and the Statement of Accounts (approved on xx February 2026) is published with an audit opinion.

2. Accounting Policies

i. General

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require them to be prepared in accordance with proper accounting practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts are prepared on a going concern basis and adopt the accounting convention of principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared with the overriding requirement that they give a true and fair view of the financial position, performance, and cash flows of the Council. Information is presented in a manner that provides relevant, reliable, comparable, and understandable information.

The Council uses rounding to the nearest £000 in presenting amounts in its financial statements and has abbreviated £million to £m.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Revenue Recognition

Revenue is recognised in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS 15) or non-exchange transaction (IPSAS 23). With non-exchange transactions there is no, or only nominal, consideration in return. The obligating extent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged (e.g. fees and charges for services and the sale of goods provided). There is a contract which creates both right and obligations. Under IFRS 15 the performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied.

iv. Debtors and Creditors

The Council record all material transactions on the basis of income and expenditure. In order to achieve this we account for actual or estimated debtors and creditors at the end of the year, except in two cases:

- Charges for utilities (gas, electricity and telephones) are not accrued, so long as we have paid for a full twelve months during each financial year;
- Accruals are generally not raised where amounts are immaterial, although managers' discretion may be used. This exception has no material effect on the financial statements.

Most accounts for Trust Funds are kept on a receipts and payments basis.

Lump sum payments relating to redundancy cases are accounted for in the period when the related decision was taken.

Notes to the Accounting Statements

v. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held by the Council as part of its normal cash management including all deposit accounts with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are generally defined as short-term, highly liquid investments that are readily convertible to cash. They are held for short term cash flow requirements rather than for investment gain and have an insignificant risk of a change in their value.

The Code of Practice defines cash equivalents as highly liquid investments that are readily convertible to known amounts of cash and any investment that could be recalled the same day without penalty, which includes call accounts, money market funds and instant deposits. However, the Council uses these products for both short term cash flow requirements and investment gain purposes. The Council therefore defines only its accounts that are held for cash flow requirements as a cash equivalent used for short term cash flow requirements. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. Short Term Investments are those investments that are not classified as a cash equivalent as they are held for investment gain purposes. The Council's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

vi. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

vii. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

viii. Charges to Revenue and Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment assets and Intangible assets during the year:

- Depreciation is provided for on all assets used by the relevant service with a determinable finite life (except for investment properties, assets under construction and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ix. Employee Benefits

Employee benefits are accounted for in accordance with the Code's interpretation of IAS 19 – Employee Benefits. This standard covers both benefits payable during and after employment.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, recognition for additional responsibility and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the

Notes to the Accounting Statements

Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council contributes to three separate pension schemes that meet the needs of different groups of employees. The schemes are:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The Local Government Pension Scheme;
- The NHS Pension Scheme, administered by the NHS Business Service Authority.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

Teachers' Pensions

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

Local Government Pensions Scheme

Most other employees can join the Local Government Pension Scheme. The Council administers the pension fund for all local authorities within the geographical area of East Sussex. The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate of fair value;
- unlisted securities – current bid price;
- property – market value.

The change in the net pension's liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

Notes to the Accounting Statements

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In assessing liabilities for retirement benefits at 31 March 2025, the actuary has advised a discount rate of 5.8%, derived so that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows. In assessing liabilities for retirement benefits at 31 March 2024, the actuary advised that a rate of 4.9% is appropriate.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

x. Events After the Balance Sheet Date

The accounts have taken into consideration any material event after the balance sheet, which are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is approved and authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period for which the Council shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- Those that are indicative of conditions that arose after the end of the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xi. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where loans are replaced through restructuring, there are distinct accounting treatments, as follows:

- **Modification** - Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Notes to the Accounting Statements

- *Substantially Different* - Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
- *Early repayment of loans* - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are effected in the Movement in Reserves Statement on the General Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- **Level 1 inputs** – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- **Level 2 inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- **Level 3 inputs** – unobservable inputs for the asset.

Notes to the Accounting Statements

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 7 years from 1/4/18 until 31/3/25) any unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Pooled Investment Funds Adjustment Account in the Balance Sheet.

Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.

Loans have been grouped into three types for assessing loss allowances:

Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.

Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

xii. Foreign Currency Transaction

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Government grants and third party contributions and donations to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue

Notes to the Accounting Statements

grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy (CIL)

CIL is a planning charge on developments used to fund a wide range of infrastructure that is needed because of the development. The Charging Authorities (District & Borough Councils) are required to produce a CIL Charging Schedule, which sets out the rates of CIL to be charged on development. The Council can then approach the Charging Authority to drawdown some or all of the CIL to fund infrastructure projects. The CIL is recognised in the Comprehensive Income and Expenditure Statement in accordance with the grants and contributions policy above.

xiv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The expected useful life is normally up to seven years. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Capital receipts (if more than the de minimis level of £10,000) from the sale of assets are held in a reserve until they are required to finance capital expenditure.

xv. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, which would require it to prepare group accounts alongside its own financial statements. The investments in the Council's accounts are shown at fair value through profit and loss or at amortised cost.

xvi. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the latest invoice price.

xvii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Notes to the Accounting Statements

Investment properties are measured initially at cost and subsequently at fair value, highest and best use, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

xix. Leases

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date of 1st April 2024, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Council is reasonably certain to exercise
- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

Notes to the Accounting Statements

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £20,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as Lessor

Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and;
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to the Accounting Statements

xx. Overheads and Support Services

Following changes to the 2016/17 Code of Practice on Local Authority Accounting in the UK, support service costs are no longer apportioned across service segments but are reported as a single segment so that they are based on the way in which services are operated and managed internally. For the Council this segment is the Business Services department.

xxi. Property, Plant and Equipment and Assets Held for Sale

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Recorded as capital expenditure are all transactions that involve the purchase of new Property, Plant and Equipment or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise, individual items of vehicles and equipment are treated as capital if the value is over £20,000. If the value is less than this sum, it is charged to revenue.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including the initial estimate of the costs of dismantling, and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- operational land, buildings and plant – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value;
- infrastructure, community assets and assets under construction – at depreciated historical cost;
- surplus assets – at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Accounting Statements

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Componentisation Policy

The Council ensures that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. The Council's adopted componentisation policy is as follows:

- Each part of an item of Property Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the items is depreciated separately. Where there is more than one significant part of the same asset, which has the same useful life and depreciation method, such parts are grouped in determining the depreciation charge;
- Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles of capitalising expenditure with a de minimus level of £20,000;
- All components that have a different useful economic life from the main asset are identified separately – provided the amount is above the £20,000 de minimus level, and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised. Component assets could include building structure, roof, heating, electrical, lifts and external works. The expected useful economic lives of components are shown in the depreciation section below.
- De-recognition of a component of PP&E takes place when no future economic benefits are expected from its use (i.e. its service potential is used up) and it is removed from the Balance Sheet. For example, if a new roof is significant in relation to the total value of the asset, part of the existing carrying value of the building would be derecognised and then the new roof recognised;
- For revalued assets (as part of the rolling programme), the individual valuation sheets produced by the external valuers would be compared to the beacon analysis. If a particular asset conforms to the components identified in the beacon, and it is significant in relation to the total value, those percentages will be applied to the carrying value. If it does not conform to the beacon, revised percentages will be obtained;
- On componentisation, any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets (with the exceptions shown in the table below) and calculated on a straight-line basis over the expected life of the asset, on the difference between the net book value and any estimated residual value. The depreciation charge is calculated on an asset's opening balance and therefore the first charge is in the year after the expenditure is initially incurred.

The life expectancies of the assets and the depreciation are calculated on the following bases:

Operational land	Not depreciated as an infinite life expectancy
Operational buildings, buildings structure, roof and external works	Individually assessed by valuers, usually up to 60 years
Heating and lighting components	Individually assessed by valuers, usually up to 25 years
Lifts	Individually assessed by valuers, usually up to 15 years
Vehicles	Individually assessed on acquisition, usually up to 10 years
Information Technology	Individually assessed on acquisition, usually up to 10 years

Notes to the Accounting Statements

Other plant, furniture and equipment	Individually assessed on acquisition, usually up to 20 years
Infrastructure	New roads 30 years; Highways component assets between 10 & 80 years
Infrastructure land	Not depreciated as an infinite life expectancy
Community land	Not depreciated as an infinite life expectancy
Assets under construction	Not depreciated until the asset becomes operational
Surplus buildings	Life remains the same as when the asset was previously an operational building until it can be reassessed by valuers
Surplus land	Not depreciated as an infinite life expectancy

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Held for sale assets are measured at highest and best use. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Trust / Foundation Schools

Schools Non-Current (fixed) Assets are recognised in the Balance Sheet where the Council directly owns the assets or where the School/Governing body own the assets or have had rights to use the assets transferred to them. Community Schools are owned by the Council and are, therefore, recognised on the Balance Sheet.

Notes to the Accounting Statements

Of the Council's Voluntary Aided and Controlled schools, the majority are controlled by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. As a result these schools are not recognised on the Balance Sheet.

There are currently twenty Voluntary Controlled schools under the Council's ownership which are recognised on the Balance Sheet. Where the ownership of Trust/Foundation Schools lies with a charitable Trust, the school is not recognised on the Council's Balance Sheet. Where the ownership lies with the school/Governing Body the school is recognised on the Council's Balance sheet.

All other income, expenditure, assets, liabilities, reserves and cash flows of maintained schools are recognised in the Council's accounts.

xxii. Private Finance Initiative and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Any payments towards the operator's capital investment before the assets become operational (and recognised as Property, Plant and Equipment and finance leases) are included in debtors as a prepayment. When the asset is made available (i.e., operational), the prepayment is written out against the set aside PFI reserve.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge (based on an Internal Rate of Return of 9.80% for Peacehaven Schools and 5.97% for the Joint Integrated Waste Management Service PFI Contract) on the outstanding Balance Sheet liability, is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, the profile of write-downs is calculated using the same principles as for a finance lease;
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out for the Joint Integrated Waste Management Service PFI Contract. This expenditure is recognised as revenue expenditure for Peacehaven Schools, where there are non-significant lifecycle replacements costs charged to prepayment.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Notes to the Accounting Statements

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Closed Landfill Sites

The Environment Agency's landfill permit requires restoration and after care of sites previously used for landfill. The Council continue to own a number of closed landfill sites and also retain responsibility for a number of sites that have been disposed of. Aftercare is usually required for a period of sixty years following the closure and restoration of the landfill site. Aftercare includes leachate management, gas management and environmental monitoring. The Council is required to recognise a provision as there is a legal present obligation arising from the past event of landfill. The amount recognised is the best estimate of the expenditure required to settle the obligation and is discounted to reflect the time value of money.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiv. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv. Revenue Expenditure Funded from Capital under Statute (Refcus)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, the cost of revenue expenditure funded from capital under statute is immediately charged to the revenue account for the appropriate service, and a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. In some cases, this includes expenditure on assets not owned by the Council, capital grants and on feasibility studies for schemes that may or may not take place.

Expenditure on academy or voluntary aided schools' assets, i.e. properties not owned by the Council, is treated as Refcus. In addition, the Government may direct the Council to treat as capital expenditure items, which would normally be considered as revenue expenditure. These would not result in an asset or an increase to the value of existing assets and are therefore also treated as Refcus.

xxvi. Value Added Tax (VAT)

VAT paid by the Council is only shown in the accounts as an amount recoverable from HM Customs and Revenue. VAT charged by the Council to its customers is payable to Customs and Revenue and is therefore shown only as a reduction of the net amount payable.

Notes to the Accounting Statements

xxvii. Redemption of Debt

There is a legal requirement for the Council to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. The Council adopted the Asset Life Method (annuity method) as a result of any PFI assets coming on the Balance Sheet and any related Minimum Revenue Provision (MRP) will be equivalent to the “capital repayment element” of the annual service charge payable to the PFI Operator and for finance leases. MRP will also be equivalent to the “capital repayment (principal) element” of the annual rental payable under the lease agreement. This is not a cost to the Comprehensive Income & Expenditure Statement but is charged to the General Fund through the Movement in Reserve Statement.

xxviii. Council Tax and Business Rates

Business rates and council tax are collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council. The Council as a precepting authority is required to show business rates and council tax income in the Comprehensive Income and Expenditure Statement on an accruals basis.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Council is also required to recognise its share of arrears, bad debt allowances, overpayments, prepayments, cash, and business rates appeal provision in its Balance Sheet.

xxix. Heritage Assets

The Council's Heritage Assets are managed by East Sussex Record Office, which holds the historic and administrative archives for the County of East Sussex and, under an SLA agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for: increasing the knowledge, understanding and appreciation of the Council's history and local area, ensuring their preservation and providing public access to information recording the county's and city's heritage.

The archives, ranging from a single piece of paper to thousands of documents, are held by the Council under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held by the Council are on deposit.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also present below. The Council's collections of heritage assets are accounted for as follows:

Art Collection

- The art collection is reported in the Balance Sheet at insurance replacement value as an estimate of market value. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence, the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost, and donations are recognised at fair value and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Equipment and other Artefacts

- The Council considers that obtaining valuations for the vast majority of equipment and other artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, i.e., bequeathed to the Council, the Council does not recognise this collection of heritage assets on the Balance Sheet.
- The Council own the contents of Bentley Museum, which is recognised in the Balance Sheet in accordance with a valuation carried out by Sotheby's.
- Other collections held by the ESCC Records office are not recognised in the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £20,000. The majority of the collection was acquired by donation over a century ago.
- In addition, there is wealth of material available for study in East Sussex, thus drawing attention to groups of records, i.e., the records of businesses, and of societies; and the existence of some deposits, which are not yet fully listed. Again, the Council considers that due to the lack of comparable market values it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the Council does not recognise the assets on the Balance Sheet.

Notes to the Accounting Statements

Archaeology

- The Council does not consider that reliable cost or valuation information can be obtained for the items held by the Records Offices as the Council's Archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.
- The Council's acquisitions principally relate to the collection of donated assets. The Council does not (normally) make any purchases of archaeological items.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments.

xxx. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, assets held for sale and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. in the principal market for the asset or liability, or
- b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council's external Valuers take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

3. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2025. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- a) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- b) IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

As the 2025/26 Code requires implementation from 1 April 2025 it has no impact on the data within the 2024/25 Statement of Accounts.

Notes to the Accounting Statements

4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Accounting Statements are:

- Financial Pressures - the Council anticipates that the pressures on public expenditure will continue to be severe. There remains a significant gap between the income we currently expect to receive and the costs of providing core services, with significant additional risk arising from Social Care and wider service reforms. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future and impacts on services will start to be felt. The Council will continue to lobby Government for sustainable funding and work internally to identify solutions. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2026. As a consequence, whilst there are pressures and uncertainties, the Council is of the view that the level of uncertainty for the next year is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.
- Accounting for Schools – the Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority-maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school, or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school, or school Governing Body. The Council has completed a school by school assessment across the different types of schools it controls within the County. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria.

There are currently 5 types of schools within the County:

- Community schools
- Voluntary Controlled (VC) schools
- Voluntary Aided (VA) schools
- Foundation (Trust) schools
- Academy schools

Community schools' staff are appointed by the Council and the Council sets the admission criteria. These schools are, therefore, recognised on the Council's Balance Sheet.

Legal ownership of twenty-seven VC school land and buildings rests with a charity, normally a religious body and therefore are not assets on the Council's balance sheet.

Foundation Trust, Voluntary Aided, and Academy schools' staff are appointed by the schools' governing body, who also set the admission criteria. Therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's balance sheet.

Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a Foundation Trust School, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control therefore the land and building assets are not owned by the Council and are not included on the Council's Balance Sheet. When a school held on the Council's Balance Sheet transfers to Academy status the Council treats this as an asset disposal for nil consideration on the date that the school converts to Academy status.

The table below illustrates the number and type of schools within the County at March 2025:

Type of School	Primary	Secondary	Special	All Through	Total
Community	35	5	1	-	41
Voluntary Controlled	38	-	-	-	38
Voluntary Aided	18	1	-	-	19
Foundation / Trust	2	1	-	-	3
Academy	53	16	11	3	83
Total	146	23	12	3	184

Notes to the Accounting Statements

5. Assumptions made about the future and other major sources of estimation uncertainty

The accounting statements contain estimates and assumptions about the future or events that are otherwise uncertain, which affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. This means that the Council is required to make estimates and assumptions. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods. The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	The Council estimates the useful lives of Property, Plant and Equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of Property, Plant, and Equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of Property, Plant, and Equipment is based on external technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Property, Plant and Equipment would increase recorded expenses and decrease non-current assets. The Council operates a policy of revaluing its Property, Plant, and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. Indexation may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date. When indexation is applied there is greater uncertainty surrounding the valuation movement as it has not been calculated by a professional valuer on an individual asset by asset basis but rather has been determined based on the average movement of comparable assets valued in year.	The total depreciation and amortisation charged in 2024/25 is £53.4m and the net book value of property, plant and equipment at 31 March 2025 is £992.4m. If the useful life of assets reduces, depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £6.5m for every one year that useful lives had to be reduced.
	Impairment / reversal of impairment - The Council has significant investments in Property, Plant and Equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, thus requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future use. Assets / properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least annually.	The Council carries out an annual impairment review of its asset base, which takes into account such factors as the current economic climate. There were no adjustments due to asset impairment made in 2024/25, however the level of revaluation decreases charged in 2024/25 to the Surplus on Provision of Services is £50.13m and £5.1m to the Revaluation Reserve.

Notes to the Accounting Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value estimations	When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: - For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; - For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers (Bruton Knowles) to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with property services, and the accounts team on a regular basis regarding all valuation matters.	The Council uses External valuer valuations models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets. Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Notes 2, 14 and 15. Investment Properties are valued using comparable house prices, land values, rent/yield basis or deferred market value. A 1% reduction in market rents or house prices and land values would reduce the Investment Property valuations by £0.98m. A 10% reduction in house prices and land values would reduce them by £1.89m. Surplus Properties are valued using comparable land values, residual site values and rent/yield basis. A 1% reduction in land values would reduce the surplus property valuations by £0.13m. A 10% reduction would reduce them by £1.04m.
Pension Liability	The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the Balance Sheet, and, indirectly, the period's net pension expense in the Comprehensive Income and Expenditure Statement, the actuary makes a number of critical assumptions affecting these estimates. Most notably, assumptions include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries, life expectancy, and the annual rate of compensation increase, which have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements. However, the assumptions interact in complex ways.	The value of the Pension Liability is calculated by a qualified Actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund. During 2024/25, the Council's actuary advised that the net pension's liability has decreased from £40.02m at the start of the year to £34.73m at 31 March 2025. Note 42 to the Accounting Statements provide detailed information. Details of the sensitivity analysis of the actuarial assumptions can be found in Note 42 on page 108.

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by adjustments that are made in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The column showing adjustments to the figures reported for Resource Management to arrive at the net amount chargeable to General Fund is in respect of the movements to and from Earmarked Reserves (see note 10) as these movements get included in Resource Management reporting but are not included in the Comprehensive Income and Expenditure Statement as they get adjusted for in the Movement in Reserves Statement.

2023/24	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	239,464	36,447	275,911	1,170	277,081
Public Health	-	1,517	1,517	(105)	1,412
Governance Services	8,294	197	8,491	(192)	8,299
Children's Services	150,933	8,450	159,383	13,857	173,240
Business Services	28,911	(1,352)	27,559	4,422	31,981
Communities, Economy & Transport	69,908	(6,004)	63,904	38,043	101,947
Total	497,510	39,255	536,765	57,195	593,960
Corporate Expenditure	12,152	(7,337)	4,815	(888)	3,927
Net Cost of Services	509,662	31,918	541,580	56,307	597,887
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	(5,932)	42,312	36,380	(24,761)	11,619
Financing	(503,730)	-	(503,730)	(48,638)	(552,368)
Total	(509,662)	42,312	(467,350)	(73,399)	(540,749)
(Surplus) / Deficit for the Year	-	74,230	74,230	(17,092)	57,138
General Fund Balance at 1 April 2023			(244,825)		
Add: Surplus for the Year			74,230		
General Fund Balance at 31 March 2024			(170,595)		

2024/25	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	276,291	7,153	283,444	1,094	284,538
Public Health	(7,607)	9,903	2,296	(124)	2,172
Governance Services	8,713	(2,114)	6,599	(123)	6,476
Children's Services	167,297	10,639	177,936	18,464	196,400
Business Services	36,898	(6,975)	29,923	3,396	33,319
Communities, Economy & Transport	58,353	655	59,008	76,110	135,118
Total	539,945	19,261	559,206	98,817	658,023
Corporate Expenditure	18,587	(11,994)	6,593	(1,007)	5,586
Net Cost of Services	558,532	7,267	565,799	97,810	663,609
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	(13,754)	49,933	36,179	(12,329)	23,850
Financing	(544,778)	1	(544,777)	(54,288)	(599,065)
Total	(558,532)	49,934	(508,598)	(66,617)	(575,215)
(Surplus) / Deficit for the Year	-	57,201	57,201	31,193	88,394
General Fund Balance at 1 April 2024			(170,595)		
Add: Deficit for the Year			57,201		
General Fund Balance at 31 March 2025			(113,394)		

(a) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
2024/25				
Adult Social Care	3,446	(2,391)	39	1,094
Public Health	-	(124)	-	(124)
Governance Services	-	(123)	-	(123)
Children's Services	23,585	(5,300)	179	18,464
Business Services	4,490	(1,106)	12	3,396
Communities, Economy & Transport	76,963	(849)	(4)	76,110
Total	108,484	(9,893)	226	98,817
Corporate Expenditure	-	(1,007)	-	(1,007)
Net Cost of Services	108,484	(10,900)	226	97,810
Other income and expenditure from the Expenditure and Funding Analysis	(63,823)	(3,499)	705	(66,617)
Difference between General Fund deficit and CIES deficit in provision of services	44,661	(14,399)	931	31,193

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
2023/24				
Adult Social Care	3,170	(2,044)	44	1,170
Public Health	-	(105)	-	(105)
Governance Services	-	(194)	2	(192)
Children's Services	18,137	(4,407)	127	13,857
Business Services	5,256	(857)	23	4,422
Communities, Economy & Transport	38,705	(678)	16	38,043
Total	65,268	(8,285)	212	57,195
Corporate Expenditure	-	(888)	-	(888)
Net Cost of Services	65,268	(9,173)	212	56,307
Other income and expenditure from the Expenditure and Funding Analysis	(71,702)	(3,516)	1,819	(73,399)
Difference between General Fund deficit and CIES deficit in provision of services	(6,434)	(12,689)	2,031	(17,092)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For financing and investment income and expenditure the Other Differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

(b) Income received on a segmental basis is analysed below:

	2023/24 £000	2024/25 £000
Adult Social Care	50,598	61,241
Public Health	84	282
Governance Services	362	323
Children's Services	9,037	11,719
Business Services	12,152	13,205
Communities, Economy & Transport	23,283	24,534
Corporate Expenditure	355	265
Total Income analysed on a segmental basis	95,871	111,569

(c) The subjective nature of expenditure and income is analysed below:

	2023/24 £000	2024/25 £000
Expenditure		
Employee benefits expenses	363,677	385,792
Other service expenses	759,149	807,353
Depreciation, amortisation, impairment	59,782	105,078
Interest payments	16,444	16,688
Precepts and levies	633	662
Loss on the disposal of assets	11,800	18,771
Total Expenditure	1,211,485	1,334,344
Income		
Fees, charges and other service income	(95,871)	(111,569)
Interest and investment income	(14,036)	(10,448)
Income from council tax & non domestic rates	(431,756)	(455,173)
Government grants and contributions	(612,684)	(668,760)
Total Income	(1,154,347)	(1,245,950)
Deficit on the Provision of Services	57,138	88,394

IFRS 15 (Revenue from Contracts with Customers)

Of the £111.6m total of income received from fees, charges and other service income listed above for 2024/25, £100m of this balance would have been accounted for under IFRS 15 and £11.6m would have been outside the scope of the reporting standard.

7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2024/25	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs transferred to / (from) the Pensions Reserve	(14,399)	-	-
Financial Instruments transferred to the Financial Instruments Adjustment Account	(155)	-	-
Financial Instruments transferred to the Pooled Investment Funds Adjustment Account	(149)	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	997	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	225	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	76,756	-	1,583
Total Adjustments to Revenue Resources	63,275	-	1,583
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,817)	1,817	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(20,208)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(10,057)	-	-
Total Adjustments between Revenue and Capital Resources	(32,082)	1,817	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(4,802)	-
Recognition of deferred capital receipt	-	-	-
Receipt of deferred capital receipt	-	35	-
Total Adjustments to Capital Resources	-	(4,767)	-
Total Adjustments	31,193	(2,950)	1,583

2023/24			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs transferred to / (from) the Pensions Reserve	(12,690)	-	-
Financial Instruments transferred to the Financial Instruments Adjustment Account	(188)	-	-
Financial Instruments transferred to the Pooled Investment Funds Adjustment Account	171	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,747	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	212	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	33,232	-	2,248
Total Adjustments to Revenue Resources	22,484	-	2,248
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,711)	5,711	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,033)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(19,832)	-	-
Total Adjustments between Revenue and Capital Resources	(39,576)	5,711	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(817)	-
Recognition of deferred capital receipt	-	-	-
Receipt of deferred capital receipt	-	35	-
Total Adjustments to Capital Resources	-	(782)	-
Total Adjustments	(17,092)	4,929	2,248

8. Material items of income and expenses

The Council has disposed of the following property, plant and equipment from its Balance Sheet as the schools obtained academy status during 2024/25. This is included within the total net losses on disposals of non-current assets of £18.8m (see Note 11). The assets were transferred for no consideration and the amount is recognised as losses on disposal.

School	Type of School	£000
Ringmer Primary & Nursery School	Primary	4,141
Robertsbridge Community College	Secondary	14,021
Total		18,162

9. Events after the Balance Sheet date

The financial statements have not been adjusted for the following events that took place after 31 March 2025 as they provide information that is relevant to an understanding of the Council's financial position, but do not relate to existing conditions at that date.

Academy Schools

Seven schools are expected to convert to Academy status in 2025/26. The net book value (NBV) of the property, plant and equipment will be written out of the Council's balance sheet at the date of conversion. The net book values at 31 March 2025 are shown in the table below.

School	Type of School	Date of Conversion	NBV £000
St Mary Star of the Sea	Primary	01-May	VA School
St Thomas a Becket	Primary	01-May	VA School
Grove Park	Special	TBC	Foundation School
St Richards Catholic College	Secondary	TBC	VA School
Sacred Heart	Primary	TBC	VA School
Grovelands	Primary	TBC	Foundation School
Hellingly	Primary	TBC	3,319

Voluntary Aided and Foundation Schools have already been removed from the Balance Sheet.

Authorised for Issue

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 June 2025. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provide information about conditions existing at 31 March 2025, the figures in the accounting statements have been adjusted in all material respects to reflect the impact of this information.

10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the general fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2024/25.

	Balance at 1 April 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024	Transfers In 2024/25	Transfers Out 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Strategic Reserves							
Priority Outcomes & Transformation	17,398	695	(10,779)	7,314	611	(2,738)	5,187
Financial Management	41,882	8,549	(14,624)	35,807	3,368	(27,898)	11,277
Service Reserves							
Capital Programme	13,426	804	(4,379)	9,851	7,169	(7,960)	9,060
Waste	19,883	-	(397)	19,486	358	-	19,844
Insurance	7,362	1,123	(1,127)	7,358	993	(673)	7,678
Social Care Reform	3,099	-	(65)	3,034	-	(3,034)	-
Other Reserves							
Public Health	7,812	-	(1,518)	6,294	634	(2,930)	3,998
Held on behalf of others	6,981	359	(588)	6,752	298	(1,559)	5,491
Total	117,843	11,530	(33,477)	95,896	13,431	(46,792)	62,535
Revenue Grants and Contributions Reserve							
Services	65,817	6,631	(43,740)	28,708	6,907	(13,797)	21,818
Dedicated Schools Grant	18,583	5,435	(8,203)	15,815	5,657	(18,634)	2,838
Business Rates/Council Tax	3,367	-	(3,206)	161	-	-	161
COVID-19	9,134	-	(7,376)	1,758	-	(1,758)	-
Total	96,901	12,066	(62,525)	46,442	12,564	(34,189)	24,817
Total	214,744	23,596	(96,002)	142,338	25,995	(80,981)	87,352

Types of Reserve

Priority Outcomes and Transformation

Priority outcomes and transformation reserve: to fund the specified initiatives to change, protect and improve Council services, with particular emphasis on:

- Invest-to-save.
- Seed funding for innovation (notably digital) and developments contributing to the County Council's priorities.
- Investment in the redesign of the way services are delivered.

Financial Management

To enable the effective management of the medium-term financial strategy by managing cash flow across financial years; along with providing funding to invest to save and attract other sources of income.

Capital Programme

To provide resources which may be used for capital spending, and in recognition of the reducing forecasts of capital receipts.

Waste

To smooth the large year-on-year budget increases that will be needed to finance the Waste PFI project over the whole life of the service.

Insurance

To cater for internal insurance and risk management on Council services. Self-Insurance through this reserve is more economical than external insurance for these classes of risks.

Social Care Reform	To provide resources that support the implementation and manage the risks of Adult Social Care Reform. Government have deferred implementation until at least 2025.
Public Health	The Public Health Reserve represents income from Government received which have no conditions attached and set aside for the health and wellbeing of the local communities under the Government's healthcare.
Held on behalf of others	Represents money that is held on behalf of others or statutorily ring-fenced.
Revenue Grants and Contributions	These are grants and contributions that have been received with no conditions attached but are yet to be applied to expenditure. The Council has earmarked these revenue grants and contributions until they are applied.

Balances held by schools under a scheme of delegation

The schools balances reserve holds the balances held by the Council's schools under a scheme of delegation. These reserves are held by each individual school and are used to provide education to the pupils of that school. They are not used for any other purpose. Additional information on Dedicated School Grants and Schools Balances are detailed within Note 36.

The following table shows the level of reserves held by the schools:

	Balance at 1 April 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024	Transfers In 2024/25	Transfers Out 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Balances held by schools	20,082	-	(1,824)	18,258	-	(2,215)	16,043

11. Other Operating Expenditure

	2023/24 £000	2024/25 £000
Levies		
▪ Sussex Inshore Fisheries & Conservation Authority	461	485
▪ Environment Agency - Flood & Coastal Erosion	172	177
Loss on the disposal of non-current assets (net of receipts)	11,800	18,770
Total	12,433	19,432

Note - The 2024/25 loss on the disposal of non-current assets figure of £18.7m (shown net of £1.8m capital receipts) includes the removal of two schools from the Balance Sheet, that have attained Academy status at a value of £18.2m (details are included in Note 8). The comparative figures for 2023/24 are a £11.8m loss (shown net of £5.7m receipts) which includes the removal of five schools from the Balance Sheet, that attained Academy status at a value of £14.2m.

12. Financing and Investment Income and Expenditure

	2023/24 £000	2024/25 £000
Interest payable on debt and finance leases	15,555	15,853
Net interest on pension assets and liabilities	(3,512)	(3,494)
Impairment losses	796	762
Fair Value movement of Pooled Funds	171	(149)
Soft Loan interest	(1)	32
Interest receivable	(14,222)	(10,643)
Movement in fair value of Investment Properties	748	2,719
Net income from Investment Properties	(342)	(466)
(Surplus) on Trading Undertakings	(7)	(196)
Total	(814)	4,418

	2023/24	2024/25
	£000	£000
Revenue Support Grant (RSG)	4,076	4,346
Social Care Grant	44,612	50,779
Business Rates	77,105	81,289
Business Rates Relief Funding	17,522	20,462
Business Rates Levy surplus	629	630
Council Tax	348,789	371,000
Council Tax – prior years surplus	7,610	3,881
Services Grant	3,036	524
New Home Bonus Grant	351	554
Market Sustainability & improvement fund	-	11,312
Total	503,730	544,777
Share of Collection Fund Surplus/(Deficit)	(1,748)	(997)
Capital Grants and Contributions	49,659	49,481
Donated assets*	727	5,804
Total	552,368	599,065

14. Property, Plant, and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Right of Use Assets	Assets Under Construction	Total Property, Plant and Equipment*	PFI Assets Included in Property, Plant and Equipment*
Movements in 2024/25:	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2024 (restated for impact of IFRS 16)*	429,889*	111,596	2,079	10,444	7,338*	4,255	565,601	81,590*
Additions	16,520	7,879	-	801	755	7,881	33,836	5,504
Revaluation increases recognised in the Revaluation Reserve	13,419	1,891	-	928	-	-	16,238	1,065
Revaluation decreases recognised in the Revaluation Reserve	(3,681)	(844)	-	(749)	(784)	-	(6,058)	(214)
Revaluation increases (reversal of previous losses) recognised in the Provision of Services	1,286	26	-	-	-	-	1,312	-
Revaluation decreases recognised in the Provision of Services	(51,632)	(1,331)	-	(50)	(553)	-	(53,566)	(44,058)
Derecognition – disposals	(643)	(1,122)	-	(540)	-	-	(2,305)	-
Derecognition – disposals – schools	(15,282)	(3,387)	-	-	-	-	(18,669)	-
Assets reclassified within PPE	(3,947)	(762)	-	-	4,709	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	(2,579)	-	-	(2,579)	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-
Assets reclassified to Intangibles	-	-	-	-	-	-	-	-
Cost or Valuation at 31 March 2025	385,929	113,946	2,079	8,255	11,465	12,136	533,810	43,887
Accumulated Depreciation and Impairment at 1 April 2024	(4,208)	(17,811)	-	(14)	-	-	(22,033)	(2,112)
Depreciation charge	(10,859)	(8,729)	-	(4)	(1,254)	-	(20,846)	(4,576)
Depreciation written out to the Revaluation Reserve	4,749	3,393	-	3	176	-	8,321	1,063
Revaluation losses recognised in the deficit on the Provision of Services	3,174	180	-	-	86	-	3,440	2,375
Reversal of previous losses	696	44	-	-	-	-	740	-
Derecognition – disposals	-	720	-	-	-	-	720	-
Derecognition – disposals – schools	146	361	-	-	-	-	507	-
Assets reclassified within PPE	89	151	-	-	(240)	-	-	-
Accumulated Depreciation and Impairment at 31 March 2025	(6,213)	(21,691)	-	(15)	(1,232)	-	(29,151)	(3,250)
Net Book Value at 31 March 2025	379,716	92,255	2,079	8,240	10,233	12,136	504,659	40,637
Net Book Value at 31 March 2024	388,695	93,785	2,079	10,430	-	4,255	499,244	42,493

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Right of Use Assets	Assets Under Construction	Total Property, Plant and Equipment*	PFI Assets Included in Property, Plant and Equipment*
Movements in 2023/24:	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2023	379,462	126,788	2,079	8,000	-	13,482	529,811	50,367
Additions	8,754	4,939	-	45	-	564	14,302	290
Revaluation increases recognised in the Revaluation Reserve	49,846	6,835	-	2,232	-	-	58,913	564
Revaluation decreases recognised in the Revaluation Reserve	(31,362)	(12,358)	-	(487)	-	-	(44,207)	(5,385)
Revaluation increases (reversal of previous losses) recognised in the Provision of Services	5,190	197	-	-	-	-	5,387	-
Revaluation decreases recognised in the Provision of Services	(12,192)	(2,106)	-	(856)	-	-	(15,154)	(1,231)
Derecognition – disposals	-	(3,141)	-	(662)	-	-	(3,803)	-
Derecognition – disposals – schools	(11,397)	(4,842)	-	-	-	-	(16,239)	-
Assets reclassified within PPE	3,814	(4,716)	-	902	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	293	-	-	293	-
Assets reclassified (to)/from Investment Property	788	-	-	977	-	-	1,765	-
Assets reclassified to Intangibles	-	-	-	-	-	(9,791)	(9,791)	-
Cost or Valuation at 31 March 2024	392,903	111,596	2,079	10,444	-	4,255	521,277	44,605
Accumulated Depreciation and Impairment at 1 April 2023	(2,224)	(19,378)	-	(4)	-	-	(21,606)	(1,439)
Depreciation charge	(8,251)	(10,347)	-	(67)	-	-	(18,665)	(2,573)
Depreciation written out to the Revaluation Reserve	4,260	6,755	-	85	-	-	11,100	1,851
Revaluation losses recognised in the deficit on the Provision of Services	1,065	161	-	65	-	-	1,291	49
Reversal of previous losses	977	21	-	-	-	-	998	-
Derecognition – disposals	-	3,141	-	-	-	-	3,141	-
Derecognition – disposals – schools	251	1,457	-	-	-	-	1,708	-
Assets reclassified within PPE	(286)	379	-	(93)	-	-	-	-
Accumulated Depreciation and Impairment at 31 March 2024	(4,208)	(17,811)	-	(14)	-	-	(22,033)	(2,112)
Net Book Value at 31 March 2024	388,695	93,785	2,079	10,430	-	4,255	499,244	42,493
Net Book Value at 31 March 2023	377,238	107,410	2,079	7,996	-	13,482	508,205	48,928

*Total is excluding Infrastructure which is shown in the tables below

*The Cost or Valuation figures at 1 April 2024 in the table above include the asset balances recognised on transition to IFRS 16. These include an increase of £36.985m to Land and Buildings due to the opening PFI liability remeasurement and a balance of £7.338m of Right of Use assets recognised on transition.

Infrastructure Assets movements in year	2023/24	2024/25
	£000	£000
Opening Net Book Value as at 1 April	459,684	475,161
Additions	45,668	43,893
Depreciation	(30,191)	(31,324)
Closing Net Book Value as at 31 March	475,161	487,730

Reconciliation of Total Plant, Property and Equipment	2023/24	2024/25
	£000	£000
Closing Net Book Value of Total Property, Plant and Equipment shown in table above	499,244	504,659
Closing Net Book Value of Infrastructure	475,161	487,730
Total Plant, Property and Equipment as shown in the Balance Sheet	974,405	992,389

Infrastructure

In accordance with the temporary relief offered by the update to the Code on infrastructure assets, the balances for gross cost and accumulated depreciation are not included in the tables above to acknowledge that, potentially, due to historical reporting practices and resultant information deficits they may not faithfully represent the asset position to the users of the financial statements.

The Authority has determined in accordance with Regulation of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil, this is because work is only usually carried out on assets that have fully depleted in value.

Please note that this is a situation faced by all Authorities across the Country as, due to the level of data that is currently held, very few Authorities can demonstrate that their depreciation and derecognition balances meet the latest interpretation of the Code and are therefore having to adopt this temporary solution until a more permanent solution can be agreed.

Depreciation

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of Property, Plant and Equipment, with the exception of land, community assets, surplus land and assets under construction. The useful lives used in the calculation of depreciation are set out in the accounting policy xxi (Note 2).

Revaluation movements

Each year the Council revalues a proportion of its land and building assets including schools and undertakes an impairment review of the entire asset portfolio. Where land and property assets have increased in value, the revaluation gains are shown in the revaluation reserve (see Note 25) and totalled £23.6m for 2024/25 (£63.6m in 2023/24).

Where assets previously had a revaluation loss taken to the Comprehensive Income and Expenditure Statement then any subsequent increase first goes to the Comprehensive Income and Expenditure Statement to reverse that previous loss before any remaining balance is taken to the revaluation reserve, the reversal of losses in 2024/25 totalled £2.1m (£6.4m 2023/24).

Some assets will also lose value on revaluation. In 2024/25, the Council has recognised revaluation losses of £55.2m (£51.6m in 2023/24). Of the £55.2m total, £50.1m (£13.9m 2023/24) has been charged to the Comprehensive Income and Expenditure Statement and £5.1m (£37.7m in 2023/24) to the Revaluation Reserve. The net charge to the Comprehensive Income and Expenditure Statement of losses less reversals was a loss of £48.1m (net loss of £7.5m 2023/24). Overall, the total valuation movements for 2024/25 was a net loss of £29.6m (net gain of £18.3m in 2023/24).

The significant valuation loss for 2024/25 is primarily due to the implementation of IFRS 16 which resulted in remeasurements of the PFI liabilities and corresponding increases on the PFI asset values which have subsequently been adjusted by a valuation loss to remove the impact on the asset balance so that they are not overstated on the balance sheet.

Capital Commitments

As at 31st March 2025, the Council had not entered into any material contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years that amounted to the value of £10m or more.

Valuation of Property, Plant and Equipment (PPE)

The Council operates a policy of revaluing its Property, Plant and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. An index (based on assets that have been formally valued in the year) may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date. Indexation was last applied in 2022/23 and the assets it was applied to were revalued formally in 2023/24.

Freehold and long leasehold buildings properties regarded by the Council as operational are valued on the basis of existing use value or, where there is insufficient market evidence of current value because the asset is specialised or rarely sold, the depreciated replacement cost. This is in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Buildings and plant are depreciated in line with the estimated life expectancies of the assets. Land is revalued but not depreciated.

Items of school and offices furniture, IT and other equipment are measured at historic cost as a proxy for current value. Their value is updated for capital expenditure and depreciated in line with the estimated lives of the assets. The total is £26.5m as shown in the table below. The remaining balance of £87.4m within vehicles, plant, furniture and equipment is valued at fair value and comprises of components that get apportioned an element of the overall land and buildings valuation.

Infrastructure and community assets are not revalued and are updated for capital expenditure and in the case of infrastructure, depreciated in accordance with the expected life of the asset created or enhanced. Community assets include country parks, common ground, nature reserves and forested areas.

Surplus assets are non-operational but are not deemed to be held for sale and are measured at fair value. The fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Right of Use (ROU) assets are held at cost and not formally revalued unless the lease payments are not likely to be reflective of market conditions i.e. peppercorn leases.

The following statement shows the progress of the Council's programme for the revaluation of land, buildings and plant. The valuations are carried out by an external firm of valuers, Bruton Knowles (a national Chartered Surveying practice), on behalf of the Council. The valuation dates are at 31 March each year. In addition to the valuation certificate, the valuers provide an annual Impairment Report. Usually, the Council operates a three year rolling programme to ensure that the carrying value of assets is not materially different to their fair values at the Balance Sheet date.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried as at historical cost	-	26,505	-	26,505
Valued at fair value in:				
31 March 2025	160,431	38,463	8,255	207,149
31 March 2024	173,911	36,500	-	210,411
31 March 2023	51,587	12,478	-	64,065
Gross Valuation	385,929	113,946	8,255	508,130

Fair value hierarchy

As at 31 March 2025, there are eleven properties classed as surplus, a decrease of three on the previous year. One property was acquired in year, two transferred into Held for Sale and two were sold. The fair value hierarchy of surplus assets at 31 March are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Surplus assets (NBV) 31 March 2025	-	-	8,240	8,240
Surplus assets (NBV) 31 March 2024	-	799	9,631	10,430

The surplus assets measured at Level 3 in the fair value hierarchy where the measurement technique uses significant unobservable inputs to measure the fair value. The fair value has been derived on a comparable basis for income producing assets or residential properties (using rent yield or capital value per square metre) or derived through an assessment of prevailing land values for unconsented sites or a residual land appraisal. For assets offering development potential (alternative use) the valuation is based on the highest value that has a reasonable prospect of securing an appropriate planning consent. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions.

Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use. Alternative uses of those assets are considered if there is an alternative use that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use.

15. Investment Properties

An investment property is held solely to earn rentals and/or for capital appreciation. Examples include land held for capital appreciation, land held for currently undetermined future use and a building or vacant building rented out under operating leases without service objectives. There are fourteen assets classed as investment property, a decrease of eight from the previous year.

The following items of income have been accounted for in the Comprehensive Income and Expenditure Statement:

	2023/24 £000	2024/25 £000
Rental Income from Investment Property	(428)	(573)
Direct Operating Expenses arising from Investment Property	86	107
Net (gain)	(342)	(466)

The following table summarises the movement in the fair value of investment properties over the year:

	2023/24 £000	2024/25 £000
Balance at start of the year	12,105	9,941
Additions	400	4,338
Net (losses) from fair value adjustments	(748)	(2,719)
Transfers (to) Property, Plant & Equipment & Assets Held for Sale	(1,765)	-
Disposals	(51)	(315)
Balance at end of the year	9,941	11,245

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a non-financial asset, an investment property is measured at its highest and best use. Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Alternative uses of those assets are considered if there is an alternative use that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence

to suggest that the current use of an asset is not its highest and best use. The properties are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to measure the fair value. The valuation techniques used are the market approach and income approach using estimated land values, sales value, rents and yield. In estimating the fair value of the investment property, the highest and best use is the current use.

Fair value hierarchy

The fair value hierarchy at 31 March is as follows:

Recurring fair value measurements using:	31 March 2025			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Offices	-	-	8,285	8,285
Farm Business Tenancy	-	-	590	590
Land	-	-	305	305
Residential Property	-	-	555	555
Other	-	-	1,510	1,510
Total	-	-	11,245	11,245

Recurring fair value measurements using:	31 March 2024			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Offices	-	5,355	-	5,355
Farm Business Tenancy	-	642	-	642
Land	-	-	305	305
Residential Property	-	640	225	865
Other	-	371	2,403	2,774
Total	-	7,008	2,933	9,941

16. Intangible Assets

The Council accounts for its software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets represent purchased software licences and are valued at acquisition cost and written off over the period of the licence. The Council has no material intangible asset trademarks, artistic originals, or patents.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £1.73m charged to revenue in 2023/24 (£1.66m in 2022/23) was charged to Business Services.

The movement on Intangible asset balances during the year is as follows:

	2023/24			2024/25		
	Intangible assets	Assets Under construction	Total	Intangible assets	Assets Under construction	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	11,826	-	11,826	15,123	16,359	31,482
Accumulated amortisation	(5,387)	-	(5,387)	(7,117)	-	(7,117)
Net carrying amount at start of year	6,439	-	6,439	8,006	16,359	24,365
Purchases	2,953	6,912	9,865	1,743	6,722	8,465
Transfers from PPE	344	9,447	9,791	-	-	-
Amortisation for the period	(1,730)	-	(1,730)	(1,264)	-	(1,264)
Disposal (Gross carrying amount)	-	-	-	-	-	-
Disposal (Accumulated amortisation)	-	-	-	-	-	-
Net carrying amount at end of year	8,006	16,359	24,365	8,485	23,081	31,566
Comprising:						
Gross carrying amounts	15,123	16,359	31,482	16,866	23,081	39,947
Accumulated amortisation	(7,117)	-	(7,117)	(8,381)	-	(8,381)
Net carrying amount at end of year	8,006	16,359	24,365	8,485	23,081	31,566

The individual items of capitalised operational software in the Balance Sheet are:

Description	Carrying Amount		Remaining Amortisation (Years)
	31 March 2024 £000	31 March 2025 £000	
Link	5,271	4,840	3-11
SharePoint	588	652	4-6
DELL Boomi	497	462	13
Network Detection and Response	391	260	2
South East Grid – Schools	226	172	3
Server upgrade	186	168	4-5
PAMS	180	120	2
Citrix Upgrade	119	498	3
Virtual Infrastructure	33	9	-
Other	515	1,304	1-7
Total	8,006	8,485	

The balance of £23.1m shown in Assets Under Construction relates to the Oracle system implementation costs.

17. Heritage Assets

The Council has identified the following heritage assets:

- East Sussex Record Office which preserves and makes accessible records relating to the County and its people;
- A small art collection within offices at County Hall, Lewes;
- Chattels at Bentley House, Halland;
- Battle Abbey Estate Archives;
- Lewes Castle Precinct Wall; and
- Listed buildings and monuments owned by the Council or on Council land.

No individual item in the Record Office is valued at more than £20,000 which is the Council's de minimus level for capital expenditure to be recognised as an asset in the Balance Sheet. For assets where information on cost or value is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the assets are not included on the Balance Sheet.

Reconciliation of the carrying value of Heritage Assets:

	Art Collection	Chattels at Bentley House	The Sugar Loaf Folly	Battle Abbey Estate Archives	Total
Heritage Assets					
Cost or valuation	£000	£000	£000	£000	£000
1 April 2023	13	484	41	116	654
Additions	-	-	-	-	-
Revaluation Gain	-	-	-	-	-
31 March 2024	13	484	41	116	654
Additions	-	-	-	-	-
Revaluation Gain	-	-	-	-	-
31 March 2025	13	484	41	116	654

Heritage Assets – Further Information

East Sussex Record Office, The Keep - holds the historic and administrative archives for the County of East Sussex and, under an agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for the express purpose of ensuring their preservation and providing public access to resources recording the county's and city's heritage. The archives, ranging from a single piece of paper to thousands of documents, include paper and parchment, books, maps, photographs and modern media, and are held by us under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held are on deposit. Obtaining a valuation of all these assets would be a lengthy, resource intensive and costly exercise, and therefore no valuation was obtained.

Art Collection - consists of four oil on canvas paintings, three dating from the 1880's and one more recent; being a portrait of Henry Thomas Pelham by Frank Holl, a portrait of John George Dodson by Frank William Warwick Topham, Lewes from Chapel Hill by Edmund Niemann and a portrait of HM Queen Elizabeth II by Amanda Bigden. The Council's external valuer for its art work (Gorrings Auction House) has previously carried out a full valuation of the collection of paintings with the valuations based on those for insurance replacement purposes.

Chattels at Bentley House, Halland - Bentley House, Halland including the Motor Museum and Wild Fowl Reserve is owned by the Bentley Trust. However, some of the contents of the house are under the ownership of East Sussex County Council. The contents or chattels include furniture, furnishings paintings and sculptures. The last valuation was undertaken by Sotheby's who provided a saleroom estimate for each inventory item.

Listed Buildings - the Council has reviewed its listed buildings register and established that a number of the buildings are being used for the delivery of services. These buildings therefore continue to be included as operational Property, Plant and Equipment on the Council's Balance Sheet. In addition there are a number of listed buildings that are non operational assets and are not included in the Council's Balance Sheet as there is no cost or value information available and the cost of obtaining that information outweighs the benefits to the user of the Statement of Accounts. The assets are Remains of Wayside Cross, Firlie and Albert Memorial Well, Frant.

Battle Abbey Estate Archives - date from 1101 to the 20th century. The earliest records relate to the period when the lands were owned by Battle Abbey before its dissolution in 1538 but the majority date from the 18th century onwards when the estates were owned by the Webster family.

A. Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	31 March 2024 £000	31 March 2025 £000
Fair value through profit or loss		
Long Term Investments	4,209	4,358
Long Term Debtors	-	-
Short Term Investments & Cash Equivalents	28,300	27,700
Short Term Debtors	-	-
Total	32,509	32,058
Amortised Cost		
Long Term Investments	1	1
Long Term Debtors	7,915	7,046
Short Term Investments	187,804	98,664
Short Term Debtors	75,573	53,919
Total	271,293	159,630
Total Financial Assets	303,802	191,688
Non Financial Assets*	41,162	49,129
Total	344,964	240,817

*Balance of assets that are not classed as Financial Instruments

Financial Liabilities	31 March 2024 £000	31 March 2025 £000
Fair value through profit or loss		
Short & Long Term Borrowings and Creditors	-	-
Amortised Cost		
Long Term Borrowings	(212,344)	(207,241)
Long Term Creditors	(50,910)	(78,959)
Short Term Borrowings	(9,697)	(6,179)
Short Term Creditors	(119,031)	(95,771)
Total Financial Liabilities	(391,982)	(388,150)
Non Financial Liabilities*	(84,406)	(98,335)
Total	(476,388)	(486,485)

*Non Financial Liabilities are those which are not classed as Financial Instruments

The balance on Soft Loans at 31 March 2025 was £0.095m (£0.150m at 31 March 2024).

B. Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2025 was £32.06m, an decrease of £0.5m from the previous year. Financial assets include £27.7m low volatility money market funds (LVNAV) and £4.36m property fund (carrying amount £5.00m). Total holdings in money market funds have decreased by £0.6m over the year. The value of the Property fund has increased by £0.148m during the year. The Property fund valuation is based on the bid market value which is the bid price per number of units held.

There were no financial liabilities designated at fair value through profit or loss. No financial assets or liabilities were classed as fair value through other comprehensive income. No financial assets or liabilities were re-classified during the year.

C. Income, Expense, Gains and Losses

	2023/24		2024/25	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss – fair value	171	-	(149)	-
Financial assets measured at fair value through profit or loss – dividend	(223)	-	(222)	-
Total net (gains) / losses	(52)	-	(371)	-
Interest revenue:				
Financial assets measured at amortised cost	(13,999)	-	(10,421)	-
Interest expense:				
Financial assets measured at amortised cost	15,554	-	15,885	-

D. Fair Value

The basis for recurring fair value measurements is:

- **Level 1** Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2** Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** Inputs – unobservable inputs for the asset or liability.

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/24 £000	As at 31/3/25 £000
Fair Value through Profit or Loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	32,509	32,058

There were no transfers between levels 1 and 2 during the year. There has been no change in the valuation technique used during the year for the financial instruments.

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

E. Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value [but for which fair value disclosures are required]

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For non-PWLB loans payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2024		31 March 2025	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowing held at amortised cost	(222,041)	(202,791)	(213,420)	(180,815)
Long Term Creditors	(1,488)	(1,488)	(8,895)	(8,895)
PFI and Finance Lease Liabilities	(55,464)	(58,698)	(81,941)	(81,941)
Total Long Term	(278,993)	(262,977)	(304,256)	(271,651)
Short Term Creditors	(112,989)	(112,989)	(83,894)	(83,894)
Total Long and Short Term	(391,982)	(375,966)	(388,150)	(355,545)

The fair value of borrowings is lower than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

This shows a notional future loss, based on economic conditions at 31 March 2025, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2024		31 March 2025	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets held at amortised cost	1	1	1	1
Long Term Debtors	7,915	7,915	7,046	7,046
Total Long Term	7,916	7,916	7,047	7,047
Short Term Investments and Debtors	263,377	263,377	152,583	152,583
Total Long and Short Term	271,293	271,293	159,630	159,630

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

Recurring fair value measurements using:	31 March 2025			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial liabilities				
Borrowing held at amortised cost	-	(180,815)	-	(180,815)
Long Term Creditors	-	(8,895)	-	(8,895)
PFI and Finance Lease Liabilities	-	-	(81,941)	(81,941)
Total	-	(189,710)	(81,941)	(271,651)
Financial assets				
Financial assets held at amortised cost	-	1	-	1
Long Term Debtors	-	7,046	-	7,046
Total	-	7,047	-	7,047

Recurring fair value measurements using:	31 March 2024			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial liabilities				
Borrowing held at amortised cost	-	(202,791)	-	(202,791)
Long Term Creditors PFI and Finance Lease Liabilities	-	(1,488)	-	(1,488)
	-	-	(58,698)	(58,698)
Total	-	(204,279)	(58,698)	(262,977)
Financial assets				
Financial assets held at amortised cost	-	1	-	1
Long Term Debtors	-	7,915	-	7,915
Total	-	7,916	-	7,916

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis, with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets

- no early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2025 for loans receivable and for property fund, are based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

- no early repayment is recognised;
- estimated ranges of interest rates at 31 March 2025 of 4.05% to 4.45% for loans payable based on new lending rates for equivalent.

19. Assets Held for Sale

	2023/24	2024/25
	£000	£000
Balance outstanding at start of year	5,793	3,556
Assets newly classified as held for sale	715	2,579
Additions	-	121
Revaluation losses	(2)	(237)
Assets declassified as held for sale	(1,008)	-
Assets sold / disposed of	(1,942)	-
Balance outstanding at year end	3,556	6,019

Assets Held for Sale are valued at fair value which takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. As at 31 March 2025 there are six assets that were held for sale. During the year, two assets were transferred into held for sale.

20. Current & Long Term Debtors and Payments in Advance

	31 March 2024	31 March 2025
	£000	£000
Current		
Debtor System Control	44,257	31,223
HMRC	2,539	4,723
Payments In Advance	11,482	16,568
Council Tax & NNDR	27,141	27,837
Other*	31,316	22,697
Total	116,735	103,048

*The balance of "Other" shown above relates to manual accruals for income due to the Council as at the year end but where an invoice has not been raised via Accounts Receivable.

Long Term		
South East Local Enterprise Partnership	4,971	4,789
Economic Development	1,444	895
Seven Sisters Country Park	724	689
Higher Education Institution	629	572
Other Entities and Individuals	147	101
Total	7,915	7,046

Allowance for expected credit losses

The Council makes allowance for impairment of debts based on an assessment of the recoverability of its receivables. An increase in the total allowance for expected credit losses of £0.765m was made in 2024/25, bringing the total allowance for impairment from £3.580m up to £4.345m as at 31 March 2025 (these amounts are already netted off the figures shown above). The increase in the expected credit loss adjustment is primarily due to a higher balance being held in the debtor system control account at the year end, the majority of which related to Adult Social Care debtors. Management specifically review all debts, and evaluate the adequacy of the allowance for impairment of receivables. However, most categories of the Council's debtors are not subject to substantial fluctuation and past experience is used within material limits to judge the percentages of each type of debt that will not eventually be recovered.

In addition, there are allowances for impairment in respect of Council Tax & Business Rates debtors which are assessed by the District Councils in their role as Council Tax collection authorities. At 31 March 2025 the Council's share of these allowances amounts to £23.615m (£20.778m at 31 March 2024) out of its share of Council Tax & Business Rates arrears totalling £50.152m (£45.7m at 31 March 2024).

21. Cash and Cash Equivalents, Bank overdraft and accrued balances for third parties

	31 March 2024	31 March 2025
	£000	£000
Cash in hand	108	104
Short-term deposits	27,455	27,839
Total Cash and Cash Equivalents	27,563	27,943
Imputed cash adjustment for pooled budget re the purchase of integrated community equipment	(567)	(243)
Imputed cash adjustment for balances held on behalf of Trust Funds (see Note 46)	(310)	(319)
Bank overdraft	(8,697)	(1,228)
Total bank overdraft	(9,574)	(1,790)
Net cash and cash equivalent balances/(overdrawn)	17,989	26,153

Note 30 sets out some details of the arrangements under which the Council 'hosts' the finances of pooled arrangements for Pooled Budgets (with Clinical Commissioning Boards). These arrangements relate to a number of different organisations and it is necessary to allocate their balance sheets between the different participants. The result of adjusting the balances for debtors, creditors, etc. is to create an imbalance, which represents the difference between the cash actually held by the Council and the share of the arrangements' cash, which is eventually allocable to the Council. This difference is recorded above as 'imputed cash'.

The Council manages and invests its cash balances with the aim of achieving a balance at the bank as close as possible to zero. As it manages cash balances on behalf of its share of the Orbis partnership arrangement and some trust funds alongside its own balances, the Council allows its own balances to become overdrawn if there is cash held in its own bank accounts on behalf of the other authorities, which results in a notional overdrawn balance because cheques and BACS payments are recorded when they are drawn, rather than when they are presented at the bank.

The pooled bank balances at 31 March 2025 include £3.98m (£3.53m at 31 March 2024) relating to bank accounts operated by schools under local management arrangements.

22. Creditors and Income in Advance

	31 March 2024 Restated £000	31 March 2025 £000
Creditor System Control	6,716	1,784
Pension Schemes	6,345	6,846
HMRC	6,452	6,515
PFI Schemes	6,041	11,878
Council Tax & NNDR	16,825	18,209
East Sussex Fire Authority	14,307	13,407
Capital	15,209	9,325
Right of Use assets	-	1,308
Other*	67,023	56,115
Total Creditors	138,918	125,387
Income in Advance	21,190*	19,686
Total	160,108	145,073

*The creditors balance has been restated for 2023/24 to separate out the balance from grants and other contributions received in advance which are being shown separately on the balance sheet.

23. Provisions

Provisions are amounts set aside in the Accounting Statements for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The provision has been established for material liabilities of uncertain timing. The following table shows the level of the Council's provisions:

	31 March 2024 £000	Additional provisions £000	Amounts used £000	31 March 2025 £000
Long Term Provisions				
Insurance claims	1,658	-	-	1,658
Closed Landfill Sites	8,228	-	(161)	8,067
Total Long Term	9,886	-	(161)	9,725
Short Term Provisions				
Municipal Mutual Insurance (MMI)	77	-	-	77
NNDR Appeals	1,201	-	(498)	703
Adult Social Care	2,966	-	(469)	2,497
Business Services Department	-	128	-	128
Closed Landfill Sites	490	-	-	490
Total Short Term	4,734	128	(967)	3,895
Total Provisions	14,620	128	(1,128)	13,620

Insurance claims - the provision (pre 1997 & post 1997 liabilities) represents an estimate of the amounts which the Council will have to pay for claims arising before 31 March 2015, but where the exact amount and the date of payment are uncertain.

Closed Landfill Sites - The Council has 19 closed landfill sites that require restoration and aftercare. An accounting model has been developed to determine the required provision for these future costs taking into consideration the annual costs relating to leachate removal, gas monitoring and water quality monitoring. The Council has a legal obligation to restore, monitor and maintain landfill sites.

Municipal Mutual Insurance Limited (MMI) was the main Local Authority Insurer up until they entered administration in 1992. Being a mutual company, the members, including the Council, signed up to a 'Scheme of Arrangement', meaning once all claims have been discharged any outstanding assets would be distributed to the members, or conversely, the members would meet the cost of any liabilities, once all assets had been utilised.

The NNDR appeals provision represents amounts set aside to meet potential future liabilities for Business Rates Appeals. Local Authorities are liable for successful appeals against business rates charged to businesses in their proportionate share. Therefore, a provision has been recognised as a best estimate of the amount that businesses have been overcharged up to 31 March 2025.

Adult Social Care - is an estimate of payments due to other local authorities for costs incurred for clients with care and support needs commissioned by those authorities, whose ordinary residence (as defined under the Care Act) is deemed to be in East Sussex.

Business Services Department – is for estimated costs of Oracle training being delivered by an external training provider.

The Council holds a number of usable reserves, being those reserves that the Council can use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

- General Fund & School Balances - The General Fund and School balances shows the resources available to meet future running costs. See Note 10 for school balances.
- Earmarked Reserves - The Council holds a number of earmarked reserves which are used to earmark resources for specific projects/purposes. See Note 10 for a breakdown of General Fund earmarked reserves.
- Capital Receipts Reserve – see note below.
- Capital Grant & Contributions Unapplied Account – see note below.

	31 March 2024	31 March 2025
	£000	£000
Usable Capital Receipts Reserve	7,301	4,351
Capital Grants & Contributions Unapplied	15,053	16,636
Earmarked Reserves	95,896	62,535
Earmarked Reserves – Revenue Grants & Contributions	46,442	24,817
General Fund Balances	9,999	9,999
School Balances	18,258	16,043
Total Usable Reserves	192,949	134,381

Capital Receipts Reserve

The capital receipts reserve holds the proceeds of non-current asset sales available to meet future capital investment. The Capital Receipts Reserve is only used to fund capital expenditure or repay debt. Capital receipts are held in this reserve until such time they are used to finance capital expenditure.

	2023/24	2024/25
	£000	£000
Balance at 1 April	2,372	7,301
Amounts receivable during the year	5,746	1,852
Amounts applied to finance new capital investment	(817)	(4,802)
Net Transfer to / (from) the Capital Receipts Reserve	4,929	(2,950)
Balance at 31 March	7,301	4,351

Capital Grants and Contributions Unapplied Account

This account holds capital grants and contributions received by the Council, with either no conditions or where conditions have been met, where expenditure is yet to be incurred. The account holds grants and contributions available to meet future capital investment. The grants and contributions are held in this reserve until such time they are used to finance capital expenditure.

	2023/24 £000	2024/25 £000
Balance at 1 April	12,805	15,053
Amounts receivable during the year	49,659	49,991
Amounts applied to finance new capital investment	(47,411)	(48,408)
Net Transfer to/(from) the Capital Unapplied Account	2,248	1,583
Balance at 31 March	15,053	16,636

25. Unusable Reserves

	31 March 2024 £000	31 March 2025 £000
Revaluation Reserve	293,105	292,630
Capital Adjustment Account	387,473	363,177
Financial Instruments Adjustment Account	(6,568)	(6,413)
Pooled Investment Funds Adjustment Account	(792)	(643)
Collection Fund Adjustment Account	5,673	4,676
Accumulated Absences Account	(5,718)	(5,943)
Pensions Reserve	(40,016)	(34,733)
Deferred capital receipts	770	735
Total Unusable Reserves	633,927	613,486

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant, and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2023/24 £000	2024/25 £000	£000
Balance at 1 April	287,697		293,105
Upward revaluation of assets	63,569	23,598	
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(37,762)	(5,097)	
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	25,807		18,501
Difference between fair value depreciation and historical cost depreciation	(10,373)	(7,410)	
Accumulated gains on assets sold or scrapped	(10,026)	(11,566)	
Amount written off to the Capital Adjustment Account	(20,399)		(18,976)
Balance at 31 March	293,105		292,630

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of capital acquisition, construction, and enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2023/24 £000	2024/25 £000 £000
Balance at 1 April	367,872	387,473
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(48,856)	(52,170)
Revaluation losses on non-current assets	(13,864)	(50,127)
Revaluation losses on assets held for sale	(2)	(237)
Revaluation loss reversals on non-current assets	6,386	2,053
Revaluation loss reversals on assets held for sale	-	-
Amortisation of intangible assets	(1,730)	(1,264)
Financial Asset Impairment (Gains)/Losses	(89)	(12)
Revenue expenditure funded from capital under statute	(7,203)	(6,978)
Capital grants repaid in year	-	(510)
Donated assets acquired in year	727	5,804
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(17,511)	(20,587)
	(82,142)	(124,028)
Adjusting amounts written out of the Revaluation Reserve	20,399	18,976
Net written out amount of the cost of non-current assets consumed in the year	(61,743)	(105,052)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	817	4,802
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	47,411	48,408
Statutory provision for the financing of capital investment charged against the General Fund balance	14,033	20,208
Capital expenditure charged against General Fund balances	19,831	10,057
	82,092	83,475
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	(748)	(2,719)
Balance at 31 March	387,473	363,177

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2024 will be charged to the General Fund over a specific period.

	2023/24 £000	2024/25 £000
Balance at 1 April	(6,756)	(6,568)
Premiums	185	152
Soft Loan Interest	3	3
Net movement in the Financial Instruments Adjustment Account	188	155
Balance at 31 March	(6,568)	(6,413)

Pooled Investment Funds Adjustment Account

The account mitigates the impact of fair value movements on pooled investment funds.

	2023/24 £000	2024/25 £000
Balance at 1 April	(621)	(792)
Movement in the fair value of the Property Fund	(171)	149
Balance at 31 March	(792)	(643)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. A debit balance on the Pensions Reserve indicates a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, however the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2023/24 £000	2024/25 £000
Balance at 1 April	(42,852)	(40,016)
Remeasurement of the net defined liability	(9,854)	(9,116)
Benefits credited to the Provision of Services in the Comprehensive Income and Expenditure Statement	(28,750)	(30,424)
Employer's pension contributions charged to General Fund Balance	41,440	44,823
Balance at 31 March	(40,016)	(34,733)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Council Tax and Business Rates income is collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council.

Balance at 1 April

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Amount by which business rates income debited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements

Net movement in the Collection Fund Adjustment Account

Balance at 31 March

2023/24 £000	2024/25 £000
7,420	5,673
(2,690)	(1,584)
943	587
(1,747)	(997)
5,673	4,676

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Balance at 1 April

Settlement or cancellation of accrual made at the end of the preceding year

Amounts accrued at the end of the current year

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Balance at 31 March

2023/24 £000	2024/25 £000
(5,506)	(5,718)
5,506	5,718
(5,718)	(5,943)
(212)	(225)
(5,718)	(5,943)

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

Balance at 1 April

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Transfer to the capital receipts reserve upon receipt of cash

Balance at 31 March

2023/24 £000	2024/25 £000
805	770
-	-
(35)	(35)
770	735

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2023/24 £000	2024/25 £000
Net deficit on the provision of services	57,138	88,394

The deficit on the provision of services has been adjusted for the following non-cash movements:

Depreciation	(48,856)	(52,170)
Impairment and downward valuations	(7,480)	(48,311)
Amortisation	(1,730)	(1,264)
(Increase)/decrease in creditors	(25,929)	7,852
Increase/(decrease) in debtors	16,472	(15,327)
Movement in pension liability	12,690	14,399
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(17,511)	(20,587)
Other non-cash items charged to the net deficit on the provision of services	52	4,200
Total	(72,292)	(111,208)

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Proceeds from the sale of PPE, investment property and intangible assets	5,781	1,817
Capital grants credited to deficit on provision of services	49,659	49,991
Total	55,440	51,808

Net cash flows from operating activities	40,286	28,994

The cash flows for operating activities include the following items:

	2023/24 £000	2024/25 £000
Interest received	(12,942)	(12,093)
Interest paid	12,095	19,498
Dividends received	(223)	(222)

27. Cash Flow Statement – Investing Activities

	2023/24 £000	2024/25 £000
Purchase of PPE, Investment Property and Intangibles	64,331	85,942
Proceeds from the sale of PPE, Investment Property and Intangibles	(5,457)	(1,293)
Purchase of short and long term investments	330,500	194,000
Proceeds from short and long term investments	(382,350)	(282,500)
Other receipts from investing activities	(50,312)	(50,621)
Net cash flows from investing activities	(43,288)	(54,472)

28. Cash Flow Statement – Financing Activities

	2023/24 £000	2024/25 £000
Cash receipts of short and long term borrowing	-	-
Cash payments for the reduction of PFI and ROU Asset Liabilities	6,041	12,306
Repayments of short and long term borrowing	4,797	5,008
Net cash flows from financing activities	10,838	17,314

29. Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

	1 April 2024* £000	Financing Cash Flows £000	Non Cash Changes £000	31 March 2025 £000
Long Term Borrowings	(212,344)	(470)	5,573	(207,241)
Short Term Borrowings**	(5,480)	5,479	(5,573)	(5,574)
Liabilities for Right of Use Assets	(10,650)	1,258	(756)	(10,148)
PFI Liabilities	(49,422)	11,047	(31,688)	(70,063)
Net cash flows from financing activities	(277,896)	17,314	(32,444)	(293,026)

	1 April 2023 £000	Financing Cash Flows £000	Non Cash Changes £000	31 March 2024 £000
Long Term Borrowings	(217,824)	-	5,480	(212,344)
Short Term Borrowings**	(4,797)	4,797	(5,480)	(5,480)
PFI Liabilities	(55,463)	6,041	-	(49,422)
Net cash flows from financing activities	(278,084)	10,838	-	(267,246)

*1 April 2024 figure is adjusted to include the £10.650m liabilities created on transition to IFRS 16 for Right of Use assets.

**Short term borrowing excludes the year end interest accrual which is included in the balance sheet figures.

30. Pooled Budget and Partnership Arrangements

In 2024/25 the Council participated in partnership schemes involving pooled budget arrangements under Section 75 of the National Health Service Act 2006:

- The Integrated Community Equipment Service (ICES) started in September 2004 and comprises the Council as host agency and East Sussex Clinical Commissioning Group (ES CCG).
- The Better Care Fund (BCF) started in April 2015.

BCF planning was required for the whole of East Sussex and was signed off by the Health and Wellbeing Board in October 2017. This arrangement is supported by a Section 75 pooled budget legal agreement, of which ESCC is the lead body. In practice, the substance of the Better Care Fund arrangement is not one of a pooled budget due to a local agreement for ESCC to invoice the ICB for BCF funded expenditure commissioned directly by ESCC, while the ICB retains the remainder of its contribution to the pool to fund any expenditure commissioned through the ICB. Use of funding is agreed in partnership under joint governance arrangements as set out in the Section 75 agreement. The ICBs and ESCC will continue to work towards greater integration and joint commissioning of services in future years and the accounting for the Better Care Fund will therefore be reviewed each year.

The financial transactions of these schemes can be summarised as follows:

Arrangement	2023/24			2024/25		
	Expenditure	Income	ESCC Contribution	Expenditure	Income	ESCC Contribution
	£000	£000	£000	£000	£000	£000
Integrated Community Equipment	5,900	(5,900)	(2,950)	6,383	(6,383)	(3,191)
Better Care Fund*	87,512	(87,512)	(34,356)	93,871	(93,871)	(36,420)

*As ICES is BCF funded, the balances for ICES will also be included within the BCF line above.

Mental Health Community Forensic scheme

The Mental Health Community Forensic scheme, which started in April 2010, comprises the Council and the Sussex Partnership NHS Foundation Trust. This operates under a section 75 agreement, but not as a pooled budget. The financial value of transactions during 2024/25 was £391,040 (£374,609 in 2023/24).

Orbis Joint Operating Budget

Orbis is a public sector partnership between East Sussex County Council, Surrey County Council, and Brighton & Hove City Council to provide 'back office' or business support services for each of the councils, and for various groups of external customers.

The expenditure and funding is detailed below:

	2023/24 £000	2024/25 £000
Funding provided to the joint budget:		
- Surrey County Council	(6,384)	(6,304)
- East Sussex County Council	(3,600)	(3,484)
- Brighton & Hove City Council	(2,873)	(2,890)
Total Funding	(12,857)	(12,678)
Expenditure met from the joint budget	12,857	12,678
Net (surplus)/deficit on the joint budget	-	-

Regional Adoption Agency (RAA) Adoption South East (ASE)

In line with the Government's requirement for all LA adoption to be carried out on a regional level, East Sussex, West Sussex, Brighton & Hove, and Surrey councils have formed the Regional Adoption Agency (RAA) Adoption South East (ASE). The RAA has been operational since April 2020 and ESCC is the host organisation. Each member Local Authority provides their contribution towards the running of ASE into a pooled budget which is held by ESCC as the lead body. The amount carried forward remains ASE's funding, held within the ESCC bank account.

	2023/24 £000	2024/25 £000
ASE Total Budget	6,175	6,339
Expenditure	5,969	5,800
Income	(6,175)	(6,339)
ASE carry forward into 2025/26	206	539
Brighton & Hove City Council Contribution (18%)	1,087	1,117
East Sussex County Council Contribution (21%)	1,385	1,373
Surrey County Council Contribution (25%)	1,533	1,606
West Sussex County Council Contribution (36%)	2,170	2,243
	6,175	6,339

31. Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2023/24 £000	2024/25 £000
Salaries - basic allowances	726	730
Special responsibility allowances	231	251
Expenses	14	17
Total	971	998

The table below shows the actual amounts paid to individual members in the 2024/25 financial year (excluding employer NI & pension contributions). The amounts to which Members are entitled, including the basic allowance for every member and expenses for special responsibilities, travel, phones etc., are published annually and form part 6 of the Constitution.

Member			Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
			£	£	£	£
Cllr	Samuel	Adeniji	14,672	-	-	-
Cllr	Abul	Azad	14,672	5,400	809	8
Cllr	Matthew	Beaver	14,672	7,487	378	-
Cllr	Colin	Belsey	14,672	7,487	684	-
Cllr	Nicholas	Bennett	14,672	20,970	1,530	-
Cllr	Robert	Bowdler	14,672	17,973	1,936	377
Cllr	Charles	Clark	14,672	-	-	-
Cllr	Christopher	Collier	14,672	5,996	-	-
Cllr	Anne	Cross	14,672	-	-	-
Cllr	Godfrey	Daniel	14,672	-	535	-
Cllr	Johnny	Denis	14,672	5,996	153	-
Cllr	Penelope	di Cara	14,672	16,185	-	-
Cllr	Christopher	Dowling	14,672	-	144	-
Cllr	Claire	Dowling	14,672	17,973	460	11
Cllr	Kathryn	Field	14,672	3,889	672	-
Cllr	Gerard	Fox	14,672	7,487	-	59
Cllr	Roy	Galley	14,672	14,067	847	42
Cllr	Nuala	Geary	14,672	-	429	30
Cllr	Keith	Glazier	14,672	41,084	2,244	993
Cllr	Alan	Hay	14,672	-	-	-
Cllr	Julia	Hilton	14,672	-	-	21
Cllr	Ian	Hollidge	14,672	1,495	-	-
Cllr	Stephen	Holt	14,672	-	-	-
Cllr	Johanna	Howell	14,672	7,487	-	-
Cllr	Eleanor	Kirby-Green	14,672	-	428	-
Cllr	Carolyn	Lambert	14,672	-	-	-
Cllr	Thomas	Liddiard	14,672	7,487	-	-
Cllr	Philip	Lunn	14,672	-	-	-
Cllr	James	MacCleary	14,672	-	-	-
Cllr	Wendy	Maples	14,672	-	-	-
Cllr	Sorrell	Marlow-Eastwood	14,672	-	41	-
Cllr	Carl	Maynard	14,672	17,973	-	-
Cllr	Matthew	Milligan	13,149	-	-	-
Cllr	Steve	Murphy	14,672	-	-	-
Cllr	Sarah	Osborne	14,672	-	50	85
Cllr	Peter	Pragnell	14,672	2,435	603	-
Cllr	Paul	Redstone	13,149	-	1,420	71
Cllr	Christine	Robinson	14,672	-	-	-
Cllr	Patrick	Rodohan	14,672	-	-	-
Cllr	Philip	Scott	14,672	-	-	-
Cllr	Daniel	Shing	14,672	-	23	-
Cllr	Stephen	Shing	14,672	-	383	4
Cllr	Alan	Shuttleworth	14,672	-	-	-
Cllr	Bob	Standley	14,672	17,973	562	6
Cllr	Colin	Swansborough	14,672	7,487	230	93
Cllr	Georgia	Taylor	14,672	-	-	-

Cllr David Tutt	14,672	14,975	517	16
Cllr John Ungar	14,672	1,495	-	-
Cllr Trevor Webb	14,672	-	-	-
Cllr Brett Wright	14,672	-	15	-
Total	730,554	250,801	15,093	1,816

32. Officers' Remuneration

The following table sets out information about the remuneration of those senior managers who influence the decisions of the Council as a whole. In addition, the disclosures below include all Senior Officers whose salary is more than £150,000 per year. The remuneration paid to the Council's senior employees is as follows:

Senior Employees Remuneration 2024/25

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Employer's Pension Contribution	Total
		£	£	£	£	£
Chief Executive - Becky Shaw	1	192,954	7,865	159	39,561	240,539
Director of Adult Social Care – Mark Stainton		165,748	-	153	32,652	198,553
Assistant Chief Executive – Philip Baker		165,748	-	75	32,652	198,475
Director of Communities, Economy & Transport – Rupert Clubb	2	162,832	-	353	32,652	195,837
Director of Children's Services	3	147,301	-	-	29,018	176,319
Director of Children's Services	4	16,673	-	-	2,721	19,394
Chief Operating Officer - Rosalyn Parker		161,582	-	172	31,832	193,586
Director of Public Health		126,347	-	460	24,890	151,697
Chief Finance Officer		123,018	-	-	24,234	147,252

Notes:

1. The Chief Executive is formally employed by East Sussex County Council but up till 23 June 2024 the post was shared with West Sussex County Council under a partnering arrangement. West Sussex County Council make a 50% contribution to the total salary and remuneration costs, the figures above reflect the costs incurred by East Sussex County Council only. The "Additional duties and Acting up" amount is in respect of payment made to reflect the requirement to work across both East and West Sussex County Councils.
2. Pension Contributions based on salary before CCV salary sacrifice (£2,916) of £165,748.
3. In post from 15 April 2024.
4. Left post on 30 April 2024. Pension Contributions not levied on holiday pay on leaving (£2,861) included above.

Senior Employees Remuneration 2023/24

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Employer's Pension Contribution	Total
		£	£	£	£	£
Chief Executive - Becky Shaw	1	108,072	17,056	1,092	24,650	150,870
Director of Adult Social Care – Mark Stainton		161,705	-	138	31,856	193,699
Assistant Chief Executive – Philip Baker		161,705	-	10	31,856	193,571
Director of Communities, Economy & Transport – Rupert Clubb	2	158,789	-	6,340	31,856	196,985
Director of Children's Services - Alison Jeffery		157,641	-	-	31,055	188,696
Chief Operating Officer - Rosalyn Parker		153,550	-	195	30,249	183,994
Director of Public Health		123,265	-	1,131	24,283	148,679
Chief Finance Officer		116,764	-	-	23,002	139,766

Notes:

1. The Chief Executive is formally employed by East Sussex County Council but the post is shared with West Sussex County Council under a partnering arrangement. West Sussex County Council make a 50% contribution to the total salary and remuneration costs, the figures above reflect the costs incurred by East Sussex County Council only. The

“Additional duties and Acting up” amount is in respect of payment made to reflect the requirement to work across both East and West Sussex County Councils.

2. Pension Contributions based on salary before CCV salary sacrifice (£2,916) of £161,705.

The Council's employees, excluding those shown in the Senior Employees Remuneration table above, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were:

Remuneration band	2023/24 Number of employees			2024/25 Number of employees		
	Non Schools	Schools	Total	Non Schools	Schools	Total
£50,000 - £54,999	237	159	396	299	167	466
£55,000 - £59,999	110	66	176	103	115	218
£60,000 - £64,999	85	38	123	117	49	166
£65,000 - £69,999	38	29	67	48	30	78
£70,000 - £74,999	16	25	41	20	21	41
£75,000 - £79,999	34	11	45	36	18	54
£80,000 - £84,999	6	5	11	7	13	20
£85,000 - £89,999	4	9	13	8	6	14
£90,000 - £94,999	3	3	6	2	5	7
£95,000 - £99,999	7	1	8	8	5	13
£100,000 - £104,999	3	2	5	-	-	-
£105,000 - £109,999	1	1	2	3	2	5
£110,000 - £114,999	2	1	3	-	-	-
£115,000 - £119,999	1	1	2	1	2	3
£120,000 - £124,999	1	-	1	1	2	3
£125,000 - £129,999	-	-	-	2	-	2

33. Termination Benefits & Exit Packages

The Council normally offers both voluntary early retirement and voluntary redundancy as part of organisational restructures undertaken in accordance with the Managing Change Suite of Policies. In addition, there is a Voluntary Severance Scheme, which allows Council employees to apply for voluntary severance. Its purpose is to help ensure the efficient running of the Council, to help the Council reach its cost reduction targets and to minimise the need for compulsory redundancies in the future.

The Council terminated the contracts of 85 employees during 2024/25, incurring costs of £1.211m (67 terminations at a cost of £0.600m in 2023/24). An analysis of the numbers and amounts broken down by pay band and split between compulsory redundancies and other departures for both 2024/25 and 2023/24 are shown in the tables below.

Exit Packages 2024/25					
Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages
	Number of employees	£000	Number of employees	£000	Number of employees £000
less than £20,000	42	229	22	115	64 344
£20,000 to £39,999	9	254	2	54	11 308
£40,000 to £59,999	5	235	2	111	7 346
£60,000 to £79,999	2	139	1	74	3 213
Total	58	857	27	354	85 1,211

The total cost of £1.211m in the table above is the amount that has been charged to the Comprehensive Income and Expenditure Statement in 2024/25.

Exit Packages 2023/24					
Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages
	Number of employees	£000	Number of employees	£000	Number of employees £000
less than £20,000	22	174	40	261	62 435
£20,000 to £39,999	1	26	3	74	4 100
£40,000 to £59,999	-	-	-	-	- -
£60,000 to £79,999	1	65			1 65
Total	24	265	43	335	67 600

34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the accounting statements, certification of grant claims, statutory inspections and for non-audit services provided by the Council's external auditors for services rendered during the year. Grant Thornton have been the Council's external auditors since 2018/19 and all fees below relate to work carried out by them unless specified otherwise.

	2023/24 £000	2024/25 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	275	292
Additional fee relating to the previous year's audit work*	17	5
Fees payable in respect of other audit services provided by external auditors**	10	13
Total External auditor remuneration	302	310
Department for Levelling Up, Housing and Communities - Redmond Review – Local Audit Fees Grant ***	(33)	(37)
Total	269	273

Notes

*Total audit fee for 2023/24 was £0.280m

**Payable to Grant Thornton for work carried out in respect of the Teachers' Pension Scheme.

***A national grant to support affected local bodies to meet the anticipated rise in fees, driven by new requirements on auditors, including new burdens relating to the implementation of the Redmond Recommendations and the National Audit Office's Code of Audit Practice 2020.

35. Grant Income

The Council credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

	2023/24		2024/25	
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Council Tax		353,709		373,297
Business Rates		78,047		81,876
Social Care Grant		44,612		50,779
Revenue Support Grant:		4,076		4,346
General				
New Homes Bonus	351		554	
Business Rates Relief Funding	17,522		20,462	
Business Rates Levy surplus	629		630	
Services Grant	3,036		524	
Market Sustainability & improvement fund	-		11,312	
		21,538		33,482
Capital grants and contributions recognised		49,659		49,481
Donated assets		727		5,804
Total		552,368		599,065
Grants Credited to Services				
Dedicated Schools		251,769		276,596
Public Health		29,804		30,853
Better Care Fund		21,777		21,777
Pupil Premium		9,340		8,806
Bus Service Improvement Plan Grant		6,194		8,421
Unaccompanied Asylum Seeking Children		5,330		4,450
Mainstream School Additional Grant		5,193		-
Private Finance Initiative		4,755		4,755
Household Support Fund		7,743		7,795
Market Sustainability		3,932		-
Universal Infant Free School Meals		3,112		2,950
Covid 19 Hospital Discharges		3,053		5,088
16-19 Sixth Form		2,821		2,977
Homes for Ukraine		2,272		2,530
Teachers Pay		1,557		3,242
Teachers' Pension		109		4,487
Homes for Ukraine (provision of education and childcare for children)		7		776
Other Grants		26,935		32,161
Total		385,703		417,664

Notes – Details of the Dedicated Schools Grant figure are included in Note 36 below. Council Tax and Business Rates figures include share of Collection fund surplus or deficits.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them which could require them to be returned to the giver. The balances at the year end are as follows:

	31 March 2024	31 March 2025
	Restated	
	£000	£000
Current Liabilities – Receipts in Advance		
Revenue Grants & Contributions*	8,736	6,723
Long Term Liabilities – Receipts in Advance		
Capital Grants & Contributions*	25,019	40,520

* There was an adjustment made to the 31 March 2024 balance to move a balance out from Revenue Grants & Contributions into Capital Grants and Contributions as it had been incorrectly coded.

36. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by a grant awarded by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). An element of the DSG is recouped by the Education and Skills Funding Agency to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

Final DSG for 2024/25 before academy and high needs recoupment

Academy and high needs figure recouped for 2024/25

Total DSG after academy and high needs recoupment for 2024/25

Plus: Brought forward from 2023/24

Less: Carry-forward to 2025/26 agreed in advance

Agreed initial budgeted distribution in 2024/25

In-year adjustments

Final budget distribution for 2024/25

Less: Actual central expenditure

Less: Actual ISB deployed to schools

Plus: Local authority contribution for 2024/25

In-year carry-forward to 2025/26

Plus: Carry-forward to 2025/26 agreed in advance

Carry-forward to 2025/26

DSG unusable reserve at the end of 2023/24

Addition to DSG unusable reserve at the end of 2024/25

Total of DSG unusable reserve at the end of 2024/25

Net DSG position at the end of 2024/25

Central Expenditure £000	Individual Schools Budget £000	Total £000
		508,795
		(228,107)
		280,688
		15,814
		(2,814)
136,929	156,759	293,688
488	-	488
137,417	156,759	294,176
(138,098)	-	(138,098)
-	(156,759)	(156,759)
703	-	703
22	-	22
		2,814
		2,836
		-
		-
		-
		2,836

School Reserve

The total value of the Individual Schools Budget (the budget which is delegated to schools) for 2024/25 was £156.8m. Schools carried forward (reserve) a net total of £16.0m (10.6%) at the end of the financial year 31 March 2025, which was a decrease of £2.2m compared to 31 March 2024. The table below shows the number and value of schools with surpluses and deficits.

		Primary	Secondary	Special	Total
All schools with surpluses					
Number of schools	No.	90	8	1	99
Total surplus	£000	10,500	5,626	50	16,176
All schools with deficits					
Number of schools	No.	7	-	-	7
Total deficit	£000	(133)	-	-	(133)
Carry forward	£000	10,367	5,626	50	16,043
Less: Capital Loan to Schools	£000	-	-	-	-
Net Carry forward	£000	10,367	5,626	50	16,043

This reserve represents unspent balances remaining at the year-end against school's delegated budgets. The main reasons why schools hold balances are - anticipation of future budget pressures usually arising from pupil variation, to fund specific projects such as building work and IT and to hold a contingency for reasons of prudence. These balances are committed to be spent on the education service and are not available to the Council for general use.

The Council is obliged to disclose material transactions with related parties, a term that includes central government, the Pension Fund, some partnerships, as well as any financial relationships with Members and Chief Officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the Council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 35 on reporting for resources allocation decisions.

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The Register of Members' Interests is held at County Hall, Lewes, and is open to public inspection. The total of members' allowances paid in 2024/25 is shown in Note 31. None of Members or Chief Officers had control or influence in any related party transactions during the year.

A survey of the related party interests of members and their immediate family members was carried out in preparing this Statement of Accounts. Interests were declared within the Register of Members' Interests by members who held positions with organisations that have transacted with the Council during the year, which include:

- Director and Member of Woodland Enterprise Centre. In 2024/25, goods and services to the value of £0.026m were commissioned from this entity.
- Chairman and Member of Ashdown Forest Trust. In 2024/25, rents of the golf course to the value of £0.070m were paid to this entity.

Entities that are controlled or significantly influenced by the Council

The Council acts as sole trustee for the Ashdown Forest Trust (see Note 46), for the balances held by the Council at 31 March 2025.

East Sussex Pension Fund

The East Sussex Pension Fund is administered by East Sussex County Council. The Treasurer of the Pension Fund and members of the County Council have no material transactions with the Pension Fund. The Council incurred costs in administering the fund and charged £2.9m to the fund in 2024/25 (£2.5m in 2023/24). The Council's contribution to the fund was £53.0m in 2024/25 (£49.4m in 2023/24).

East Sussex Fire Authority

East Sussex County Council provides financial services to the East Sussex Fire Authority. The arrangement has been in operation since 1997. The services provided include accounts payable, accounts receivable, payroll, treasury management, accountancy, VAT, IT services and internal audit. The cost of these services was £0.258m in 2024/25 (£0.248m in 2023/24).

Other Public Bodies

The Council is involved in several partnerships under Section 75 of the National Health Services Act 2006. Details of these arrangements are shown in Note 30.

Other entities in which the Council has an interest

The Council is aware that the following entities do not meet the requirements of IAS 24 Related Party Disclosures. For transparency and for members of the public to understand the relationships held, this has been disclosed.

East Sussex County Council have 19% of the voting rights for Woodland Enterprises Ltd. The High Weald Unit of the Economy, Transport and Environment Department rented part of the Woodland Enterprises Centre from Woodland Enterprises Ltd during 2024/25. There were no long term debts to the company at 31 March 2025.

Sea Change Sussex (SCS) is a company limited by guarantee and is a key delivery partner for the County Council. Hastings Borough Council, Rother District Council and the County Council together hold 19.9% of the voting rights, representative of the voluntary and Community sector 10% and a representative from the education sector 19.9% and local businesses the remaining 50%. The County Council had appointed the Lead Cabinet Member for Resources and Climate Change as a Director of the Company, however, he resigned his position in October 2024. SCS is a not-for-profit economic development and regeneration company, delivering capital infrastructure schemes in the County.

The High Weald AONB is managed by a Joint Advisory Committee. The committee membership includes 16 principal partners and funding members (Natural England plus 15 local authorities whose area is covered by the High Weald AONB designation) and 5 advisory partners and non-funding members co-opted from forum member organisations. East Sussex County Council is a principal partner and funding member.

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The Council accounts fully for depreciation of assets in line with accounting standards in the Comprehensive Income & Expenditure Statement, but it is legally obliged to provide for the repayment of a proportion of its Capital Financing Requirement (the Minimum Revenue Provision) in its charge to taxpayers.

The Capital Financing Requirement represents the Council's net need to borrow to finance its capital investment, made up of all loan investment in previous years, less amounts set aside each year for the redemption of debt.

	2023/24 £000	2024/25 £000
Opening Capital Financing Requirement	341,790	339,856
Adjustment to opening balance for IFRS 16 adoption	-	42,711
Property, Plant and Equipment	66,882	70,709
Investment Properties	400	763
Intangible assets	2,953	8,465
Assets Held for Sale	-	121
Right of Use Assets/Lease Liability remeasurements in year	-	6,220
Capital Loans	53	-
Capital grants repaid	-	510
Revenue Expenditure Funded from Capital under Statute	7,203	6,978
Total capital investment	77,491	136,477
Capital receipts	(817)	(4,802)
Government grants and other contributions	(47,411)	(48,408)
Revenue financing	(19,832)	(10,057)
Total financing other than from loans	(68,060)	(63,267)
Long Term capital debtors movement	2,668	168
Minimum Revenue Provision (MRP) for the repayment of loans	(14,033)	(20,208)
Closing Capital Financing Requirement	339,856	393,026
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow, that is not supported by government financial assistance	(1,934)	16,704
Movements on PFI and ROU asset liabilities	-	36,466
Increase/(decrease) in capital financing requirement	(1,934)	53,170

Authority as Lessee

From 1 April 2024, the Council has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting. The new accounting standard requires that the rights to use items acquired under all leases (subject to exemptions for low value or short-term leases) are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

As part of the transition, all lease arrangements have been reviewed, and adjustments have been made to align with the new lease recognition requirements under IFRS 16. Lease liabilities were measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date. The weighted average of the incremental borrowing rates used to discount liabilities was 5.10%.

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles

Right of Use Assets

This table shows the change in the value of right-of-use assets held under leases:

	Land & Buildings £000	Vehicles, plant & equipment £000	Total £000
Balance at 1 April 2024	6,484	854	7,338
Transfers in	4,709	-	4,709
Additions	-	755	755
Revaluations	(1,315)	-	(1,315)
Depreciation and amortisation	(958)	(296)	(1,254)
Disposals	-	-	-
Balance at 31 March 2025	8,920	1,313	10,233

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

	31-Mar-25 £000
Comprehensive income and expenditure statement	
Interest expense on lease liabilities	516
Expense relating to exempt leases of low-value items	577
Income from subletting right-of-use assets	7
Cash flow statement	
Minimum lease payments	1,258

The table above does not have a prior year comparator column yet due to the transition to IFRS 16 taking place on 1 April 2024. Prior to this, all Council leases were treated as operating leases and expensed in year to the Comprehensive Income and Expenditure Statement. The total of lease expenditure that was charged to the Net Cost of Services during 2023/24 in relation to these operating leases was £3.481m.

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	31-Mar-24 £000	31-Mar-25 £000
Less than one year	2,863	2,233
Later than one year and not later than five years	7,288	4,530
Later than five years	6,636	12,887
Total undiscounted liabilities	16,787	19,650

Authority as Lessor

Finance Leases

As at 31 March 2025, the Council has no assets classed as finance leases.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- schools and community centres for sports and other community uses;
- depots in relation to service contracts;
- properties surplus to requirements that are awaiting disposal.

The future minimum lease payments receivable in future years are:

	31 March 2024	31 March 2025
	£000	£000
Not later than one year	2,374	1,817
One to two years	1,348	1,510
Two to three years	1,290	1,346
Three to four years	1,264	1,289
Four to five years	1,237	1,205
Later than five years	4,219	3,545
Total	11,732	10,712

The total income received from leasing, renting and hiring of facilities in 2024/25 was £2.027m (£2.510m 2023/24).

Other Long Term Liabilities in the Balance Sheet consist of:

	31 March 2024	31 March 2025
	£000	£000
Long Term PFI Liabilities	49,422	70,063
Financial Guarantees	54	54
Long Term Right of Use Asset Liabilities	-	8,840
Long Term Creditors	1,434	1
Total	50,910	78,958

Schools PFI

The Council has a contract with Peacehaven Schools Ltd (PSL) under the Private Finance initiative to provide a new secondary school and replace or refurbish four primary schools in Peacehaven and Telscombe Cliffs. The first school became operational in January 2000. During 2021/22 two of the remaining three PFI schools transferred into academies and were removed from the balance sheet leaving one school remaining on balance sheet.

Waste PFI

In conjunction with Brighton and Hove City Council, the Council jointly entered into a 25 year agreement, on the 31 March 2003, for the provision of an integrated waste management service with South Downs Waste Services Ltd. In 2009/10 the agreement extended by a further 5 years to 31 March 2033.

Value of PFI assets at each balance sheet date and analysis of movement in those values:

	Peacehaven Schools PFI			Meridian		
				£000		
				5,310		
1 April 2024				5,878		
Additions*				(5,539)		
Revaluations*				(457)		
Depreciation				-		
Disposals				5,192		
31 March 2025						

Waste PFI	Hollingdean WTS & MRF	Maresfield WTS & HWRS	Whitesmith Composting Facility	Newhaven Energy Recovery Facility	Pebsham HWRS	Total
	£000	£000	£000	£000	£000	£000
1 April 2024	7,653	2,663	10,922	15,499	446	37,183
Additions*	-	-	-	-	36,612	36,612
Revaluations*	570	-	-	-	(34,800)	(34,230)
Depreciation	(326)	(108)	(756)	(1,090)	(1,840)	(4,120)
31 March 2025	7,897	2,555	10,166	14,409	418	35,445

*The additions and revaluations above were in respect of the remeasurement of the opening lease liability as at 1st April 2024 following the adoption of IFRS 16 which requires that liabilities are remeasured where indexation increases are applied. The asset values were revalued back down to their previous value to remove the impact of the liability remeasurement so as not to overstate the value of the asset on the Balance Sheet.

Notes:

- (i) Land values are excluded from the schools and waste PFI accounting models with the exception of the Whitesmith Composting Facility;

Details of payments to be made under PFI contracts

Waste PFI

Based on the OBR projected RPIX annual inflation rate to 2027/28 and a projected 2.5% annual inflation rate beyond, the details of the payments due to be made are detailed below:

	Reimbursement of capital expenditure	Interest	Service Charge	Total
	£000	£000	£000	£000
Within 1 year: 2025/26	7,616	4,145	19,998	31,759
Within 2 to 5 years: 2026/27 to 2029/30	35,493	12,178	81,144	128,815
Within 6 to 8 years: 2030/31 to 2032/33	32,732	3,670	62,028	98,430
Total	75,841	19,993	163,170	259,004

Peacehaven Schools PFI

Based on actual inflation to 31 March 2025, and assuming a 3.0% inflation rate for the remaining life of the contract, the payments to be made are set out below:

	Reimbursement of capital expenditure	Interest	Service Charge	Total
	£000	£000	£000	£000
Within 1 year: 2025/26	4,262	598	1,422	6,282
Within 2 years: 2026/27	1,838	180	656	2,674
Total	6,100	778	2,078	8,956

Operational PFI contracts are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual. The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The deferred liability as at 31 March 2025 is £81.9m (£75.9m for Waste PFI, and £6.1m for Peacehaven Schools PFI), and as at 31 March 2024 was £55.4m (£51.3m for Waste PFI, and £4.1m for Peacehaven Schools PFI).

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. In all cases the authority has the right to use the assets provided by the PFI contractor and is entitled to receive the services specified within each contract. Each of the PFI contracts contain a payment mechanism whereby the authority only pays for the services it receives. On expiry of the contracts, the assets created under the PFI arrangements automatically revert to the authority at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in the reporting period.

That part of the deferred liability due to be repaid in the next year is included under short term creditors in the Balance Sheet with the balance being shown under Other Long Term Liabilities. The breakdown between short term and long term, the total value of the liability and an analysis of movement in those values is shown below.

	Waste PFI	Schools PFI	Total	Included in Short Term Creditors	Included in Long term Liabilities
	£000	£000	£000	£000	£000
Balance outstanding at 1 April 2024	51,319	4,144	55,463	6,041	49,422
Remeasurement of opening lease liability on IFRS 16 adoption	26,533	5,527	32,060	16,884	15,176
In-year liability remeasurement	5,153	312	5,465	-	5,465
Lease principal repayment	(7,164)	(3,883)	(11,047)	(11,047)	-
Balance outstanding at 31 March 2025	75,841	6,100	81,941	11,878	70,063

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2024/25 the Council incurred a total of £22.08m payable to Teachers Pensions Scheme in respect of teacher's pension costs, which represents 28.68% of teacher's pensionable pay. In addition the Council is responsible for all pension payments related to added years it has awarded, together with the related increase which amounted to £3.24m. These figures compare to an amount of £17.88m payable in 2023/24 (23.68% of pensionable pay) and £3.18m for added years pensions payable to former teachers.

This is a defined benefit scheme, and although it is unfunded, Teachers Pensions Scheme uses a notional fund as the basis for calculating the employer's contribution rate. However, it is not possible to identify the Council's share of the underlying liabilities of the scheme for its own employees. For the purposes of these accounts, it is therefore accounted for as a defined contribution scheme. The Council is responsible for the costs of the additional benefits awarded upon early retirement, and these benefits are fully accrued in the liability included in the balance sheet.

As at March 2025, the Council owed £2.4m to Teachers Pensions for the employer's and employee's contribution to the Teachers Pensions Scheme (£2.07m at March 2024). The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

NHS Pension Scheme

In 2013/14, NHS staff transferred to the Council. These employees have maintained their membership of the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable pay.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024/25, the Council incurred a total of £0.203m payable to the NHS Pension Scheme in respect of former NHS staff retirement benefits, and there was £0.016xm contributions remaining payable at the year end. This compares to an amount of £0.23m payable in 2023/24.

42. *Defined Benefits Pension Schemes***Participation in Pension Schemes**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Accounting Policies note explains that the Council participates in three schemes, the Local Government Pension Scheme, the Teachers' Pension Scheme and the NHS Pension Scheme. The Teachers' Pension Scheme is administered nationally, and the Comprehensive Income and Expenditure Statement contain actual contributions made to the scheme. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition, the Council has liabilities for discretionary payments for added years, and other benefits, both for local government employees and for teachers. These are charged as an expense to the accounts of the Council, rather than those of the Pension Fund.

Transactions Relating to Post-employment Benefits - the cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the contributions made in the year, so the real cost of retirement benefits is reversed out through the General Fund via the Movement in Reserves Statement and the contributions made in the year are included.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement

Cost of Services:

Service Cost Comprising:

- current service cost including admin expenses
- past service costs including curtailments
- (gain)/loss from settlements

Financing and Investment Income and Expenditure

Net interest (income)/expense

Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services

Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement

Re-measurement of the net defined benefit liability comprising:

- Return on plan assets (excluding the amount included in the net interest expense)
- Actuarial gains and losses arising on changes in demographic assumptions
- Actuarial gains and losses arising on changes in financial assumptions
- Other (if applicable)
- Changes in effect of asset ceiling adjustment

Total taken to Other Comprehensive Income and Expenditure

Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code

2023/24 £000	2024/25 £000
31,996	34,291
134	210
132	(583)
(3,512)	(3,494)
28,750	30,424
(44,091)	58,418
(17,361)	(3,834)
(9,668)	(206,401)
4,776	(4,394)
76,198	165,327
9,854	9,116
38,604	39,540
(28,750)	(30,424)

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to the scheme

41,440 44,823

*The balance above for reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code for 2022/23 has been restated to no longer include the reversal adjustment for employers' contributions made in year which had previously been included in the balance.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Present Value of the define benefit obligations: Local Government Pension Scheme	(2,066,436)	(2,119,869)	(1,491,954)	(1,513,032)	(1,348,457)
Fair value of plan assets in the Local Government Pension Scheme	1,507,054	1,640,007	1,583,453	1,690,554	1,708,006
Impact of Asset ceiling adjustment	-	-	(134,351)	(217,538)	(394,282)
Surplus / (Deficit) in the scheme: Local Government Pension Scheme	(559,382)	(479,862)	(42,852)	(40,016)	(34,733)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. For both 2023/24 and 2024/25 the fair value of plan assets exceeded the obligations balance, however as the net surplus cannot be realised by the authority either through refunds or by reducing future employer contributions, the Actuary has applied an asset ceiling under IFRIC 14 to limit the value of the asset within the accounts.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is 19.6% of payroll.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2023/24 £000	2024/25 £000
Opening balance at 1 April:	1,491,954	1,513,032
Current Service Cost	30,640	32,840
Interest Cost	71,424	73,613
Contributions by scheme participants	12,351	13,114
Re-measurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	(17,361)	(3,834)
• Actuarial gains/losses arising from changes in financial assumptions	(9,668)	(206,401)
• Other	4,776	(4,394)
Past Service Costs, including curtailments	134	210
Benefits paid	(61,461)	(64,717)
Liabilities assumed/(extinguished) on settlements	(5,586)	(706)
Unfunded Benefits paid	(4,171)	(4,300)
Closing balance at 31 March	1,513,032	1,348,457

Reconciliation of fair value of the scheme assets:

	2023/24 £000	2024/25 £000
Opening fair value of scheme asset at 1 April:	1,583,453	1,690,554
Interest Income	81,925	88,524
Re-measurement gain / (loss):		
• The return on plan assets, excluding the amount included in the net interest expense	44,091	(58,418)
• Other	-	-
Contributions from employer	41,440	44,823
Contributions from employees into the scheme	12,351	13,114
Benefits paid	(61,461)	(64,717)
Unfunded benefits paid	(4,171)	(4,300)
Other payments	(7,074)	(1,574)
Closing fair value of scheme assets at 31 March	1,690,554	1,708,006

Other payments for scheme assets include administration expenses and settlement prices paid.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2023/24 £000	%	Fair value of scheme assets 2024/25 £000	%
Cash and cash equivalents	16,906	1	34,160	2
Government Bonds	84,528	5	119,560	7
Private equity	135,244	8	119,560	7
Property	118,339	7	102,480	6
Investment funds and unit trusts:				
• Equities	743,843	44	768,604	45
• Bonds	152,150	9	170,801	10
• Infrastructure	152,150	9	136,640	8
• Other	287,394	17	256,201	15
Sub-total Investment funds and unit trusts	1,335,537	79	1,332,246	78
Total assets	1,690,554	100	1,708,006	100

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the calculations in the latest full valuation of the scheme as at 31 March 2022 rolled forward to the Balance Sheet date allowing for the different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

Mortality assumptions:

Longevity at 65 for current pensioners

Men

Women

Longevity at 65 for future pensioners

Men

Women

Rate of increase in salaries

Rate of inflation/increase in pensions

Rate for discounting scheme liabilities

2023/24	2024/25
20.9	20.9
23.8	23.9
21.9	21.9
25.4	25.4
2.95%	2.90%
2.95%	2.90%
4.9%	5.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method.

Change in assumptions at 31 March 2025:

0.1% decrease in Real Discount Rate
0.1% increase in the Salary Increase Rate
0.1% increase in the Pension Increase Rate
1 year increase to life expectancy assumptions

Impact on the Defined Benefit Obligation in the Scheme	
Approximate increase to Employer	Approximate monetary amount
%	£000
1	19,443
-	1,013
1	18,965
4	52,315

At 31 March 2025, the Council owed £4.43m (£4.26m 31 March 2024) to the Pension Fund in respect of employer's and employees' contributions.

Details of the East Sussex Pension Fund, for which a full actuarial valuation was last carried out at 31 March 2022, can be found on pages 116 to 156.

Impact on the Authority's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated March 2020. In summary, these are;

- to ensure the long-term solvency of the Fund;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund;
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk from an employer defaulting on its pension obligations.

The funding level for the Fund is monitored on a regular basis. The next triennial valuation is due to be completed on 31 March 2025.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2025 are set out in the Rate and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Employer, please refer to the 31 March 2022 actuarial valuation report (link below).

<https://www.eastsussexpensionfund.org/resources/>

43. *Contingent Liabilities*

Public Service and Judicial Offices Act 2022

The Public Service and Judicial Offices Act 2022 came into effect in October 2023. This legislation sets out the basis for a remedy to the age discrimination identified within Public Service Pension Schemes, including the Local Government Pension Scheme (LGPS) since the 2015 reforms. A calculation is to be performed upon retirement so a member with qualifying service would not be worse off that they would have been prior to the reforms. As part of the remedy, some teachers' service is to be made pensionable in the LGPS. The remedy is expected to impact a very small number of members but the full financial impact cannot be assessed until all the calculations are complete, which will be over a period of many years

Virgin Media

The council is aware of the "Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)" case. There is a potential for the outcome of the case to have an impact on the UK pension scheme. The case affects defined benefit schemes that provided contracted-out benefits before 2016.

In June 2023, the High Court found that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. The case was taken to the Court of Appeal in June 2024, and the original ruling was upheld. As a result of this judgement, there may be a further liability to be incurred by the Council for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). However, it is not possible at present to estimate the potential impact, if any, on the Local Government Pension Scheme or the Fund and consequently on the figures within the Council's accounts.

44. *Contingent Assets*

The council is part of a class action, led by the Local Government Association, against a number of vehicle manufacturers which it is alleged have participated in price fixing across Europe. The council has bought many of its vehicles outright over many years. It is not yet possible to assess the likelihood of success or quantify any potential financial recompense. The council has no liability in relation to any potential costs if the claim is lost as it has entered into an insurance arrangement negotiated by the LGA and involving, with a large number of other claimants.

45. *Nature and extent of risks arising from Financial Instruments*

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - ❖ The Council's overall borrowing;
 - ❖ Its maximum and minimum exposures to the maturity structure of its debt;
 - ❖ Its management of interest rate exposure;
 - ❖ Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 6 February 2024 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2024/25 was set at £413m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £393m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 15% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt (see table below).

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

1. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website.

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2024/25 was approved by Full Council on 6 February 2024 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £131m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2025 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2024	12	243	3,330	3,585
Change in credit loss	(4)	23	743	762
Closing balance 31 March 2025	8	266	4,073	4,347

12 Month ECL includes some third party loan and investment balances. Lifetime ECL includes some third party loans and treasury investments. Lifetime ECL simplified includes debtor balances.

Collateral

During the reporting period the council held no collateral as security.

2. Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers of £31.22m at 31 March 2025 (£44.26m at 31 March 2024), is as follows:

	31 March 2024	31 March 2025
	£000	£000
Less than one year	247,420	149,061
Between one and two years	12,125	11,405
Total	259,545	160,466

3. Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period approved by Council in the Treasury Management Strategy:

	Approved Minimum Limit	Approved Maximum Limit	31 March 2024	31 March 2025
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	128,728	101,950
Between one and two years	0%	40%	12,213	18,307
Between two and five years	0%	60%	32,368	43,667
Between five and ten years	0%	70%	69,320	83,606
More than ten years	0%	90%	149,353	140,619
Total			391,982	388,149

4. Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2025, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	277
Impact on Comprehensive Income and Expenditure	<u>277</u>

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council has a 19% voting rights interest in Woodland Enterprises Ltd, a company limited by guarantee, which was set up to create prosperity in woodland and wood industries through sustainable development. The net assets of the company in the unaudited financial statements at 31 March 2024 were £219,094 (£232,940 at 31 March 2023).

The legal liability of the County Council is limited to £4m between its four guarantors. As no amount has been invested in this company, since it is limited by guarantee, and investments are carried at cost, the Council has not recognised any amount as an investment in this company.

The Council does hold £5m in a property asset fund, and its price varies. The fair value at 31 March 2025 is £4.4m. However, any movement in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

46. Trust Funds

The Council administers various funds for the benefit of individuals or groups of people. The income of such funds is not available for general use and the accounts are kept separate from those of the Council.

The term 'trust fund' includes money held on behalf of individuals, such as Social Services clients. In these cases, the holding is virtually a personal bank account and is not invested by the Council. The Council holds monies and acts as sole trustee for the following trusts:

- East Sussex Music Trust: for the provision of music education opportunities for children and young people in East Sussex;
- Robertsbridge Youth Centre: interest from money raised by the sale of land at the youth centre, applied towards youth services in Robertsbridge;
- Lewes Educational Charity: interest from money raised by the sale of former educational premises, applied towards education in Lewes and the surrounding area;
- How Scholarship: assistance to individuals in the Borough of Hastings;
- Wright Legacy: for the purchase of particular classes of books for Eastbourne Library;
- The Ashdown Forest Trust: a registered charity that was set up by a declaration of trust in 1988. The Council is trustee and agrees grants made to the Ashdown Forest conservators, from the Ashdown Forest Trust Fund. An independent examination of the Trust Fund accounts is provided by external auditors.
- Performing Arts Centre, Lewes: the centre is leased to the Council by East Sussex College as trustee of the East Sussex Music Trust.

The transactions during the year of all the funds are summarised below:

	2024/25			
	Opening Balance	Expenditure	Income	Closing Balance
	£000	£000	£000	£000
Sole trustee funds				
East Sussex Music Trust	(29)	5	(1)	(25)
Robertsbridge Youth Centre	(115)	-	(7)	(122)
Lewes Educational Charity	(56)	-	(3)	(59)
Heathfield Youth Centre	(64)	-	(3)	(67)
Wright Legacy	(2)	-	-	(2)
Total sole trustee funds	(266)	5	(14)	(275)
Comforts funds	(44)	-	-	(44)
Total trust funds	(310)	5	(14)	(319)
Ashdown Forest Trust	(1,379)	-	-	(1,379)
Performing Arts Centre, Lewes	(460)	16	-	(444)

47. Closed Landfill Sites

A former or closed landfill site is an area that has previously been used to dispose of rubbish from the construction industry, commercial businesses and households. The closed site will have ceased accepting rubbish and will be under restoration. When a landfill site is originally granted planning permission, the future land use is sometimes agreed as part of the planning application. If not, the site will usually be restored so that it can be used for either recreational purposes or agriculture such as grazing.

To ensure closed landfill sites are safe, they are regularly monitored. The Council currently monitors 19 closed landfill sites of which most are over 30 years old and closed in the 1980's. The Council is responsible for aftercare costs as there is a potential risk from leachate (toxic water) and escaped gases such as methane, carbon dioxide and other gases which may be flammable. In accordance with Environment Agency legislation, the Council has made a provision for a past event of up to 60 years for future aftercare costs for each site. The provision is the best estimate of the expenditure required to settle the obligation. Over the remaining aftercare life for each site, the Council will charge aftercare costs to the provision and so reduce the liability. At 31 March 2025, the liability had reduced to £8.56m (£8.72m at 31 March 2024).

The Council own the freehold or part freehold of eight of the nineteen sites and in accordance with IAS 16 Property, Plant & Equipment and the Council's own accounting policy (see accounting policy xxi on page 60), has recognised the land value in the Balance Sheet. Four of the sites are located on land included elsewhere in the Council's Balance Sheet and the remaining four sites are valued separately as Property, Plant & Equipment at £1.3m at 31 March 2025 (£1.4m at 31 March 2024).

Introduction

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Public Services Pensions Act 2013. The rules of the scheme are provided in the Local Government Pension Scheme Regulations and provide the statutory basis within which the Scheme can operate.

Although a national pension scheme, mainly set up for the benefit of local government employees, the LGPS is administered locally. The LGPS is open to all non-teaching employees of the County, District and Borough Councils and Unitary Authorities in East Sussex, as well as Further Education Colleges, Academies, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as “admission bodies”. In addition, the LGPS allows employees of private contractors to participate in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

Currently within the East Sussex Pension Fund there are 148 participating employers. A full list of participating employers is given at note 29.

More information on the Fund can be found on its website [Homepage | East Sussex Pension Fund](#).

Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (the Fund) on behalf of all the participating employers of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents.

The Fund receives contributions from both employees and employers, as well as income from its investments, these elements then meet the cost of paying benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting the funding and investment strategies and reviewing the performance of the Fund's external investment managers and advisers. The administration and management of the Pension Fund has been delegated to the East Sussex Pension Committee supported by the East Sussex Pension Board.

The Fund has the day-to-day functions of managing the governance of the Fund and administration functions under its sovereign control. The main services provided by the Fund include governance and compliance, investment, accounting, maintenance of scheme members' records, calculation and payment of pension benefits, transfers of pension rights, calculation of annual pension increases and the provision of information and communications to scheme members, scheme employers and other stakeholders.

The Fund increased its governance arrangements following a good governance review resulting in a change to terms of reference, delegations, policies and team structure with all decision-making residing with the Pension Committee. The Fund ensures that all the participating employers within the Fund are aware of their own responsibilities through its administration strategy, as well as any changes to the provisions of the Scheme that may be introduced through an employer engagement team, communications and an annual employer forum.

A major responsibility of the administering authority is to undertake a valuation of the Pension Fund's assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund's current and future liabilities against the size of assets, and then set the employer contribution to the Fund for each participating employer for the following three-year period. The most recent actuarial valuation of the Fund was carried out at 31 March 2022 and the next triennial valuation will be on the 31 March 2025 with new contribution rates set then.

Asset Pools

The East Sussex Pension Fund has joined with 10 other Local Government Pension Schemes (LGPS) Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other members of the ACCESS Pool are:

1. Cambridgeshire	5. Norfolk	8. Hertfordshire
2. Kent	6. Essex	9. Suffolk
3. Hampshire	7. West Northamptonshire	10. Isle of Wight
4. West Sussex		

At the 31 March 2025 collectively, the pool has assets of £66.7 billion (of which 74% has been pooled) serving approximately 3,500 employers with over 1.2 million members.

The ACCESS Pool is not a legal entity in itself, but is governed by the Inter Authority Agreement signed by each Administering Authority established in 2017. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

Following the November 2024 Mansion House speech the government published a consultation entitled “Local Government Pension Scheme: Fit for the Future”. This discussed further in the note 6. Events after the balance sheet date.

East Sussex Pension Fund Accounts

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Section 151 Officers Group, Officer Working Group and the ACCESS Support Unit. More information on the ACCESS pool can be found on their website <https://www.accesspool.org/>.

Pension Fund Account for the year ended 31 March 2025

2023/24		2024/25		
£000	£000	Notes	£000	£000
		Dealing with members, employers and others directly involved in the fund		
		Contributions	7	
(115,497)		From Employers		(121,570)
(39,521)		From Members		(43,424)
	(155,018)			(164,994)
	(11,089)	Transfers in from other pension funds	8	(21,888)
	(166,107)			(186,882)
	155,608	Benefits	9	177,514
	13,851	Payments to and on account of leavers	10	15,978
	169,459			193,492
	3,352	Net (additions)/withdrawals from dealings with members		6,610
	26,278	Management expenses	11	29,588
	29,630	Net (additions)/withdrawals including fund management expenses		36,198
		Returns on investments		
(68,871)		Investment income	12	(84,215)
77		Taxes on income	13a	110
(314,646)		Profit and losses on disposal of investments and changes in the value of investments	14a	(8,273)
	(383,440)	Net return on investments		(92,378)
	(353,810)	Net (increase)/decrease in net assets available for benefits during the year		(56,180)
	(4,578,549)	Opening net assets of the scheme		(4,932,359)
	(4,932,359)	Closing net assets of the scheme		(4,988,539)

Net Assets Statement for the year ended 31 March 2025

31 March 2024			31 March 2025
£000		Notes	£000
4,846,304	Investment assets	14	4,861,860
1,333	Other Investment balances	21	2,016
(2,682)	Investment liabilities	22	(492)
70,293	Cash deposits	14	111,311
4,915,248	Total net investments		4,974,695
20,194	Current assets	21	16,643
(3,083)	Current liabilities	22	(2,799)
4,932,359	Net assets of the fund available to fund benefits at the year end.		4,988,539

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2025 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

xx February 2026

Notes to the East Sussex Pension Fund Accounts

1: Description of Fund

The East Sussex Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by East Sussex County Council ("the Scheme Manager"). The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- a) The Local Government Pension Scheme Regulations 2013 (as amended)
- b) The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- c) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, Brighton and Hove City Council, the district and borough councils in East Sussex County and a range of other scheduled and admitted bodies within the county area.

The Fund is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

The Council has delegated its pension functions to the East Sussex Pension Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Chief Finance Officer along with the Head of Pensions.

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the administration and ongoing compliance of the Fund. The role of the Board is to assist the East Sussex Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in liquid investments such as equities and bonds as well as illiquid investments such as private equity, infrastructure, and private debt. The Committee oversees the management of these investments and the Fund and its advisers meet regularly with the investment managers to monitor their performance against agreed benchmarks. The Pension Committee take proper advice from specialist advisers when making investment decisions.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are auto enrolled into the scheme every three years and on appointment.

Organisations participating in the East Sussex Pension Fund include:

- a) Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- b) Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 148 employer organisations within East Sussex Pension Fund including the County Council itself, and 86,784 members as detailed below:

Notes to the East Sussex Pension Fund Accounts

East Sussex Pension Fund	31 March 2024	31 March 2025
Number of employers with active members	144	148
Number of employees		
County Council	8,003	7,889
Other employers	16,885	17,075
Total	24,888	24,964
Number of pensioners		
County Council	10,898	11,472
Other employers	14,390	15,290
Total	25,288	26,762
Deferred pensioners		
County Council	14,288	13,973
Other employers	20,952	21,085
Total	35,240	35,058
Total number of members in pension scheme	85,416	86,784

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 45.9% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme (CARE), whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the East Sussex Pension Fund Website www.eastsussexpensionfund.org

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis. The accounts have been prepared on a going concern basis which management believes to be right as the latest valuation provided by our actuary has set the Funding level at 123% contributions rates were set for 3 years, the fund strategy statement is being followed and we are collecting contributions in line with these. We have £5.0bn in assets that are generating investment returns in line with expectations and the benefits continue to be covered from contributions and investment income.

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the code), the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2022 but not yet adopted by the Code.

The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three

revaluation processes for operational property, plant and equipment, requiring indexation for tangible noninvestment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

- d) It is likely there will be limited application of items a) and b), although authorities will need to consider their individual circumstances in case either of these standards apply.

There were no amendments for 2024/25 for the accounts of the Pension Fund.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 20.

The Pension Fund publishes a number of statutory documents, including an Investment Strategy Statement, a Funding Strategy Statement, Governance and Compliance Policy Statement and Communications Strategy Statement. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from <https://www.eastsussexpensionfund.org/>

The Fund invest a large portion of its investment assets through the ACCESS (A Collaboration of Central, Eastern and Southern Shires) LGPS Pool. There is no specific accounting policy for the Pool. The ACCESS Pool is not a legal entity in itself, but is governed by an Inter Authority Agreement signed by each Administering Authority.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee, which has let the management of the asset pool to Waystone Management (UK) Ltd, appointed to provide a pooled operator service and is FCA regulated. There is no direct investment in the third party, only a contractual arrangement to provide services, so there is no investment balance to carry forward in the net asset statement.

3. Summary of significant accounting policies

Fund account – revenue recognition

1. Contribution income

Normal contributions are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, which rise according to pensionable pay.

Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions in respect early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Ill-health insurance policy some employers have opted into an ill-health insurance policy administered by the Fund on their behalf. Contributions calculated by the actuary include an allowance for ill-health claims this allowance is used to pay for the policy and a reduction in contributions based on the premium and membership of the employer is made. Within the policy a profit sharing mechanism has been included which is based on the claims made an assessment will be taken if any profit share will be appropriate and an accrual made on the likely share of the profits the employers are entitled to.

2. Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

3. Investment income

a) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

b) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

c) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

d) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

4. **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

5. **Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

6. **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

a) **Administrative expenses**

All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

b) **Oversight and governance costs**

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund

c) **Investment management expenses**

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2024/25, £0.43m of fees is based on such estimates (2023/24: £1.2m).

Net assets statement

7. **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset.

Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

8. **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

9. **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in the change in market value. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on the market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contracts were matched at the year end with an equal and opposite contract.

10. **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Notes to the East Sussex Pension Fund Accounts

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

11. Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e., the amount carried in the net asset statement are the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accrual's basis.

12. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

13. Additional voluntary contributions

East Sussex Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

14. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The assumptions underpinning the triennial valuation are agreed locally with the actuary and are summarised in note 19. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits in note 20. The actuarial methodology used in triennial valuations is different from that used in IAS26 calculations, therefore they will produce different liability values at a common valuation date. The liability estimates in notes 19 and 20 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities."

Notes to the East Sussex Pension Fund Accounts

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made to take into account historical experience, current trends and other relevant factors. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. As a result of Coronavirus pandemic there is an increase in the uncertainty around the mortality provisions within the Fund, however it is too early to assess this figure at the current time so has not been included in our calculations. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2022 Valuation the actuary advised that: 1. A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability by approximately £63.0m (2%). 2. A 0.1% increase in CPI Inflation would increase the value of liabilities by approximately £58.0 million (2%). 3. A 0.25% Increase in mortality rates would result in an increase in the pension liability by approximately £29.0m (1%). 4. A 0.5% Increase in Salary Assumption would result in an increase in the pension liability by approximately £36.0m (1%)
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £359 million . There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Infrastructure	Infrastructure investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £423.3 million . There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Pooled Property	Pooled Property investments are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis in accordance with industry guidelines.	The total Pooled Property investments in the financial statements are £308.5 million . There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Climate Risk	Climate risk is the potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. The outcomes of these risks is unknown and as such there is a degree of estimation involved in the valuation of companies.	The total net investment assets of the Fund are £4,975.0 million . There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The impact would be across the whole Fund but not necessary equally across asset classes. We consider that there is a price risk – sensitivity of £714M which is discussed further in Note 16 and Note 18.

Notes to the East Sussex Pension Fund Accounts

6. Events after the balance sheet date

In November 2024 the Chancellor made a speech at Mansion House following this the government published a consultation entitled "Local Government Pension Scheme: Fit for the Future". As part of this the ACCESS Pool was requested to provide a proposal to Government on how it would meet the requirements set out in consultation at the end of February 2025. The Pensions Minister Torsten Bell and Local Government Minister Jim McMahon wrote to all ACCESS Authorities on 9 April 2025 in response to the ACCESS Pool's proposal. This letter indicated that Government did not support ACCESS's February proposal and invited each ACCESS Authority to identify which pool they wish to partner with going forward. This will require the East Sussex Pension Fund to consider its pooling arrangements during 2025 and work to move its assets across to a new LGPS pool provider.

7. Contributions Receivable

	2023/24 £000	2024/25 £000
<i>By category</i>		
Employee's contributions	39,521	43,424
Employer's contributions		
Normal contributions	114,257	120,825
Deficit recovery contributions	357	277
Augmentation contributions	883	3,737
Employers in surplus (exit credits paid)	-	(3,269)
Total	155,018	164,994
<i>By authority</i>		
Scheduled bodies	101,458	110,568
Admitted bodies	3,217	3,099
Administrative Authority	50,343	54,596
Employers in surplus (exit credits paid)	-	(3,269)
Total	155,018	164,994

The contribution includes the exit credit payments of 5 scheme employers which had ceased before end of 31 March 2025 where an exit credit payment were made in 2024/25. The total of the exit payments for the 5 employers totaled £3.3m.

8. Transfers in from other pension funds

	2023/24 £000	2024/25 £000
Group transfers	-	-
Individual transfers	11,089	21,888
Total	11,089	21,888

9. Benefits payable

	2023/24 £000	2024/25 £000
<i>By category</i>		
Pensions	131,847	144,512
Commutation and lump sum retirement benefits	20,305	29,087
Lump sum death benefits	3,456	3,915
Total	155,608	177,514
<i>By authority</i>		
Scheduled bodies	93,156	106,990
Admitted bodies	4,890	5,556
Administrative Authority	57,562	64,968
Total	155,608	177,514

Notes to the East Sussex Pension Fund Accounts

10. Payments to and on account of leavers

	2023/24 £000	2024/25 £000
Refunds to members leaving service	408	780
Group transfers	(137)	-
Individual transfers	13,580	15,198
Total	13,851	15,978

There was a group transfer in 2021/22 where members from East Sussex Fire Authority transferred to the Surrey Pension Fund this was recognised in the Fund's 2021/22 accounts at the estimated amount of £2.7m. The group transfer negotiations were not finalised until October 2023 so a revised estimate of £1.1m was included in the 2022/23 accounts resulting in a £1.6m reduction to the accrued amount. The finalised figure for the transfer paid in October 2023 was £1.0m this was a further reduction of £0.1m on the accrued figure for this transfer for the year 23-24.

11. Management expenses

	2023/24 £000	2024/25 £000
Administrative costs	3,377	3,504
Investment management expenses	22,303	25,419
Oversight and governance costs	598	665
Total	26,278	29,588

11a) Investment management expenses – 2024/25

2024/25	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	17	17	-	-
Equities	659	659	-	-
Pooled investments				
Fixed Income	2,211	2,146	-	65
Equity	5,965	5,436	-	529
Diversified growth funds	5086	4,552	-	534
Pooled property investments	1,431	1,431	-	0
Private equity / infrastructure	9,948	8,555	1,381	12
	25,317	22,796	1,381	1,140
Custody	102			
Total	25,419			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

2023/24	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	85	85	-	-
Equities	500	500	-	-
Pooled investments				
Fixed Income	1,972	1,935	-	37
Equity	7,110	6,513	-	597
Diversified growth funds	4,769	4,465	-	304
Pooled property investments	1,586	1,560	-	26
Private equity / infrastructure	6,174	6,695	(521)	-
	22,196	21,753	(521)	964
Custody	107			
Total	22,303			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Notes to the East Sussex Pension Fund Accounts

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are grossed up.

During the year, the Pension Fund incurred management fees which were deducted at source for 2024/25 of £5.2m (£4.0m in 2023/24) on its private equity investments, fees of £4.7m (£1.7m in 2024/25) on its infrastructure investments, fees of £10.4m (£9.2m in 2024/25) on investments in the ACCESS Pool and fees of £5.0m (£4.2m in 2024/25) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2023/24 £000	2024/25 £000
Income from equities	5,561	7,496
Private equity/Infrastructure income	1,958	2,554
Pooled property investments	11,801	14,686
Pooled investments - unit trusts and other managed funds	47,288	56,805
Interest on cash deposits	2,263	2,674
Total	68,871	84,215

13. Other fund account disclosures

13a) Taxes on income

	2023/24 £000	2024/25 £000
Withholding tax – equities	(77)	(110)
Total	(77)	(110)

13b) External audit costs

	2023/24 £000	2024/25 £000
Payable in respect of external audit for 2021/22	-	17
Payable in respect of external audit for 2022/23	-	4
Payable in respect of external audit for 2023/24	98	-
Payable in respect of external audit for 2024/25	-	109
Payable in respect of other services	-	-
Total	98	130
Grant	(11)	(15)
Total	87	115

Notes to the East Sussex Pension Fund Accounts

14. Investments

	2023/24 £000	2024/25 £000
<i>Investment assets</i>		
Bonds	234,909	357,460
Equities	395,972	412,834
<i>Pooled Investments</i>		
Fixed Income	496,738	519,444
Equity	1,790,008	1,732,436
Diversified growth funds	818,621	747,974
Pooled property investments	321,613	314,095
Private equity/infrastructure	788,404	777,616
<i>Derivative contracts:</i>		
Futures	39	1
	4,846,304	4,861,860
Cash deposits with Custodian	70,293	111,311
Other Investment balances (Note 21)	1,333	2,016
Total investment assets	4,917,930	4,975,187
Investment Liabilities (Note 22)	(2,682)	(472)
<i>Derivative contracts:</i>		
Futures	-	(20)
Total Investment Liabilities	(2,682)	(492)
Net investment assets	4,915,248	4,974,695

Notes to the East Sussex Pension Fund Accounts

14a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2024 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2025 £000
Bonds	234,909	152,000	-	(29,449)	357,460
Equities	395,972	118,486	(111,907)	10,283	412,834
Pooled investments	3,105,367	194,821	(284,561)	(15,773)	2,999,854
Pooled property investments	321,613	5,363	(23,478)	10,597	314,095
Private equity/infrastructure	788,404	30,525	(73,323)	32,010	777,616
	4,846,265	501,195	(493,269)	7,668	4,861,859
<i>Derivative contracts</i>					
■ Futures	39	1,732	(1,771)	(19)	(19)
■ Forward currency contracts	-	-	-	-	-
	4,846,304	502,927	(495,040)	7,649	4,861,840
<i>Other investment balances:</i>					
■ Cash deposits	70,293			624	111,311
■ Other Investment Balances	1,333				2,016
■ Investment Liabilities	(2,682)				(472)
Net investment assets	4,915,248			8,273	4,974,695

	Market value 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2024 £000
Bonds	93,755	136,000	-	5,154	234,909
Equities	235,630	128,422	(122,241)	154,161	395,972
Pooled investments	3,068,652	198,413	(317,250)	155,552	3,105,367
Pooled property investments	328,542	24,612	(21,112)	(10,429)	321,613
Private equity/infrastructure	778,754	40,004	(39,896)	9,542	788,404
	4,505,333	527,451	(500,499)	313,980	4,846,265
<i>Derivative contracts</i>					
■ Futures	53	812	(1,323)	497	39
■ Forward currency contracts	-	-	-	-	-
	4,505,386	528,263	(501,822)	314,477	4,846,304
<i>Other investment balances:</i>					
■ Cash deposits	54,418			169	70,293
■ Other Investment Balances	1,062				1,333
■ Investment Liabilities	(1,061)				(2,682)
Net investment assets	4,559,805			314,646	4,915,248

Notes to the East Sussex Pension Fund Accounts

14b) Investments analysed by fund manager

	Market value 31 March 2024 £000	Market value 31 March 2024 %	Market value 31 March 2025 £000	Market value 31 March 2025 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	330,522	6.7%	195,138	3.9%
ACCESS - Absolute Return (Ruffer)	450,410	9.2%	455,167	9.1%
ACCESS - Corporate Debt (M&G)	131,119	2.7%	124,462	2.5%
ACCESS - Global Alpha (Baillie Gifford)	217,275	4.4%	213,485	4.3%
ACCESS - Global Equity (Longview)	521,637	10.6%	510,196	10.3%
ACCESS - Global Infrastructure (IFM)	246,864	5.0%	267,901	5.4%
ACCESS - Passive Index Linked (UBS)	234,918	4.8%	357,452	7.2%
ACCESS - Passive Osmosis (UBS)*	397,602	8.1%	415,406	8.4%
ACCESS - Real Estate Fund (CBRE)*	-	-	338,685	6.8%
ACCESS - Real Return (Newton)	368,211	7.5%	292,812	5.9%
ACCESS – Total Return Credit (RBC Blue Bay)	-	-	171,429	3.4%
	2,898,558	59.0%	3,342,133	67.2%
Investments held directly by the Fund				
Adams Street Partners*	189,505	3.9%	174,134	3.5%
Atlas Infrastructure	99,922	2.0%	104,380	2.1%
East Sussex Pension Fund Cash	52,172	1.1%	76,814	1.5%
Harbourvest Partners*	181,573	3.7%	185,473	3.7%
M&G	35,098	0.7%	28,419	0.6%
Pantheon	87,045	1.8%	77,297	1.6%
Infracapital	49,369	1.0%	42,836	0.9%
Schroders *	336,032	6.8%	3,495	0.1%
Storebrand	465,360	9.5%	450,317	9.1%
UBS Infrastructure	35,389	0.7%	35,337	0.7%
Wellington Management	247,275	5.0%	253,400	5.0%
Wheb	237,950	4.8%	200,660	4.0%
	2,016,690	41.0%	1,632,562	32.8%
	4,915,248	100.0%	4,974,695	100.0%

* These mandates is where the investment manager oversees the East Sussex Pension Fund's investments in a range of underlying investments these are not a single investments into an investment fund.

The following investments represent more than 5% of the investment assets of the scheme

Security	Market Value 31 March 2024 £000	% of total fund	Market value 31 March 2025 £000	% of total fund
WS ACCESS Global Equity Fund	521,637	10.6%	510,196	10.3%
AMX UCITS CCF - Storebrand - Global ESG Plus	465,360	9.5%	450,317	9.1%
WS ACCESS Absolute Return Fund	450,410	9.2%	455,167	9.1%
UBS Life UK Over 5 Year Index-Linked Tracker Fund	234,918	4.8%	357,452	7.2%
WS ACCESS Real Return Fund	368,211	7.5%	292,812	5.9%
IFM Global Infrastructure	246,864	5.0%	267,901	5.4%
Wellington Global Impact Fund	247,275	5.0%	253,400	5.0%

14c) Stock lending

The East Sussex Pension Fund has not operated a direct stock lending programme since 13 October 2008 but stock lending may occur in some of our pooled vehicles the fund is in invested in.

Analysis of derivatives

Notes to the East Sussex Pension Fund Accounts

Objectives and policies for holding derivatives

Derivatives can be used to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

1. Futures

The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Type	Expires	Economic Exposure	Market Value 31 March 2024 £000	Economic Exposure	Market Value 31 March 2025 £000
		£000		£000	
Assets					
UK Equity Futures	Less than one year	240	10	-	-
Overseas Equity Futures	Less than one year	1,239	29	138	1
Total assets			39		1
Liabilities					
UK Equity Futures	Less than one year	-	-	257	(2)
Overseas Equity Futures	Less than one year	-	-	2,145	(18)
Total liabilities			-		(20)
Net futures			39		(19)

2. Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. The Fund can participate in forward currency contracts in order to reduce the volatility associated with fluctuating currency rates.

No forward foreign currency investments were held at the 31 March 25 (Nil 31 March 24)

3. Options

The Fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. The Fund buys equity option contracts that protect it from falls in value in the main markets in which the scheme invests.

No options investments were held at the 31 March 25 (Nil 31 March 24)

15 Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not Required	Not Required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not Required	Not Required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not Required

Notes to the East Sussex Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not Required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not Required
Pooled investments – Equity, Fixed Income and Diversified Growth Funds	Level 2	Values are not published on exchanges and are determined by the investment manager or responsible entity at prescribed valuation points. Closing bid price where bid and offer prices are published Closing single price where single price published	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not Required
Pooled investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published Investments in unlisted property funds are valued at the net asset value (NAV). The underlying real estate assets values have been derived by independent valuers on a fair value basis.	Pricing includes situations where there is little market activity, a net asset value calculations are used, a single price has been advised by the fund manager, underlying assets have been valued by independent external valuers on a fair value basis.	Valuations could be affected by the frequency of the independent valuations between the funds.

Notes to the East Sussex Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Unquoted equity – Private Equity / Infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines. Valuation techniques utilised includes management's cashflow projections, estimates of growth expectations and profitability, profit margin expectations and adjustments to current prices for similar assets Valuations are audited as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2025 and 31 March 2024.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	28,419	30,977	25,861
Pooled property investments (2)	15%	314,095	361,837	266,353
Private Equity/Infrastructure (3)	25%	777,616	933,139	622,093
Total		1,120,130	1,325,953	914,307

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	35,096	38,255	31,937
Pooled property investments (2)	13%	321,612	363,422	279,802
Private Equity/Infrastructure (3)	24%	788,408	977,626	599,190
Total		1,145,116	1,379,303	910,929

1. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate debt assets, the range in the potential movement of 9% is caused by how this value is measured.
2. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate assets, the range in the potential movement of 15% is caused by how this value is measured.
3. All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 25% is caused by how this profitability is measured.

Notes to the East Sussex Pension Fund Accounts

16a) Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2025

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	414,851	3,328,895	1,120,130	4,863,876
Non-financial assets at fair value through profit and loss	-	-	-	0
Financial liabilities at fair value through profit and loss	(20)	(472)	-	(492)
Net investment assets	414,831	3,328,423	1,120,130	4,863,384

Values at 31 March 2024

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	397,345	3,305,176	1,145,116	4,847,637
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	(39)	(2,643)	-	(2,682)
Net investment assets	397,306	3,302,533	1,145,116	4,844,955

16b) Transfers between levels 1 and 2

During 2023/24 the fund has transferred no financial assets between levels 1 and 2.

16c) Reconciliation of fair value measurements within level 3

Period 2024/25 (values in £000)

	Market value 1 April 2024	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2025
Pooled investments	35,096	-	-	-	(9,112)	2,435	-	28,419
Pooled property investments	321,612	-	-	5,363	(23,478)	(40,580)	51,178	314,095
Private Equity/Infrastructure	788,408	-	-	30,525	(73,323)	4,863	27,143	777,616
Total	1,145,116	-	-	35,888	(105,913)	(33,282)	78,321	1,120,130

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	(118,044)	81,278	(36,766)
3	(33,282)	78,321	45,039
Total	(151,326)	159,599	8,273

Notes to the East Sussex Pension Fund Accounts

Period 2023/24 (values in £000)

	Market value 1 April 2023	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2024
Pooled investments	43,035	-	-	173	(10,791)	2,679	-	35,096
Pooled property investments	328,541	-	-	24,612	(21,112)	(17,109)	6,680	321,612
Private Equity/Infrastructure	778,754	-	-	40,004	(37,919)	(7,804)	15,373	788,408
Total	1,150,330	-	-	64,789	(69,822)	(22,234)	22,053	1,145,116

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	406,039	(91,212)	314,827
3	(22,234)	22,053	(181)
Total	383,805	(69,159)	314,646

17 Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The Pension Fund believe that the assets and liabilities held at amortised cost have no material difference to the fair value of the assets and liabilities.

31 March 2024

31 March 2025

Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets						
234,909	-	-	Bonds	357,460	-	-
395,972	-	-	Equities	412,834	-	-
3,105,367	-	-	Pooled investments	2,999,854	-	-
321,613	-	-	Pooled property investments	314,095	-	-
788,404	-	-	Private equity/infrastructure	777,616	-	-
39	-	-	Derivative contracts	1	-	-
-	70,293	-	Cash	-	111,311	-
-	5,031	-	Cash held by ESCC*	-	2,134	-
1,333	-	-	Other investment balances	2016	-	-
-	15,163	-	Debtors *	-	14,509	-
4,847,637	90,487	-	Total Financial Assets	4,863,876	127,954	-
Financial liabilities						
-	-	-	Derivative contracts	(20)	-	-
(2,682)	-	-	Other investment balances	(472)	-	-
-	-	-	Cash held by ESCC	-	-	-
-	-	(3,072)	Creditors	-	-	(2,799)
(2,682)	-	(3,072)	Total Financial Liabilities	(492)	-	(2,799)
4,844,955	90,487	(3,072)	Total Financial Instruments	4,863,384	127,954	(2,799)

*Reconciliation to Current Assets Note 21

	2023/24	2024/25 £000
Cash held by ESCC	5,031	2,134
Debtors	15,163	14,509
Current Assets	20,194	16,643

Notes to the East Sussex Pension Fund Accounts

17a) Net gains and losses on financial instruments

	31 March 2024 £000	31 March 2025 £000
<i>Financial assets</i>		
Fair value through profit and loss	314,645	7,654
Amortised cost – realised gains on derecognition of assets	-	
Amortised cost – unrealised gains	1	606
<i>Financial liabilities</i>		
Fair value through profit and loss	-	13
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	314,646	8,273

18. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the forecast cash flows. The Pension Committee also recognises climate change risk as a financial risk to the investments of the Fund. The Fund manages these investment risks as part of its overall risk management program.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

1. the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024/25 reporting period:

Notes to the East Sussex Pension Fund Accounts

Asset Type	Potential Market Movements (+/-)
Index Linked	7.8%
Other Bonds	6.6%
UK Equities	18.0%
Global Equities	18.0%
Absolute Return	2.7%
Pooled Property Investments	13.0%
Private Equity	26.0%
Infrastructure Funds	15.0%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	Values at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Index Linked	357,460	385,342	329,578
Other Bonds	519,444	553,727	485,161
UK Equities	15,240	17,983	12,497
Global Equities	2,130,030	2,513,435	1,746,625
Absolute Return	747,974	768,168	727,778
Pooled Property Investments	314,095	361,837	266,353
Private Equity	354,245	448,474	260,016
Infrastructure Funds	423,371	484,760	361,982
Net Derivative Assets*	1	(338)	340
Total assets available to pay benefits	4,861,860	5,533,388	4,190,330

*Movement on net derivative assets is based on the underlying economic exposure of the derivative instrument.

Asset Type	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Index Linked	234,909	261,924	207,894
Other Bonds	496,738	530,516	462,960
UK Equities	14,789	17,821	11,757
Global Equities	2,171,190	2,627,140	1,715,240
Absolute Return	818,621	920,949	716,293
Pooled Property Investments	321,613	363,423	279,803
Private Equity	616,601	776,917	456,285
Infrastructure Funds	171,804	197,575	146,033
Net Derivative Assets*	39	(347)	425
Total assets available to pay benefits	4,846,304	5,696,918	3,996,690

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment adviser has advised that this is consistent with an annual

Notes to the East Sussex Pension Fund Accounts

one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:

Asset type	Carrying amount as at 31 March 2025 £000	Increased Value £000	Decreased Value £000
Cash and cash equivalents	111,311	111,311	111,311
Cash balances	2,134	2,134	2,134
Fixed interest securities	519,444	524,638	514,250
Index linked securities	357,460	361,035	353,885
Total change in assets available	990,349	999,118	981,580

*note that a 1% increase in interest rate negatively affects the value of fixed income and Index linked securities, and vice-versa

Asset type	Carrying amount as at 31 March 2024 £000	Increased Value £000	Decreased Value £000
Cash and cash equivalents	70,293	70,293	70,293
Cash balances	5,031	5,031	5,031
Fixed interest securities	496,738	501,705	491,771
Index linked securities	234,909	234,909	234,909
Total change in assets available	806,971	811,938	802,004

Income Source	Interest receivable 2024/25 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	2,674	3,808	1,540
Fixed interest securities	15,517	15,517	15,517
Index linked securities	-	-	-
Total change in assets available	18,191	19,325	17,057

Income Source	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	2,263	3,016	1,510
Fixed interest securities	15,705	15,705	15,705
Index linked securities	-	2,349	(2,349)
Total change in assets available	17,968	21,070	14,866

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in pound sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2025 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	397,594	38,964	436,558	358,630
Overseas unit trusts	3,263,576	319,830	3,583,406	2,943,746
Total change in assets available	3,661,170	358,794	4,019,964	3,302,376

Notes to the East Sussex Pension Fund Accounts

Currency exposure - asset type	Values at 31 March 2024	Potential Market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas quoted securities	381,184	37,356	418,540	343,828
Overseas unit trusts	3,397,030	332,909	3,729,939	3,064,121
Total change in assets available	3,778,214	370,265	4,148,479	3,407,949

Climate Change risk

Current asset pricing may not take into account the emerging climate risk to the underlying holdings, markets may be over or underestimating the value of the assets and could lead to future price volatility. Climate change will affect economic growth and there is uncertainty in the economic outlook due to climate change which could lead to lower returns on equities or risk to future discounted cash flows. High carbon emitters are more exposed to risks from climate change particularly from a transition risk perspective. The Fund mitigates this climate change market risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy. In addition, the Fund is underweighted in high carbon emitting stocks such as fossil fuel companies and carries out carbon foot printing of the Fund's investments and asset managers and the Fund through its collaborative partners engage with corporate management of the underlying holdings to ensure companies are responsibly managing their climate change risks. The Fund's Taskforce for Climate Related Financial Disclosure (TCFD) report is included in the Annual Report.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2024	Asset value as at 31 March 2025
	£000	£000
Overseas Treasury bills	15,336	-
Variation Margin	-	225
NT custody cash accounts	54,958	111,086
Total overseas assets	70,294	111,311

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings and has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the Fund's exposure to liquidity risk is considered negligible.

All financial liabilities at 31 March 2025 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Notes to the East Sussex Pension Fund Accounts

19. Funding arrangements -need actuary statement

Introduction

The last full triennial valuation of the Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £4.69bn.
- The Fund had a funding level of 123% i.e., the value of assets for valuation purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £859m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these falls due.
- plus, an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0.5% p.a.
Females	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Investment returns on the Fund's assets over the three years to 31 March 2025 have been lower than assumed at the previous actuarial valuation, but have been positive. The Fund also has had a positive cash flow over the period, and so the market value of assets at 31 March 2025 has increased since the formal valuation.

Notes to the East Sussex Pension Fund Accounts

Liabilities

Inflation over the three years to 31 March 2025 has been higher than the long-term average assumed at the 2022 valuation. However, this has been largely offset by changes in financial assumptions underlying the valuation funding model and future expectations of inflation and investment returns. The value of liabilities has overall increased mainly due to interest accruing on those liabilities and due to further accrual of members' benefits over the period.

Overall position

The 2025 valuation of the Fund is now underway, and the results will not be finalised until 31 March 2026.

However, early indications suggest that the funding level will be relatively similar compared to what it was at the last formal valuation in 2022.

The 2025 valuation of the Fund will set revised contributions for all employers due over the period from 1 April 2026 to 31 March 2029.

Barry McKay FFA
Partner, Barnett Waddingham LLP

20. Actuarial present value of promised retirement benefits

Introduction

We have been instructed by East Sussex County Council, the administering authority to the East Sussex Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2025. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website (www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2025.

We would be pleased to answer any questions arising from this report.

Barry McKay FFA
Partner

Notes to the East Sussex Pension Fund Accounts

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation -	31 March 2022
Results of the previous IAS26 report -	31 March 2024
Fund asset statement as at -	31 March 2025
Fund income and expenditure items to-	31 March 2025

Details of any new unreduced early retirement payments out 31 March 2025

The data has been checked for reasonableness, and we are happy that the data is sufficient for the purposes of our advice. Although some estimation of the data to the accounting date may be required, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2022

Member data summary

	Number	Salaries/Pensions £000	Average age
Actives	24,672	500,451	47
Deferred pensioners	39,993	48,986	51
Pensioners	23,183	116,050	72

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority. Estimated payroll of the year to 31 March 2025: £609,352,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We have requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2025. We have been notified of 99 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £1,003,100

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2025 is calculated to be -1.78% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2024 £000	31 Mar 2024 %	31 Mar 2025 £000	31 Mar 2025 %
Equities	3,375,056	69%	3,248,343	69%
Bonds	731,646	15%	876,903	18%
Property	740,347	15%	737,596	15%
Cash	69,379	1%	127,401	3%
Total	4,916,428	100%	4,990,243	100%

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2025, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2025 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2025 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

As required under the IAS19, we have used the projected unit credit method of valuation.

Experience items allowed for since the previous accounting date

Full Valuation update

For employers in England and Wales, the next triennial valuation date is 31 March 2025. The results of the 2025 valuation will not be finalised at the time which 31 March 2025 year end accounting reports are prepared. The statutory deadline for completion of the 2025 valuation is 31 March 2026, after which time the results can be allowed for in employer accounting reports

Further detail on the experience item can be provided on request and will incur additional fees.

Allowance for inflation experience

Our default approach is to allow for actual pension increases up to the accounting date as confirmed by the HM Treasury Order. In addition, we allow for actual inflation experience from September 2024 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

For most employers, an allowance for the 2024 pension increase was made when preparing their 2024 year-end accounting balance position. In addition, we would have allowed for actual ONS CPI inflation experience from September 2023 (the month that determines the 2024 pension increase order) to 31 March 2024, or the most recent available data at the time the 2024 year-end report was prepared.

The inflation experience to 31 March 2025 will allow for ONS CPI inflation observed over the year to 31 March 2025, or based on the latest data available when the report is prepared.

Asset ceilings

The accounting standards state that is an employer has an accounting surplus to the extent that its is able to recover the surplus either through reduced contribution in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling".

Our default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on our interpretation of IFRIC 14 "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". For employers reporting under FRS102, the accounting standards are less prescriptive regarding the methodology underpinning an asset ceiling calculation, however in the absence of any other guidance we consider it reasonable to have regard to IFRIC 14 which applies under the international standard.

IFRIC 14 itself is open to multiple interpretation and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIFA dated November 23 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, we intend to adopt the below methodology as standard:

Asset ceiling methodology

Our calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:
 - If the employer is a scheduled body, and academy or an admission body which is open to new members with no anticipated contract end date, we will assume they will participate indefinitely. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'
 - If the employer is an admission body which is closed to new members, the appropriate time horizon to consider will be the shorter of any anticipated contract end date and the average future working lifetime of active members. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, with reference to an annuity corresponding to this period.
 - If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.
- Our default view is that administration expenses are assumed to grow in line with salary inflation and are deductible from any economic benefit when determining if an accounting asset can be recognised.
- For employers reporting under IAS19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

Valuation of unfunded benefits

Employers may need to include the value of unfunded benefits for their accounts.

The unfunded liability will continue to be based on a roll forward of the results at the previous accounting date.

New discretionary benefits awarded or recognised in the accounting period are allowed for as a past service cost.

Pass-through admissions

There are many different types of employers who participate in the LGPS. It is common for tax-raising bodies (i.e. local councils) and academies to outsource some services to private contractors. Such contracts may be let with 'pass-through' arrangements. This is essentially a risk-sharing arrangement – the extent to which risks are shared between the contractor and the letting authority may vary slightly from case to case. Principally, the risk which is shared is the risk of a shortfall in funds at the point of pass-through contractor's cessation date. The extent that contributions made by the pass-through contractor prove insufficient to meet the cost of benefits as they fall due would represent an additional cost to the letting authority. Therefore in such cases, actuarial and investment risks ultimately lie with the letting authority.

In absence of further direction from the employer, we will include the pension assets and liabilities associated with members under a pass-through admission body within the letting authority's balance sheet. When the admission body with pass-through provisions ceases their participation in the LGPS, the responsibility to meet the benefit payments of the members will fall back to the letting authority and hence justification for their inclusion in the balance sheet.

In addition, to the extent that the accounting cost of accrual is not met by the contribution rate paid by the pass-through employer, the extra cost should be borne by the letting authority and shown in their P&L as a component of the letting authority's service cost. We do this in practice by calculating the total cost of accrual for all staff, deduct employee contributions (for the letting authority and pass-through employer) and then also deduct pass-through employer contributions. We describe this in our accounting reports as "*Contributions by scheme participants and other employers*". However, we accept that other approaches may also be perfectly acceptable.

McCloud/Sargeant judgments

Regulations in respect of McCloud and Sargeant judgments came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

Impact on liabilities

An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Goodwin case

We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and MHCLG on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgment.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

Our assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Virgin Media case

Court of Appeal's 25th July 2024 Ruling

In very broad terms, the background to this case is that where the rules of a contracted-out defined benefit scheme were amended, the Scheme Actuary would provide a "section 37" confirmation that the scheme continues to meet the contracting-out requirements. The original court case in June 2023 decided that certain rule amendments were invalid in absence of the actuarial certification (potentially including cases where such a confirmation cannot now be located).

LGPS considerations

For the LGPS, the Scheme Actuary is the Government Actuary's Department (GAD). We understand that GAD is currently reviewing historic amendments to the LGPS in this context and the Scheme Advisory Board are liaising with GAD on whether the relevant certificates were available for past scheme changes.

The most recent LGPC Bulletin 257 - Nov 2024 states that HM Treasury is currently assessing the implications for all public service pension schemes, however, HM Treasury do not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. We understand their view to be that the relevant amendments in the LGPS would have been made by legislation – and therefore would remain valid until revoked or repealed by subsequent legislation or declared void by a court.

Our view is that at this point in time there remains insufficient information to assess the potential impact, so we are unable to quantify it. However, employers may wish to include a narrative disclosure in their accounts to reflect the current position as outlined above.

Further information on the audit considerations can be found in the ICAEW's help sheet from 13 February 2025 here.

Demographic assumptions

Mortality assumption

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgment involved and we naturally have to refine our view on this over time.

Base table mortality

The base table mortality assumptions adopted for the Funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting.

For employers participating in an English or Welsh LGPS fund, the last actuarial valuation was at 31 March 2022.

For England and Wales, the next triennial valuation date is as at the accounting date, 31 March 2025. The results of the 2025 valuation will not be finalised at the time of preparing reports, nor assumptions agreed with the relevant LGPS fund. An update to base mortality tables will follow next year as part of 31 March 2026 reporting

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI).

The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

The CMI have released the 2023 version of their model and so we intend to further update our mortality assumptions to use the 2023 core model as standard for all employers. This represents a change from the last accounting date when the 2022 version of the model was used for most employers. The latest version of the core model places no weight on the exceptional mortality experienced during 2020 and 2021 as a result of the Covid pandemic, but places some reliance on mortality data that has been observed since. Specifically, a weighting of 15% is applied to mortality in the 2022 and 2023 years' data. The impact of updating the model is expected to be a slight reduction in life expectancies for all employers, largely reflecting the heavier than average mortality that was experienced during 2022 and 2023.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2024	31 Mar 2025
Males – retiring today	20.9	20.9
Females – retiring today	23.8	23.9
Males – retiring in 20 years	21.9	21.9
Females – retiring in 20 years	25.4	25.4

Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Commutation

Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.

Normal retirement

Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.

50:50 take up

The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2025.

Discount rate

Under IAS19 the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate).

These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.

In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.

The sample cashflows are used to set the assumption used, however when calculating the change in financial assumption item on the employer's balance sheet we discount the employer's unique cashflow profile with the new single equivalent discount rate. The impact of a change in the discount rate compared with the previous accounting date will therefore vary by employer depending on their own unique cashflow profile.

Individual employer cashflow profiles were derived as at the last valuation date and are assumed to remain unchanged between triennial actuarial valuations.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive our CPI assumption we first make an assumption on the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point, and flat over the initial short-end period up to the 3 year point.

Consistent with past period, our view remains that gilt-implied inflation rates are distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) which varies by the term of the employer's liabilities with the resulting assumption falling between 0.0% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%

Difference between RPI and CPI

It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with market-implied inflation from the Bank of England inflation curve thereafter. This results in an assumed gap between the two inflation measures of between 0.20% p.a. and 0.70% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

While we recognise that post-2030, implied inflation will represent CPIH (i.e. including housing costs), and historically CPIH has (on average) been around 0.1% p.a. above the rate of CPI, we understand that since 2003 CPI has actually been slightly higher than CPIH, rather than lower. Based on the composition of the two indices before the ONS announcement in December 2023, we do not believe there was a compelling argument for the two indices to differ (on average) in the long term. We therefore take the post-2030 market implied inflation as our CPI assumption directly, making no allowance for any potential CPI-CPIH difference.

Consumer Prices Index (CPI) assumption

Notes to the East Sussex Pension Fund Accounts

Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

Salary increases

Where an employer has requested a bespoke salary increase assumption last year, if still appropriate, we will continue to use the same salary increase assumption adopted at the last accounting date. For all other employers, we will adopt the standard approach which is in line with the latest actuarial valuation.

Results and disclosures

We estimate that the net asset as at 31 March 2025 is assets of £1,282,517

The results of our calculations for the year ended 31 March 2025 are set out below. The figures presented in this report are prepared only for the purposes of FRS102. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Statement of financial position as at 31 March 2025

Net pension asset in the statement of financial position as at	31-Mar-23 £000	31-Mar-24 £000	31-Mar-25 £000
Present value of defined benefit obligation *	(4,042,513)	(4,153,325)	(3,707,726)
Fair value of Fund assets (bid value)	4,560,502	4,916,428	4,990,243
Net (Liability)/Assets in balance sheet	517,989	763,103	1,282,517

* The present value of the defined benefit obligation consists of £3,677,277,000 in respect of vested obligation and £30,449,000 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2025

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-24 £000	31-Mar-25 £000
Opening defined benefit obligation	(4,042,513)	(4,153,325)
Current service cost	(108,881)	(111,033)
Interest cost	(191,204)	(200,358)
Change in financial assumptions	36,157	604,366
Change in demographic assumptions	46,447	10,377
Experience loss/(gain) on defined benefit obligation	(12,789)	11,876
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	158,371	173,829
Past service costs, including curtailments	(1,203)	(3,737)
Contributions by Scheme participants	(37,710)	(39,721)
Unfunded pension payments	-	-
Closing defined benefit obligation	(4,153,325)	(3,707,726)

Notes to the East Sussex Pension Fund Accounts

Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-24 £000	31-Mar-25 £000
Opening fair value of Fund assets	4,560,502	4,916,428
Interest on assets	218,797	240,672
Return on assets less interest	145,535	(153,029)
Other actuarial gains/(losses)	-	-
Administration expenses	(3,906)	(4,220)
Contributions by employer including unfunded	116,161	124,500
Contributions by Scheme participants	37,710	39,721
Estimated benefits paid plus unfunded net of transfers in	(158,371)	(173,829)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	4,916,428	4,990,243

The total return on the Fund's assets for the year to 31 March 2025 is a gain of £393,701,000 (2024 gain of £364,332,000).

Sensitivity Analysis

	31 March 2025 £000 Present value of total obligation = £3,707,726	
Sensitivity to	+0.1%	-0.1%
Discount rate	3,653,533	3,763,247
Long term salary increase	3,710,886	3,704,588
Pension increases and deferred revaluation	3,761,615	3,655,109
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	3,843,289	3,577,506

The information in the above note is all from the Fund Actuary - **Barnett Waddingham**.

21. Current Assets

	31 March 2024 £000	31 March 2025 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	826	1,268
Other Investment Assets		19
Recoverable Taxes	507	729
Total	1,333	2,016

Notes to the East Sussex Pension Fund Accounts

	31 March 2024 £000	31 March 2025 £000
Current Assets		
Contributions receivable from employers and employees	13,068	13,394
Sundry Debtors	2,095	1,115
Cash	5,031	2,134
Total	20,194	16,643

22. Current liabilities

	31 March 2024 £000	31 March 2025 £000
<i>Investment Liabilities</i>		
Purchases including currency	(1460)	(42)
Derivative Contracts Futures	-	(20)
Variation Margin	(39)	
Managers Fees	(1,183)	(430)
Total	(2,682)	(492)

	31 March 2024 £000	31 March 2025 £000
<i>Current Liabilities</i>		
Pension Payments (inc Lump Sums)	(549)	(744)
Cash	-	-
Professional Fees	(15)	(15)
Administration Recharge	(328)	(8)
Sundry Creditors	(2,191)	(2,032)
Total	(3,083)	(2,799)

23. Additional voluntary contributions

	Market value 31 March 2024 £000	Market value 31 March 2025 £000
Prudential	19,229	19,986

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £4.0m (£2.854m 2023/24) to Prudential to buy extra pension benefits when they retire. £4.4m was disinvested from the AVC provider in 2023/24 (£2.050m 2023/24). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

Notes to the East Sussex Pension Fund Accounts

24. Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2023/24 £000	2024/25 £000
East Sussex County Council	4,891	5,024
Brighton & Hove City Council	2,127	2,164
Eastbourne Borough Council	286	290
Magistrates	208	211
Wealden District Council	180	175
Hastings Borough Council	172	175
Rother District Council	106	108
Lewes District Council	64	63
University of Brighton	26	25
South-East Water	21	14
Westminster (used to be LPFA)	21	21
Mid-Sussex District Council	18	21
East Sussex Fire Authority	12	8
London Borough of Camden	8	8
London Borough of Southwark	7	7
The Eastbourne Academy	7	7
West Midlands Pension Fund	5	6
West Sussex County Council	5	6
Torfaen Borough Council	4	4
Sussex University	4	2
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	8,179	8,346

25. Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

Each member of the Pension Committee is required to declare their interests at each meeting. The Treasurer of the Pension Fund, and Members of the County Council and the Pension Committee have no material transactions with the Pension Fund. The Council incurred costs in administering the Fund and charged £2.9m to the Fund in 2024/25 (£2.5m in 2023/24). The Council's contribution to the Fund was £53.0m in 2023/24 £49.4m in 2022/23). All amounts due to the Fund were paid in the year. At 31 March 2025 the Pension Fund bank account held £3.3m in cash (£6.9m at 31 March 2024). The average throughout the year was £8.1m (£9.6m in 2023/24).

Key management personnel

The Pension Committee and Chief Finance Officer of East Sussex County Council hold the key positions in the financial management of the East Sussex Pension Fund. Their remuneration is set out below:

	31 March 2024 £000	31 March 2025 £000
Short-term benefits	37	38
Post-employment benefits	6	6
Total	43	44

The amount disclosed represents an assumed 22% of the Chief Finance Officer's remuneration devoted to the Fund

Notes to the East Sussex Pension Fund Accounts

26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2025 totaled £163.4m (31 March 2024: £202.6m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment. At, 31 March 2025, the unfunded commitment was £103.0m for private equity, £25.2m for infrastructure and £35.2m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Sterling and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2025.

2. Exit Payments

There were 3 scheme employers which ceased by the end of 31 March 2025 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then obtain final cessation reports from the Fund Actuary to ascertain if an exit payment or credit is due relating to these employers. The Fund has to then estimate the maximum potential exit credit based on the indicative cessation date. The Pension Committee will be required to make any decision as to the payment of any exit credit in line with the Fund's exit credit policy, considering representations from the relevant employers and associated risk sharing arrangements. Currently the only known potential exit credit that could be paid out by the Fund is expected to be 0.075m, with two further exit payment amounts that are currently unknown to the fund.

3. GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has completed the discovery and GMP reconciliation phases, which reviewed data inconsistencies, raised issues with HMRC and agreed outcomes.

GMP elements of LGPS pension where State Pension Age is prior to 6 April 2016 has not increased in respect of the period 6 April 1978 to 5 April 1988. While the Post 1988 GMP element in respect of the period 6 April 1988 to 5 April 1997 might be increased up to a maximum of 3% p.a. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3% p.a.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. The correction of any discrepancies found in the rectification is known as GMP rectification.

For pensioners below GMP age and non-pensioners the impact is more of record keeping and a matter of changing their Altair records to show the correct split of benefit between GMP and non-GMP without changing the actual overall benefit accrued to date. There were 780 records requiring an adjustment to match the HMRC records and these were corrected in April 2025. There were circa 2k pensioners in scope for rectification but less than 300 impacted by over and underpayments (with a few exceptions held back for further investigation) were written to on 27 March 2024. It was agreed that underpayments would be settled immediately for 38 cases, whereas overpayments to date were written-off. In addition, for the 246 overpayment cases, they were given three months' notice of the reduction in pension so these were effective from their June 2024 payments. There remains circa 300 ongoing GMP reconciliation and rectification queries for pensioners and questions with the third-party specialist (Mercer {Aptia}) to resolve which will likely lead to further cases have their records changed and possibly a few pensioners with over or underpayments being implemented later in 2025. It is anticipated the vast majority of changes in liabilities will be small.

4. Virgin Media Case

The Fund Officers/Committee are aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case. There is a potential for the outcome of the case to have an impact on UK pension schemes. The case specifically affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to the East Sussex Pension Fund for Local Government Pension Scheme benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). In these circumstances the S37 certificates should be held by the Government Actuary's Department (GAD) as the LGPS Scheme Actuary. HM Treasury have started reviewing the records of all public sector pension schemes and is assessing the implications of this case. It is not possible at present to estimate the potential impact, if any, on the Local Government Pension Scheme or the Fund and consequently on the defined benefit obligation in the financial statements

27. Contingent assets

1. Employer bonds/guarantees

There are 8 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. 3 of these bonds have expired in the financial year 24-25. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

In addition to these bonds, pension's obligations in respect of 14 other admitted bodies are covered by:

2 guarantees by Academies participating in the Fund.

Notes to the East Sussex Pension Fund Accounts

9 guarantees by local authorities participating in the Fund.

1 guarantee by Parent company sub-contracting to one part of the company, hence being guarantor for itself.

1 deposit held by East Sussex County Council.

1 Subsumption Agreement

28. Impairment losses

During 2024/25, the fund has not recognised any impairment losses.

29. East Sussex Pension Fund – Active Participating Employers

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	19.8	-	19.8	-	19.8	-
East Sussex County Council	19.7	-	19.7	-	19.7	-
East Sussex Fire and Rescue Service	18.7	-	18.7	-	18.7	-
Eastbourne Borough Council	17.9	-	17.9	-	17.9	-
Hastings Borough Council	22.1	-	22.1	-	22.1	-
Lewes District Council	22.1	-	22.1	-	22.1	-
Rother District Council	24.1	-	24.1	-	24.1	-
University of Brighton	17.2	-	17.2	-	17.2	-
Wealden District Council	21.0	-	21.0	-	21.0	-
Other Scheduled Bodies						
Arlington Parish Council	20.1	-	20.1	-	20.1	-
Battle Town Council	20.1	-	20.1	-	20.1	-
Beckley Parish Council	-	-	20.1	-	20.1	-
Berwick Parish Council	20.1	-	20.1	-	20.1	-
Bexhill on Sea Town Council	20.1	-	20.1	-	20.1	-
Buxted Parish Council	20.1	-	20.1	-	20.1	-
Camber Parish Council	20.1	-	20.1	-	20.1	-
Chailey Parish Council	20.1	-	20.1	-	20.1	-
Chiddingfold Parish Council	20.1	-	20.1	-	20.1	-
Conservators of Ashdown Forest	20.1	-	20.1	-	20.1	-
Crowborough Town Council	20.1	-	20.1	-	20.1	-
Danehill Parish Council	20.1	-	20.1	-	20.1	-
Ditchling Parish Council	20.1	-	20.1	-	20.1	-
East Dean & Friston Parish Council	20.1	-	20.1	-	20.1	-
Ewhurst Parish Council	20.1	-	20.1	-	20.1	-
Fletching Parish Council	20.1	-	20.1	-	20.1	-
Firle Parish Council	20.1	-	20.1	-	20.1	-
Forest Row Parish Council	20.1	-	20.1	-	20.1	-
Frant Parish Council	20.1	-	20.1	-	20.1	-
Hadlow Down Parish Council	20.1	-	20.1	-	20.1	-
Hailsham Town Council	20.1	-	20.1	-	20.1	-
Hartfield Parish Council	20.1	-	20.1	-	20.1	-
Heathfield & Waldron Parish Council	20.1	-	20.1	-	20.1	-
Herstmonceux Parish Council	20.1	-	20.1	-	20.1	-
Hurst Green Parish Council	20.1	-	20.1	-	20.1	-
Icklesham Parish Council	20.1	-	20.1	-	20.1	-
Isfield Parish Council	20.1	-	20.1	-	20.1	-
Kingston Parish Council	20.1	-	20.1	-	20.1	-
Lewes Town Council	20.1	-	20.1	-	20.1	-
Maresfield Parish Council	20.1	-	20.1	-	20.1	-
Newhaven Town Council	20.1	-	20.1	-	20.1	-
Newick Parish Council	20.1	-	20.1	-	20.1	-

Notes to the East Sussex Pension Fund Accounts

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Peacehaven Town Council	20.1	-	20.1	-	20.1	-
Pett Parish Council	20.1	-	20.1	-	20.1	-
Plumpton Parish Council	20.1	-	20.1	-	20.1	-
Rodmell Parish Council	-	-	20.1	-	20.1	-
Rye Town Council	20.1	-	20.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	20.1	-	20.1	-	20.1	-
Seaford Town Council	20.1	-	20.1	-	20.1	-
Telscombe Town Council	20.1	-	20.1	-	20.1	-
Uckfield Town Council	20.1	-	20.1	-	20.1	-
Wartling Parish Council	20.1	-	20.1	-	20.1	-
Willingdon and Jevington Parish Council	20.1	-	20.1	-	20.1	-
Wivelsfield Parish Council	20.1	-	20.1	-	20.1	-
Academy Schools						
Annecey Catholic Primary Academy	13.4	-	14.4	-	15.4	-
Aquinas Trust	19.0	-	18.9	-	18.9	-
ARK Schools Hastings	18.9	-	18.9	-	18.9	-
Aurora Academies Trust	18.9	-	18.9	-	18.9	-
Beacon Academy	21.0	-	20.0	-	19.0	-
Beckmead Ropemakers Academy	17.3	-	18.3	-	18.9	-
Benfield Primary School	-	-	18.9	-	18.9	-
Bexhill Academy	20.9	-	19.9	-	18.9	-
Bilingual Primary School	15.6	-	16.6	-	17.6	-
Breakwater Academy	19.8	-	19.8	-	19.8	-
Burfield Academy (Hailsham Primary)	19.8	-	19.8	-	19.8	-
Cavendish Academy	18.9	-	18.9	-	18.9	-
Chantry Community Primary	18.9	-	18.9	-	18.9	-
Chyngton School	20.0	-	19.0	-	18.9	-
Diocese of Chichester Academy Trust	22.4	-	21.4	-	20.4	-
Ditchling CE Primary	20.4	-	19.4	-	18.9	-
Eastbourne Academy	19.2	-	18.9	-	18.9	-
Falmer (Brighton Aldridge Community Academy)	18.9	-	18.9	-	18.9	-
Flagship School	21.3	-	20.3	-	19.3	-
Gildredge House Free School	18.9	-	18.9	-	18.9	-
Glyne Gap Academy	19.4	-	18.9	-	18.9	-
Hailsham Academy	18.9	-	18.9	-	18.9	-
Hangleton Primary School	-	-	18.9	-	18.9	-
Hawkes Farm Academy	19.8	-	19.8	-	19.8	-
High Cliff Academy	19.8	-	19.8	-	19.8	-
Hollington Primary	18.9	-	18.9	-	18.9	-
Jarvis Brook Academy	14.5	-	15.5	-	16.5	-
King's Church of England Free School	16.2	-	17.2	-	18.2	-
Langney Primary Academy	13.4	-	14.4	-	15.4	-
Little Common School	18.9	-	18.9	-	18.9	-
Ore Village Academy	18.5	-	18.9	-	18.9	-
Mouslecoombe Primary School	26.2	-	25.2	-	24.2	-
Newick CE School	18.9	-	18.9	-	18.9	-
Ninfield CE Primary School	18.9	-	18.9	-	18.9	-
Parkland Infant Academy	14.8	-	15.8	-	16.8	-
Parkland Junior Academy	14.4	-	15.4	-	16.4	-
Peacehaven Academy	13.5	-	14.5	-	15.5	-
Peacehaven Heights	19.8	-	19.8	-	19.8	-

Notes to the East Sussex Pension Fund Accounts

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
Pebsham Academy	18.9	-	18.9	-	18.9	-
Phoenix Academy	19.8	-	19.8	-	19.8	-
Portslade Aldridge Community Academy	19.9	-	18.9	-	18.9	-
King's Academy Ringmer	18.9	-	18.9	-	18.9	-
Ringmer Primary	-	-	18.9	-	18.9	-
Robertsbridge Community College	-	-	18.9	-	18.9	-
Roseland Infants	23.9	-	22.9	-	21.9	-
SABDEN Multi Academy Trust	19.6	-	18.9	-	18.9	-
Saxon Shore Academy	21.7	-	20.7	-	19.7	-
Seaford Academy	19.1	-	18.9	-	18.9	-
Seahaven Academy	19.5	-	18.9	-	18.9	-
Shinewater Primary Academy	14.5	-	15.5	-	16.5	-
Sir Henry Fermor Academy	14.8	-	15.8	-	16.8	-
Stafford Junior	24.7	-	23.7	-	22.7	-
St Andrew's School	18.9	-	18.9	-	18.9	-
The Haven School	18.9	-	18.9	-	18.9	-
The South Downs Learning Trust	12.2	-	13.2	-	14.2	-
The Southfield Trust	14.4	-	15.4	-	16.4	-
Telscombe Cliffs	19.8	-	19.8	-	19.8	-
Tollgate School	18.9	-	18.9	-	18.9	-
Torfield & Saxon Mount Academy Trust	20.6	-	19.6	-	18.9	-
University of Brighton Academies Trust	18.9	-	18.9	-	18.9	-
Uplands Community College	20.4	-	19.4	-	18.9	-
West Blatchington Primary	18.9	-	18.9	-	18.9	-
White House Academy	19.8	-	19.8	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
Balfour Beatty	28.5	-	28.5	-	28.5	-
BHCC - Wealden Leisure Ltd	27.7	-	27.7	-	27.7	-
Biffa Municipal Ltd	27.8	-	26.8	-	25.8	-
Brighton and Hove Housing Trust	31.4	-	31.4	-	31.4	-
Brighton Dome & Festival Limited (Music & Arts Service)	4.3	-	4.3	-	4.3	-
Care Outlook Ltd	-	-	-	-	-	-
Care Quality Commission	44.8	-	44.8	-	44.8	-
Churchills Lot 1	-	-	16.8	-	16.8	-
Churchills Lot 2 (Cleaners)	-	-	22.4	-	22.4	-
Cucina Restaurants Ltd	24.3	-	24.3	-	24.3	-
Cucina (The Turing House)	-	-	26.4	-	26.4	-
De La Warr Pavilion Charitable Trust	2.9	-	2.9	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	28.2	-	27.2	-	26.2	-
EBC – Towner	22.1	-	22.1	-	22.1	-
Grace Eyre	-	-	-	-	-	-
Idverde	33.1	-	33.5	-	33.5	-
Lodestar Cleaning Contracts Ltd	25.1	-	25.1	-	25.1	-
Southern Housing	45.9	111	45.9	115	45.9	120
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-

Notes to the East Sussex Pension Fund Accounts

	23/24 Payroll %	23/24 Amount £000	24/25 Payroll %	24/25 Amount £000	25/26 Payroll %	25/26 Amount £000
SB Coaching Ltd	-	-	13.2	-	14.2	-
Sussex IFCA Insure Fisheries and Conversation Authority	20.1	-	20.1	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure Trust Ltd	7.1	-	7.1	-	7.1	-
Wave Leisure Trust Ltd - EBC	22.4	-	22.4	-	22.4	-
WDC - Wealden Leisure Ltd	26.1	-	26.1	-	26.1	-
WSP Ltd	-	-	28.5	-	28.5	-
Wealden Leisure Ltd - Portslade Sports Centre	-	-	-	-	-	-

30. Investment Performance

The Fund uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC), which measures the performance of the Fund compared with 62 other local authority pension funds. *These numbers are based on the latest available sample of 42.* Pension Fund investment is long-term, so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	1.0	2.0	7.5	6.3
Benchmark	5.4	5.4	9.0	6.7
Relative*	(4.4)	(3.3)	(1.6)	(0.4)

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	1.0	2.0	7.5	6.3
Local Authority Average	3.6	3.6	8.3	6.7
Relative*	(2.5)	(1.5)	(0.7)	(0.3)

The Fund underperformed the (weighted) average local authority Fund over the year by 2.5% (1.2% 2023/24), ranking the East Sussex Fund in the 93rd percentile (72nd 2023/24) in the local authority universe. Over the three years the Fund underperformed by 1.5 % (0.1% 2023/24) and was placed in the 88th percentile (44th percentile in 2023/24). Over five years the Fund underperformed by 0.7% (0.2% in 2023/24) and was placed in the 73rd percentile (61st percentile 2022/23). Over ten years, the fund underperformed by 0.3% (0.1% outperformance 2023/24) and was placed in the 65th percentile (36th percentile 2023/24).

*Relative performance is calculated on a geometric basis as follows:

$$((1 + \text{Fund Performance}) / (1 + \text{Benchmark Performance})) - 1$$

As opposed to the simpler arithmetic method, the geometric method makes it possible to directly compare long-term relative performance with shorter-term relative performance.

Academy Schools

Academies are independently-managed, all-ability schools which operate outside the control of the local authority.

Accounting Standards

A set of rules about how accounts are to be kept. By law, local authorities must follow "proper accounting practices" which are set out both in acts of parliament and in professional codes and statements of recommended practice.

Accruals

Provision made at the year-end to bring into account outstanding debtors, creditors, etc., in order to show income and expenditure as it is earned or incurred.

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events differing from the previous forecast, or a change in actuarial assumptions.

Actuarial Valuation

A review of the Pension Fund normally carried out at 3-year intervals, which assesses the contributions required from employing bodies in order to maintain the Fund's ability to pay benefits in future years to pensioners, contributors and their dependants.

Admitted Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Pension Fund and the relevant body (contrasting with Scheduled Bodies – see below).

Amortisation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of intangible assets are consumed during the year, calculated from the estimated life expectancy and any residual value.

Bad Debt Provision (Impairment)

Amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Balances

A working balance maintained as a cushion against unexpected expenditure during the year. It is the amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Business Rates Retention

Under the Business Rates Retention scheme, Councils will retain a 50% share of all and any additional business rates they get above a determined baseline. This potentially provides a direct local incentive to encourage growth within local boundaries.

Capital / Capital Expenditure / Capital Receipts

Capital expenditure pays for the acquisition of assets or the enhancement (rather than maintenance) of existing assets. It is financed mainly from borrowing, and charged to revenue over a number of years. We plan for capital expenditure over several years in the published capital programme. The term 'capital receipts' covers income from the sale of assets, together with grants and contributions received specifically for financing the capital programme. Capital receipts can only be used for capital purposes, and not to support the revenue budget.

Cash Equivalents

These are investments, which amount to short term deposits.

Community Assets

These are assets, which the County Council intends to hold in perpetuity and have no determinable finite useful life.

Community Schools

In a community school, the local education authority owns the land and buildings, but the governing body is responsible for running the school. The local education authority funds the school, employs the staff, provides support services and determines and administers the admissions policy. The pupils have to follow the national curriculum.

Contingent Assets and Liabilities

A statement of a possible gain or loss to the Council, which is contingent upon the outcome of an event, which is not known for certain when the accounts are drawn up.

Corporate and Democratic Core (CDC)

Corporate and Democratic Core is defined as the two divisions of Democratic Representation and Management and Corporate Management.

Corporate Management

Corporate management concerns those activities and costs that provide the infrastructure that allows services to be provided, whether by the Council or not, and the information that is required for public accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services. There are no subdivisions recommended for corporate management.

General Fund

The main revenue fund of the County Council into which is paid income from the council tax precept, grants and charges for services and from which is met the cost of providing services.

Creditors

Amounts owed by the County Council but not paid at the date of the Balance Sheet.

Currencies

Japanese Yen (JPY), British Pound (GBP), Canadian Dollar (CAD), Swiss Franc (CHF), European Euro (EUR), Swedish Kroner (SEK) and United States Dollar (USD).

Curtailments

This heading covers the additional cost arising from the early payment of pension benefits when an employee is made redundant. The full estimated discounted cost is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Debtors

Amounts owed to the County Council but unpaid at the date of the Balance Sheet.

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension Scheme, where the benefits to employees are based on their final salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute. As the Teachers' Pension Scheme is administered nationally, it is treated in local authority accounts as a Defined Contribution scheme, but is actually a defined benefits scheme.

Democratic Representation and Management

This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. To give authorities maximum flexibility in reflecting their own constitutional arrangements, there are no recommended subdivisions of service.

Depreciation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of property, plant and equipment are consumed during the year, calculated from the estimated life expectancy and any residual value.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources. The auditor Grant Thornton was appointed by the Public Sector Audit Appointments Ltd to carry out an audit of the Council's accounts.

Equities

Ordinary shares issued by companies.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The concept of fair value is used in many accounting standards including the IFRS covering acquisition, valuation of assets, and financial instruments, but it is not limited to these.

Foundation Schools

In foundation schools, the land and buildings are owned by a governing body, who are also responsible for running the school. The local education authority funds the school. The governing body employs the staff and buys in and administers most of the support services. The pupils have to follow the national curriculum. The admissions policy is determined and administered by the governing body, in consultation with the local education authority.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the local authority museum.

Impairment

Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Infrastructure

This term covers capital investment on assets such as carriageways, footways, structures and street lighting.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it usually only covers licences for the use of computer software.

IFRS

International Financial Reporting Standards.

Leasing

A method of obtaining the use of assets: a rental charge is paid for a specified period, but under operating lease conditions the asset remains the property of the lessor and the County Council has no rights to purchase. Finance leases transfer substantially all the risks and rewards of ownership.

Levies

A contribution which the County Council is required to make towards the costs of the Environment Agency (for flood defence), Ashdown Forest Conservators and the Sussex Inshore Fisheries & Conservation Authority.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Council Tax Support (LCTS)

As part of the major changes to the Welfare Benefits system, from 1 April 2013, Council Tax Benefit ended and was replaced by a new scheme called Localised Support for Council Tax or Council Tax Support. Both systems are means tested which means that they compare your income and capital against an assessment of your needs.

Minimum Revenue Provision

An amount set aside from revenue for the redemption of debt.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Net Worth

The total of all assets less the total of all liabilities. It helps to determine the value of an entity and is also known as Total Net Assets or Total Equity.

Non-Distributed Costs

These are costs which the County Council has to bear, but which do not support any statutory services. This includes three elements of the pension cost (Past Service Cost, Settlements, and Curtailments) which are defined elsewhere, and the costs of properties, which have been declared surplus and are awaiting disposal.

Non-Domestic Rates

A charge on commercial and industrial buildings fixed by the Government and reallocated to local authorities.

Post Balance Sheet Events

A statement of the financial implications of an event taking place after the Balance Sheet date, which has a material effect on the County Council's financial position at the balance sheet date.

Prior Period Adjustments

Material adjustments that is applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Equity

Investments into new and developing companies and enterprises, which are not publicly traded on a recognised stock exchange.

Private Finance Initiative (PFI)

A long-term contractual public-private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Property, Plant and Equipment (PPE)

Property, plant and equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. PPE is a summation of all the Council's purchases of property, plant, and pieces of equipment to that point in time, less any depreciation.

Provisions

Provisions are made for liabilities and losses which have already been incurred at the date of the balance sheet, and for which the amount or dates on which they will arise can be reliably measured.

Public Works Loan Board (PWLb)

A Government agency, which provides the main source of borrowing for local authorities.

Related Parties

This term covers individuals or bodies with which the County Council has a close economic relationship. It includes Members and Chief Officers, Government departments that provide funding, and other bodies that are involved in partnerships with the County Council.

Reserves

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

Revenue

Recurring expenditure principally on pay, running costs of buildings, equipment, and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (Refcus)

Expenditure which may properly be charged to capital but does not result in a tangible asset.

Scheduled Bodies

Local authorities and other similar bodies whose staff automatically qualify to become members of the Pension Fund.

Service Reporting Code of Practice for Local Authorities (SeRCOP)

The code gives a mandatory definition of total cost and the divisions of service at which total cost must be aggregated when presenting cost based information and performance indicators in a published format. SeRCOP provides guidance to support the objective to establish the widest range of financial reporting requirements, in order that data consistency and comparability are achieved. SeRCOP particularly aims to meet the demands of both the Best Value and the Transparency initiatives and its various stakeholders. (Following the changes introduced by the 2016/17 Code to reflect the Telling the Story Review of the Presentation of Local Authority Financial Statements, the Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates).

Settlements

These are adjustments to the County Council's pension liability arising from bulk transfers of employees. The full estimated discounted cost or gain is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this amount is offset by a transfer from the Pensions Reserve.

Unusable Reserves

This include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve) adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

Usable Reserves

This includes the revenue and capital resources available to meet future expenditure (e.g. General Balances, Earmarked Reserves, and the Capital Receipts Reserve).

Voluntary Schools

These schools are also called religious or faith schools and there are two types: voluntary controlled and voluntary aided. In a voluntary controlled school, the land and buildings are owned by a charity often a religious organisation such as a church. The charity appoints some of the members of the governing body, but the local education authority is responsible for running the school. The school is funded by the local education authority who also employs the staff and provides support services and determine the admissions policy. The pupils have to follow the national curriculum. With a voluntary aided school, the governing body is responsible for running the school, the school is funded partly by the local education authority, partly by the governing body and partly by the charity. The governing body employs the staff and the pupils have to follow the national curriculum. The admissions policy is determined and administered by the governors in consultation with the local education authority.

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Report to:	Audit Committee
Date:	13 February 2026
By:	Chief Financial Officer
Title of report:	Independent Auditor's Report to those charged with governance and the Annual Report 2024/25 of the East Sussex Pension Fund
Purpose of report:	To present the Independent Auditor's report on the 2024/25 East Sussex Pension Fund Accounts

RECOMMENDATION – The Audit Committee is recommended to note the Independent Auditor's (Grant Thornton - GT) report to those charged with governance of the East Sussex Pension Fund Accounts 2024/25

1. Background

1.1 This report summarises the draft key findings arising from GT's audit work in relation to the East Sussex Pension Fund (ESPF), in compliance with the requirement for administering authorities to deliver an audit of the pension fund separate from the Council's accounts.

1.2 The accounts for the Pension Fund are incorporated within the East Sussex County Council's Statement of Accounts, included earlier in the agenda.

2. Supporting Information

2.1 Accounting Requirements - The Pension Fund financial statements should be prepared in accordance with proper accounting practices set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement Benefit plans. IAS26 provides guidance on the form and content of the financial statements to be prepared by pension funds. It complements IAS19 Employee Benefits, which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 Under its terms of reference, it is the role of Audit Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance." The Audit Committee received the draft Audit Findings Report at its meeting on 19 September 2025, with the Pension Committee receiving the draft report at its meeting on 18 November 2025, at which it also approved the Pension Fund Statement of Accounts for 2024/25. The final Audit Findings Report for the East Sussex Pension Fund is now presented at Appendix 1.

2.3 The Audit Findings Report, page 47, identifies 1 management recommendation relating the omission of an HSBC bank account from the General Ledger. The account is used for very minor and infrequent foreign pension payments. The issue will be corrected with the account's inclusion on the balance sheet.

2.4 The Audit Findings Report, page 51, sets out the total audit fee of £106,515, this will be reviewed and confirmed by the Public Sector Audit Appointments Ltd (PSAA).

3. Conclusion and reasons for recommendation

3.1 The Audit Committee is recommended to note the 2024/25 Audit Findings Report for the East Sussex Pension Fund.

IAN GUTSELL
Chief Finance Officer

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Final Audit Findings (ISA 260) Report for East Sussex Pension Fund

Year ended 31 March 2025

February 2026



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Dear Members of the Audit Committee,

Audit Findings for East Sussex Pension Fund for the 31 March 2025

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with Management, the Pensions Board, Audit Committee and the Pensions Committee.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parris Williams
Director
For Grant Thornton UK LLP

Chartered Accountants

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Contents

Page 306

Section	Page	Appendices	Page
Headlines and status of the audit	5	A. Communication of audit matters to those charged with governance	52
Financial statements	10		
Materiality	12		
Overview of audit risks	15		
Other findings	25		
Communication requirements and other responsibilities	34		
Audit adjustments	39		
Independence considerations	48		

Headlines and status of the audit

Headlines

Updates to the AFR from September 2025

A draft version of the Audit Findings Report (AFR) was presented to the Audit Committee on 19 September 2025. Since that date, we have completed remaining substantive audit procedures and updated the AFR to reflect the outcomes of this work.

Completion of work on Significant Classes of Transactions

All audit work over Significant Classes of Transactions has now been concluded, along with the associated internal review processes. This work did not result in any material adjustments or changes to disclosures within the financial statements.

Unadjusted Misstatements

As discussed at the September meeting, we have identified an unadjusted misstatement of £3.11m arising from the completion of our benefits payable testing. This was not included in the earlier draft due to timing. This unadjusted misstatement arose from the completion of our benefits payable testing. This misstatement is not expected to be adjusted, as it has been derived through extrapolation of smaller differences identified across our benefits payable sample testing. The extrapolated error relates to discrepancies between sample amounts and the amounts calculated by both the client and our audit team. Further information on this update is noted against the work completed on page 22 and within the unadjusted misstatement on page 41.

Disclosure Misstatements

A small number of additional disclosure misstatements have been identified since the September presentation. Most have been corrected by management. Three immaterial disclosure misstatement remains unadjusted, having been assessed as immaterial on both quantitative and qualitative grounds. Further information is provided on pages 43-46.

IT Systems Work

Our audit work relating to the relevant IT systems has also been completed. The wider implications for both the Council and the Pension Fund will be reported separately to the Audit Committee. A summary of the audit conclusions has been incorporated into this updated AFR on pages 30-33.

Consistency Opinion

As the Pension Fund Annual Report has now been finalised ahead of the 1 December deadline, we also confirm our intention to issue our 'consistency' opinion on the Annual Report in line with the timing of our opinion on the financial statements.

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of East Sussex Pension Fund (the ‘Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2025 for the attention of those charged with governance and both the Pensions Board and Committee.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to report whether, in our opinion:

- the Pension Fund’s financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund’s assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work commenced as planned on the 16th June. Your pension fund team produced a good set of financial statements accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was 2 weeks before the statutory deadline of the end of June.

In line with our plan we were able to complete the substantive work ahead of the end of September 2025. Similar to our experience in prior years, both the quality of information provided and the communication from your pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

As at the date of drafting this report, we have identified 2 misstatements that impacts the Net Assets Statement and the Fund Account. The first misstatement relates to the valuation of level 3 investments where our testing identified a circa £8.2m understatement.

This error is a result of timing rather than any underlying control deficiency. Investment managers provide estimated values to enable management to produce the accounts. Since publication of the draft accounts, some investment managers revised their estimated values with better information. This is not something unique to your pension fund and is a common finding in many of our LGPS audits.

The second unadjusted misstatement arises from the benefits payable testing. Completion of this work resulted in an additional projected misstatement of £3.11 million, which is marginally above the triviality threshold. This misstatement is not expected to be adjusted, as it has been derived through extrapolation of smaller differences identified across our benefits payable sample testing. The extrapolated error relates to discrepancies between sample amounts and the amounts calculated by both the client and our audit team.

Continued overleaf . . .

Headlines

Audit Work – continued

As the sum of both differences of £11.294m is not material, management have not updated their financial statements, and we are therefore required to report these to you as an unadjusted misstatement as the difference exceeds triviality. See pages 40-41 for more information.

We have also, identified a small number of presentation and disclosure misstatements which management have mostly adjusted for, and these are set out on pages 43-46.

As at the date of drafting this report we have also raised 1 control recommendations for management, to ensure best practice which is detailed on page 47.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our proposed audit opinion or material changes to the

financial statements, subject to the following outstanding matters:

- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Audit Opinions

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report in line with our opinion on the accounts.

Headlines

Local & National Context

Local Context

'Fit for Future' impact

As per the Government's response to 'Fit for Future Consultation', the ACCESS Pool, in which the Fund has significant investment in, is confirmed as not continuing beyond March 2026. The Fund are therefore required to transfer their investments to an alternative pool.

Since the Government's announcement, we are aware that the Fund has carried out significant work to move forward with this. As the letter provided by Government required authorities to respond and to be cognisant of Local Government Devolution and Reorganisation, East Sussex has been working with West Sussex to provide a "Sussex" recommendation. The Funds have been supported in this work by Barnett Waddingham and the culmination of this has been a report to the 24th July Pensions committee and announcement of the Funds preferred option being the Border to Coast Pensions Partnership.

Although this change has not impacted our current year audit work, we expect significant movements towards the end of the 25/26 year into 26/27.

Triennial valuation – 31 March 2025

Within the year the Pensions Admin Team have been progressing the Triennial Valuation for the 31st March 2025. To date the fund has submitted the data to Barnett Waddingham, they are now awaiting the formal Valuation reports which are expected around April 2026.

This Triennial valuation has no impact on the current year statement of accounts and audit work; however, we expect the conclusion to impact both actuarial disclosures in the next year and the IAS 19 reports for Administering, Admitted and Scheduled Bodies.

National context

Government proposals around the backstop

On 30 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 by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

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.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority in February ahead of the statutory deadline.

Financial statements

Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance and the Pensions Committee to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and both the Audit and Pensions Committee's.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

For East Sussex Pension Fund, the Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pensions Committee which considers the draft financial statements and audit findings report and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, as detailed later in this report on pages 13-14. This is due to a revision of materiality for the Fund Account and some changes to assertions on the significant classes of transactions upon consideration of the final account balances.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 13th February 2026.

We have substantially completed our audit of your financial statements, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 13th February 2026. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 28th March 2025, we determined materiality at the planning stage as £63.8m based on 1.3% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements and concluded that we have not had to revise the materiality from the planned level. We have, however, revised our specific materiality for the Fund Account, this is detailed below.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £63.8m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as Business Environment and Other Sensitivities.
- We have used 1.3% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.
- This figure was initially set during our planning phase. We have since compared it to the 2024/25 figures and concluded that there has been no significant change that would require an adjustment to the levels established at planning.
- In line with the approach taken in the previous year, materiality for the Pension Fund financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the Pension Fund admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.

Performance materiality

- We have determined performance materiality at £47.9m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £3.1m, in addition to any matters considered to be qualitatively material.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £22.3m, this is based on 10% of gross expenditure (in the fund account) as at March 2025.
- We have also determined a performance materiality for the fund account at £16.7m, this is based on 75% of the lower headline materiality.
- The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have revised the fund account materiality as a result of an increase in gross expenditure within the 2025 financial year.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Final (£)	As per audit plan (£)	As per Prior Year (£)	Qualitative factors considered
Materiality for the financial statements	63,800,000	63,800,000	59,000,000	In determining materiality, we have considered the following key factors: - Business environment: the Pension Fund operates in a generally stable, regulated environment. - Other sensitivities: there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. This benchmark is determined as a percentage of the Fund’s Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor’s materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.
Performance materiality	47,900,000	47,900,000	44,250,000	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. In determining performance materiality, the main considerations are our view and understanding of the pension fund 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.
Trivial matters - reporting threshold	3,100,000	3,100,000	2,950,000	We are obliged to report uncorrected omissions or misstatements other than those which are “clearly trivial” to those charged with governance. We have calculated our “clearly trivial” threshold as 5% of the headline materiality.
Specific materiality for the fund account	22,300,000	19,500,000	19,580,000	This benchmark is determined as a percentage of the Fund’s expenditure, which has been determined as 10%.
Specific Performance materiality for the fund account	16,700,000	14,600,000	14,685,000	Performance materiality is based on a percentage (75%) of the overall materiality of the fund account. The key considerations in determining this percentage are the same as those for our headline performance materiality

Overview of audit risks

Overview of audit risks

This section provides a high-level overview of the Significant and SCOT+ risks within our audit work.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	●
Valuation of Level 3 Investments	Significant	↔	✗	●
Valuation of level 2 investments	SCOT+	↔	✗	●
Actuarial present value of promised retirement benefits disclosure – IAS 26	SCOT+	↔	✗	●
Cash and cash equivalents	SCOT+	↔	✗	●
Benefits payable	SCOT+	↔	✗	●
Contributions receivable	SCOT+	↔	✗	●
Financial instrument disclosures	SCOT+	↔	✗	●



Assessed risk increased since audit plan



Not likely to result in material adjustment or change to disclosures within the financial statements



Assessed risk consistent with audit plan



Potential to result in material adjustment or significant change to disclosures within the financial statements



Assessed risk decrease since audit plan



Likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls. Significant	As part of our audit procedures, we have: 1. Evaluated the design and implementation effectiveness of management relevant controls over journals; 2. Analysed the journals listing and determine the criteria for selecting high risk unusual journals; 3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; 4. Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and 5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have noted no material adjustments or findings in relation to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. Conclusion There are no matters to bring to your attention in relation to this risk.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments (£1,120m) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud. Significant Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation, Completeness Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained an understanding of management's processes for valuing Level 3 investments; 2. Evaluated the design and implementation effectiveness of the associated relevant controls; 3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; 4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations; 5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against; 6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate; 7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; 8. Reviewed the methods and assumptions applied by the Fund managers; 9. Reviewed management's classification of the assets; and 10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. There where no instances where no audited statements were available to test therefore, we did not have to devise alternative procedures to obtain an appropriate comparable to test the valuation.	We have noted no material adjustments or findings in relation to the valuation of level 3 investments. We have noted a non-trivial £8.18m under-statement in respect of the valuation of level 3 investments. This is due to timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found on page 40. We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology. Conclusion Aside from the misstatement above, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Valuation of level 2 investments (£3,328m) The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Existence, Valuation Applicable assertion(s) Rights & Obligations, Presentation, Completeness Planned level of control reliance None	As part of our audit procedures, we have: 1. Gained an understanding of the Fund’s process for valuing Level 2 investments; 2. Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; 3. Agreed the valuation to the confirmation received from the investment manager; 4. Agreed the valuation to the confirmation received from the custodian; 5. Reviewed the reconciliation of information provided by the individual fund manager’s custodian and the Pension Scheme’s own records and seek explanations for variances; 6. Tested a sample of the underlying investments to independent sources of pricing information; and 7. Obtained and review a service auditor’s report on internal controls for the custodian; 8. Reviewed management’s classification in the fair value hierarchy for a sample of level 2 investments.	We have noted no material adjustments or findings in relation to level 2 investments. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology. Conclusion There are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Page 322

Risk identified	Audit procedures performed	Key observations
Actuarial present value of promised retirement benefits disclosure – IAS 26 (£4,990m) The disclosure of the Fund’s actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Valuation, Presentation Applicable assertion(s) None Planned level of control reliance None	As part of our audit procedures, we have: 1. Updated our understanding of the processes put in place by management to ensure that the Fund’s Actuarial Present Value of Promised Retirement Benefits is not materially misstated; 2. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; 3. Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation; 4. Reviewed the judgements made by management and confirmed that the application of the roll forward method in the intervening year within the triennial valuation cycle has remained appropriate, and ensured we have sufficient assurance from our cyclical triennial membership testing. 5. Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; 6. Tested the consistency of disclosures with the actuarial report from the actuary; 7. Undertaken 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.	As part of our technical review of the accounts, we noted that the presentation of this note should be updated, see page 43 for details. This is disclosure only and has no impact on the net reported position of the Pension Fund. We have noted no material adjustments or findings in relation to the actuarial present value of promised retirement benefits disclosure (IAS 26). We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Conclusion Aside from the disclosure misstatement above, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Page 323

Risk identified	Audit procedures performed	Key observations
Cash and cash equivalents (Cash Deposits with Custodian £111m, Cash held by ESCC £2m) The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement. SCOT+ Relevant assertion(s) Completeness, Existence, Accuracy Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained direct confirmations for all bank accounts 2. Obtained monthly bank reconciliations as at the year-end and for one month post year-end, and 3. We have not noted any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required.	We have noted one recommendation in relation to a HSBC account which is used for foreign payment for benefits payable. Although audit team have confirmed that all transaction and charges are appropriately accounted for in relation to the account, the balance does not sit on the Pension Fund balance sheet. The balance in there is highly trivial (£1k), but we recommend this balance should sit on the Balance Sheet for completeness. We have noted no material adjustments or findings in relation to the cash and cash equivalents balance. Conclusion Aside from the recommendation above, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Page 324

Risk identified	Audit procedures performed	Key observations
Benefits Payable (£177m) Pension benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness, Accuracy, Occurrence Applicable assertion(s) Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; 2. Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; 3. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. 4. Selected a sample of lump sums and associated individual pensions in payment by reference to member files, for which we are awaiting final query responses for.	We have noted no material adjustments or findings in relation to the benefits payable balance. A projected misstatement of £3.11m has been identified. This misstatement arises from the extrapolation of smaller variances noted during our Benefits Payable testing and relates to differences between sample amounts and the respective calculations performed by both management and the audit team. Further details are provided on page 41. Conclusion Aside from the misstatement above, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Page 325

Risk identified	Audit procedures performed	Key observations
Contributions receivable (£164m) Contributions from employers and employees represents a significant percentage of the Fund’s revenue. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness, Accuracy, Occurrence Applicable assertion(s) Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management’s accounting policy for the recognition of contributions. 2. Evaluated the design and implementation of relevant controls around management’s process for the contributions receivable balance. 3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. 4. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.	We have noted no material adjustments or findings in relation to the contributions receivable balance. Conclusion There are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Page 326

Risk identified	Audit procedures performed	Key observations
Financial instrument disclosures Financial instrument disclosures provide crucial information to allow users to understand and evaluate: • The entity’s financial position and performance; • The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and • how the Fund manages these risks. SCOT+ Relevant assertion(s) Accuracy, Completeness, Valuation, Presentation Applicable assertion(s) None Planned level of control reliance None	As part of our completed audit procedures, we have: 1. Updated our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures 2. Documented and evaluated the Fund’s accounting policies for appropriateness and consistency 3. Evaluated the instructions issued by management to their management expert/information provider for these disclosures 4. Tested the consistency of disclosures with the actuarial report from the actuary; 5. For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments	As part of our technical review of the accounts one non-trivial adjustment has been noted in relation to the financial instrument disclosures. We have noted no material adjustments or findings in relation to the financial instrument disclosures. Conclusion There are no matters to bring to your attention in relation to this risk.

Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments - £1,120m

The Pension Fund has Level 3 investments in the following:

- Pooled Investment Fund totalling £28m of the net assets statement at year-end.
- Pooled Property Investments which make up £314m of the net assets statement at year-end.
- Private Equity/Infrastructure giving £778m of the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, for a sample of Level 3 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)	
5.	Considered the completeness and accuracy of the underlying information used to determine the estimate
	6. Considered the impact of any changes to valuation method from the prior period
	7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)
	Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.
We did identify an £8.183 million under-statement in respect of the valuation of level 3 investments because of timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found in Unadjusted Misstatements.	

Assessment	
● [Green]	We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £3,328m

The Pension Fund has Level 2 investments in Unquoted bonds, Forward foreign exchange derivatives, Overseas bond options and Pooled investments (Equity, Fixed Income and Diversified Growth Funds), which total £3,328m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not actively traded on an open exchange; however, their valuation is based on observable market inputs, either directly or indirectly. To determine the value, management uses pricing and valuation information provided by the investment managers, supported by relevant market data.

Audit comments

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

In response to management's approach, for a selection of Level 2 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Compared the valuation to quoted prices at year-end where available.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)	
5.	Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
6.	Considered the completeness and accuracy of the underlying information used to determine the estimate
7.	Considered the impact of any changes to valuation method from the prior period
8.	Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate)
No issues have been noted with the testing completed in this area.	

Assessment	
● [Green]	We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Altair	Detailed ITGC assessment (design effectiveness only)					Relates to all line items in relation to Member Data.
SAP	Detailed ITGC assessment (design effectiveness only)					Relates to management override of controls.

Assessment:

-  [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  [Black] Not in scope for assessment

Other findings – Information Technology (continued)

SAP – Assessment

The significant deficiencies identified in the Technology Acquisition, Development and Maintenance and Security Management control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the team structure. Accesses are regularly reviewed and generally temporary and out of necessity due to team size. Similar deficiencies were identified and reported to the committee in our 2022/23 and 2023/24 financial year audits.

For 2024/25 the overall ITGC rating remains at the same level (with an additional significant deficiency identified in the Security Management area), and while previously reported deficiencies have not been remediated our IT team noted that there was an improvement in management of this area with a lower volume of profiles having issues of concern overall, but still noting that there was a concern over permissions/“superuser” statuses being assigned without a clear end date. We understand however that the organisation was, at the end of the 2024/25 year, implementing the new Oracle system and transferring data/tables from previous systems to the new system, and as such there were clearer business reasons for certain users to have these permissions/system abilities during 2024/25. We have set out 3 significant deficiencies, and recommendations to address are on the next 2 pages.

We do not regard these deficiencies as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process, and there are separate controls and mitigations in the journals and accounts production process which would detect and prevent fraudulent journal postings and management override of control. This is a significant deficiency however in overall IT governance. We understand as the organisation was implementing the new system during the 2024/25 that further significant changes/developments in the SAP system were not considered to be the priority. As the Oracle system has now been implemented in place of SAP our IT audit team will revisit these findings in 2025/26 to fully understand how the IT control environment has been updated with respect to the new system/processes in place.

Significant deficiency findings within SAP– Information Technology

Recommendations

Page 334

Significant deficiency		Recommendation
1	Users identified with inappropriate access to ABAP debugger in production Some users had inappropriate access to the ABAP debugger in production and there was not a clear end date/temporary status for this level of access. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should ensure that the ABAP Debugger access is strictly controlled, as well as perform periodic access reviews and document and enforce a formal change management process for all production code corrections. Management response: The debug access has been removed, and access will be reviewed and actioned. Completion date for overall recommendation 31 March 2026.
2	Powerful Profile Assigned to Interactive-Enabled Accounts One Interactive-Enabled Account was identified with powerful profile rights granting unrestricted access to all SAP transactions and system functions. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke SAP_ALL access from dialog and service users unless formally justified, establish a formal emergency access procedure, implement periodic reviews of user access, enforce segregation of duties and maintain audit logs and monitor activities of users with elevated access. Management response: Access will be reviewed and actioned. Completion date for recommendation 31 March 2026.

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency		Recommendation
3	Table Maintenance Access Assigned to Users in Production Environment 35 users in the SAP production environment had unrestricted table maintenance access, increasing the risk of unauthorized or inappropriate changes to critical system tables. Management have explained that business function requires access to update tables in production. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke unrestricted table maintenance access from all users unless explicitly required, restrict table maintenance access aligned to users’ job responsibilities, implement a formal access request and approval process, establish periodic reviews of user access and enforce segregation of duties. Management response: The roles that allow the users maintenance access to tables will be reviewed and actioned. Completion date for recommendation 31 March 2026.

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, however our work in this area is yet to be finalised.
3	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
4	Written representations	A standard letter of representation has been requested from the Pension Fund. The letter is included within the Audit and Transparency Committee papers.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent.
6	Disclosures	Our review found no material omissions in the financial statements.
7	Audit evidence and explanations	We have not identified any significant difficulties with obtaining evidence to support transactions and balances within the financial statements.

Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Commentary

In performing our work on going concern, we will reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by East Sussex County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report in line with our opinion on the accounts. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Audit adjustments

Adjusted & Unadjusted Misstatements

We are required to report all non-trivial misstatements to those charged with governance.

Impact of adjusted misstatements

From our audit work to date we have not identified any adjusted misstatements for year ending 31st March 2025.

Impact of unadjusted misstatements

From our audit work to date we have identified the following unadjusted misstatements for year ending 31st March 2025.

Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000		
Total net assets per final accounts					4,988,539	
Level 3 Misstatement – Key Value						
Within the Level 3 investment testing, £927,434k of Key Items have been selected for testing, within that there was a net difference of £8,183k, leading to an understatement of Level 3 Investments in the accounts.						
This is due to the timing differences between the production of the accounts and the receipt of the finalised investment managers statements for 31/03/2025. The finalised statements are not available until after the accounts have been produced and are therefore unable to be factored in.	Nil	(8,183)	8,183	Nil	8,183	Immaterial difference, due to timing.

Adjusted & Unadjusted Misstatements

Detail	Pension Fund Account		Net Asset Statement £'000			Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	
Benefits Payable						
During our benefits payable testing, one sample failed because the amount tested did not fully reconcile with the amount used in the benefit payable calculations. The difference between the two amounts was treated as an error. Additionally, several small differences (each below 10% of the sample amounts) were identified, which did not require further investigation individually. The total of these differences was combined with the failed amount, and the aggregate error was extrapolated across the entire benefits payable population. This resulted in a projected understatement of £3,111,107.	3,111	Nil	Nil	(3,111)	(3,111)	Difference has been projected and immaterial.
Total net assets – recalculated to include unadjusted misstatements					4,993,611	

Page 343

Impact of Prior Year Unadjusted Misstatements

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Detail	Pension Fund Account		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000		
Level 3 Misstatement – Key Value				
In 23/24 as part of the Level 3 investment testing as part of the £731,825k Key Items selected for testing there was a net difference of £7,649k, due to timing, between balances in the accounts and those confirmed by Investment Managers Leading to an immaterial but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investments	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts
In year we note that this has no impact on the total net assets as valued at 31 st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	7,649			
Level 3 Misstatement – Extrapolation				
In 23/24 as part of the Level 3 investment testing within the residual population of £413,288k selected for sampling there was an extrapolated net difference of £5,604k, due to timing, between balances in the accounts and those confirmed by Investment Managers. This led to an immaterial, but reportable understatement in the PY Financial Statements.	Gain/Loss on valuation of investment	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts and the misstatement was extrapolated
In year we note that this has no impact on the total net assets as valued at 31 st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	5,604			
Total Impact:	13,253	Nil	Nil	Immaterial Impact

Page 344

Disclosure misstatements

This is a summary of disclosure misstatements identified for the misstatements for year ending 31st March 2025. These have been adjusted for as part of the audit process.

Disclosure misstatement	Detail	Auditor recommendations
Actuarial Disclosure (Note 20)	As per code 6.5.2.9, within Note 3.12 and the narration under the net asset statement Option B of disclosing the actuarial present value of promised retirements benefits in the notes to the accounts has been used. However, within note 20 it has been disclosed as per Option C.	The initial disclosure of this note was not in line with the CIPFA code and therefore it has been recommended that this note should be updated to ensure Option B has been presented consistently across the accounts. Management response The Fund accepts that the disclosure in Note 20 was not clear and that the change provides greater clarity to the users of the accounts.
Financial Instruments (Note 17)	The debtors balance disclosed in Note 17 - financial instruments includes "Contributions receivable" of £13,394k (PY: £13,068kk). Also, the creditors balance disclosed in note 15 includes benefits payable (Pension Payments) of £744k (PY: £549k). These areas are not contracted and therefore should not have been included as a financial instrument.	As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated. Management response The is s technical accounting definition and the Fund had been reporting this in line with other LGPS Pension Funds, we recognise that the technical definition requires the removal of this item from the Note 17 disclosure and have removed this.
Audit Fees (Note 13b)	There is an error identified, which the Fund had incorrectly included the additional £7,840 in relation to the audit which had already been included within the GT Scale Fee, which had already been recognised appropriately as of £101,515. The initial disclosure also omitted balances relating to the Audit related non-audit services for NAO IAS19 assurance letters outside the scope of the PSAA Contract.	As per GT’s independence within the Audit it is crucial that the Audit Fees disclosed in the accounts are in line with our AFR, therefore it has been recommended that this note should be updated in the final version of accounts. Management response There was a change in the way this particular fee item was charged between 23/24 and 24/25 which was not identified during the year end process when this was identified it was agreed that we would amend this item.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Total Pooled Property Investments (Note 5)	During the completion of our audit procedures, we identified an inconsistency between the amounts disclosed for Pooled Property Investments in Note 5 (£308.5 million) and Note 14 (£314 million).	Based on our procedures, we determined that the balance disclosed in Note 14 is accurate and therefore note 5 should be updated accordingly. Management response The amount has been corrected to £314m.
Other price risk (Note 18) & Climate risk (Note 5)	As per work completed on the “Other price risk – sensitivity analysis” disclosure, there is a discrepancy between the reported numbers in the accounts and the values disclosure in the report provided by the fund’s actuary for the Pooled Property, Private Equity and Infrastructure line items. The impact of these percentages also fed through to Note 5- Climate risk where upon updating the percentages the £714m sensitivity figure reduces to £672m.	As the percentage differences would lead to non-trivial differences within the accounts, the audit team have recommended this note should be updated. Management response The Fund agrees with AFR, and this has been amended in the account to £672m.
Currency Risk (Note 18)	As per our review of the accounts, it was noted that the currency risk tables disclose the risks by asset type and not by currency. Although we are satisfied that the disclosure is materially correct from both a quantitative and qualitative perspective, in order to be fully compliant with IFRS 7 paragraph B24, it should be disclosed on a currency-by-currency basis.	Audit team recommend that the disclosure should be updated to ensure full compliance with in order to be fully compliant with IFRS 7 paragraph B24. Management response Since this note is correct for this year’s audit, we are not ready to change it right no. We will discuss the matter and think of changing it in the neat year's accounts. Although this may make the note more complicated.
Currency Risk (Note 18)	Within the Currency Risk tables, 9.8% was incorrectly used to calculate the volatility of the balance where 10% should have been used as per the narrative of the disclosure.	As the percentage differences would lead to non-trivial differences within the accounts, the audit team have recommended this note should be updated. Management response Agree to AFR changed to 10%.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Initial addition Assumptions (Note 19)	The disclosure for key assumptions used in the 2022 valuation states that 0.5% p.a. has been applied as the assumption for initial additions to improvements for both males and females. Upon review, this is inconsistent with the Triennial Valuation, which reports the assumption as 0% p.a.	As this percentage should reconcile directly to the actuary’s Triennial Valuation, the audit team have recommended this note should be updated. Management response Fund agrees with AFR and this has been changed.
Outstanding capital commitments (Note 26)	Incorrect balances were used in the workings for Capital Commitments, resulting in inaccurate amounts being reflected in the accounts. The total capital commitments disclosed was £163.4 million instead of the correct amount of £168.3 million. The misstatement is broken down as follows: - Private Equity: £103.0m disclosed instead of £98.m - Infrastructure: £25.2m disclosed instead of £28.9m - Private Debt: £35.3m disclosed instead of £40.6m	As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated. Management response Fund agreed to AFR and this has been changed.
Exit Payments (Note 26)	Within the Contingent liabilities and contractual commitments Note there were 3 scheme employers disclosed as withdrawing, however as per the testing it was confirmed one of these did not terminate, therefore, there were only 2 Exit Payments.	It was recommended by the audit team that this disclosure should be updated in line with the true position at the year end. Management response Fund agreed to AFR and this has been changed.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Critical judgements in applying accounting policies (Note 4)	During the detailed review of the financial statements audit team have noted that as per IAS 1.122 this disclosure surrounding pension liability is not code compliant. This is due to the standard explicitly stating that judgements which involve estimate, should not be included. Audit team understand why the Pension Fund may want to still include this disclosure as it adds context to the users of the financial statements and believe that its inclusion is not materially misleading to the users of the accounts.	Audit team recommend that the disclosure should be considered to be removed to ensure full compliance with IAS 1.122, however we are satisfied that the current presentation is not materially misleading to the users of the financial statement. Management response As discussed with auditor. The Fund will keep this note for this year’s accounts as its not materially misleading and we believe it provides useful information, but we will look to remove this next year’s accounts.
Contingent Assets (Note 27)	During the detailed review of the financial statements audit team have noted that as per IAS 37 (par 2), this standard is not applicable to financial instruments (including guarantees). This disclosure should therefore be removed, and the policy should be treated as a financial instrument.	Audit team recommend that this disclosure should be removed in line with IAS37 (paragraph 2), however we are satisfied that the current presentation is not materially misleading to the users of the financial statement. Management response The Fund will look to remove this next year in our accounts.
Investment Performance (Note 30)	During the course of the audit improved information has been made available in relation to Investment Performance therefore the Pension Fund has updated their accounts based upon this improved information.	Audit team are satisfied that it is appropriate to update the accounts for this additional information available. Management response The information for this note was only made available in Dec 25.
Minor Disclosure Amendments	Detailed review of the financial statements during the audit identified some disclosure errors which have been updated within the final accounts, these included incorporating additional tables for further disclosure, additional accounting policies and changes to some narrative, as well as the updated on typographical errors.	These have been taken to management for their decisions as to if they would like to update these throughout. Management response The Fund will amend trivial typographical errors when identified to ensure that the accounts are as clear as possible for the user.

Action plan

To date we have not identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26. Any matters to be reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● [Green]	HSBC bank account for which international holds trivial amount of 1k is not recorded in the GL. Although this amount is highly trivial, as it is not being recorded within the GL, if it grew to that of a non-trivial nature it would be missed.	Audit team recommends that an account code is set up on the balance sheet for this account, so ensure that any assets or liabilities in relation to it are captured within the General Ledger. Management response The Fund has not in the past needed to hold a trivial balance within the HSBC bank account as it is required to facilitate foreign pension payments HSBC have started charging fees on the account, so a small balance is placed here to ensure that the fees are covered. We accept that this now changes the nature of this account and will look to include this on the balance sheet.

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

Follow up of prior year recommendations

There were no recommendations for the Pension Fund to follow up in year in relation to 23/24, as there were no issues identified during the prior year audit,

Independence considerations

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]). In this context, we confirm there are no independence matters that we would like to report to you.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund 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 Fund or investments in the Fund 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 Fund 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 Fund.
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 Fund’s committees, 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 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.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to January 2026, to ensure inclusion of the expected fees in relation to known IAS 19 Assurance letters required for Admitted Bodies outside of the NAO Code of Audit Practice for the 24/25 FY. It also includes the threats to our independence and safeguards have been applied to mitigate these threats.

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

None of the 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 Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that the level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee.

Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Fees and non-audit services

Audit fees	Proposed fee for 2024/25 (£)	Audit Fee for 2023/24 (£)
Audit of Pension Fund (Scale Fee)	101,515	90,337
ISA 315	Included in scale fee	7,530
Audit related non-audit services (see aside)	5,000	0
Total	106,515	97,867

Audit related non-audit services	£	Threats identified	Safeguards applied
23/24 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	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 total fee for this work is £2,500 per year and £5,000 in total, in comparison to the total proposed fee for the audit of £101,515 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.
24/25 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	2,500	Self-Interest (because this is a recurring fee)	
Total	5,000		

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- Updated fees as per financial statements: **127,515**
 - £17k: Non-accrued additional approved PSAA fee payable in respect of external audit for 2021/22
 - £4k: Non-accrued additional additional approved PSAA payable in respect of external audit for 2022/23
- Total fees per above: **106,515**

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

Appendices

A. 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	●	
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 Fund’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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		
Expected modifications to the auditor's report, or emphasis of matter		

Page 356

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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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Report to: Audit Committee

Date: 13 February 2025

By: Chief Operating Officer

Title of report: Strategic Risk Monitoring – Quarter 3 2025/26

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

RECOMMENDATIONS: Audit Committee is recommended to:

- 1) Note the process of strategic risk management; and
 - 2) Note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.
-

1. Background

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

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

2. Supporting Information

The Risk Management Process

2.1 The Council's risk management process is a continuous and developing process. In order to manage risk appropriately and effectively, it is necessary to adopt a systematic approach to risk identification, analysis, and control. This approach is referred to as the Risk Management Process and provides a system that can be applied to risks at all levels within the council.

2.2 As a minimum, all risk registers are formally reviewed and updated on a quarterly basis as part of the Council monitoring process. The Strategic Risk Register is reviewed and updated by the Corporate Management Team (CMT) prior to being reported to Cabinet and the Audit Committee. As part of the process, consideration must be given as to the escalation and de-escalation of risks between Departmental and Strategic Risk Registers. Risks are usually escalated to the Strategic Risk Register when it relates directly to a strategic objective and/or the outcome cannot be mitigated at an operational level.

Strategic Risk Register – Quarter 3 2025/26

2.3 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 3 of 2025/26, was reviewed by CMT on 4 February 2026 and is due to be presented to Cabinet on 10 March 2026 as part of the quarterly council monitoring process. Appendix 1 also includes additional summary information to present historic RAG (Red, Amber, Green) ratings, as well as current pre and post mitigation RAG ratings.

2.4 The previous update to this Committee was in September 2025 to present the Strategic Risk Register as at Quarter 1 2025/26. There have been various updates to the Strategic Risk Register in Quarters 2 and 3 to reflect the Council's risk profile as follows:

- **Risk 1 (Roads), Risk 4 (Health), Risk 5 (RPPR), Risk 6 (Local Economic Growth), Risk 15 (Climate), and Risk 23 (Local Government Reorganisation and Devolution)** have updated risk definitions and updated risk controls.
- **Risk 9 (Workforce), Risk 12 (Cyber Attack), Risk 21 (Care Act Reviews), and Risk 22 (Oracle)** have updated risk controls.

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

3. Conclusion and Recommendation

3.1 The Committee is recommended to note the process of strategic risk management and the Strategic Risk Register including the risk controls / responses being proposed and implemented by Chief Officers.

ROS PARKER
Chief Operating Officer

Contact Officer: Thomas Alty, Deputy Chief Finance Officer
Tel. No.: 07701 394836

Local Member(s): All

Background documents: None

Strategic Risks - Historic Post Mitigation Rag Ratings

Ref	Strategic Risks	22/23 Q4	23/24 Q1	23/24 Q2	23/24 Q3	23/24 Q4	24/25 Q1	24/25 Q2	24/25 Q3	24/25 Q4	25/26 Q1	25/26 Q2	25/26 Q3
5	Reconciling Policy, Performance & Resources	R	R	R	R	R	R	R	R	R	R	R	R
12	Cyber Attack	R	R	R	R	R	R	R	R	R	R	R	R
22	Delivery of Oracle Implementation								R	R	R	R	R
15	Climate	R	R	R	R	R	R	R	R	R	R	R	R
20	Placements for Children and Young people in our Care	R	R	R	R	R	R	R	R	R	R	R	R
19	Schools and ISEND	R	R	R	R	R	R	R	R	R	R	R	R
1	Roads	R	A	A	R	R	R	R	R	R	R	R	R
4	Health	A	A	A	A	A	A	A	A	R	R	R	R
9	Workforce	R	R	R	R	R	R	A	A	A	A	A	A
23	Local Government Reorganisation and Devolution									A	A	A	A
18	Data Breach	A	A	A	A	A	A	A	A	A	A	A	A
6	Local Economic Growth	G	G	G	A	A	A	A	A	A	A	A	A
21	Care Act Reviews and DoLS Assessments							A	A	A	A	A	A
8*	Capital Programme	A	A	A	A	A	A	A					

* Risk 8 (Capital Programme) was removed from the Strategic Risk Register as a stand-alone risk and incorporated into Risk 5 (Reconciling Policy, Performance & Resources)

Strategic Risks - Pre (■) and Post Mitigation (◆) RAG Ratings

Ref	Strategic Risks	High Risk ← → Low Risk										
5	Reconciling Policy, Performance & Resources	■ ◆										
12	Cyber Attack	■	◆									
22	Delivery of Oracle Implementation	■	◆									
15	Climate	■	◆									
20	Placements for Children and Young people in our Care	■	◆									
19	Schools and ISEND	■	◆									
1	Roads		■ ◆									
4	Health	■		◆								
9	Workforce	■				◆						
23	Local Government Reorganisation and Devolution		■			◆						
18	Data Breach		■			◆						
6	Local Economic Growth		■			◆						
21	Care Act Reviews and DoLS Assessments		■					◆				

Strategic Risk Register – Q3 2025/26

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-5	RECONCILING POLICY, PERFORMANCE & RESOURCES There is ongoing uncertainty in relation to future funding allocations and the impact of national reforms, particularly across Children's Services and Adult Social Care. Ongoing high inflation/cost of living is leading to higher demand for Council services and has increased the direct cost of providing services. Together with increased need related to demographic changes these factors create a risk of insufficient resources being available to sustain service delivery to meet the changing needs of the local community. Our revenue budget for 2025/26 includes a draw from reserves to provide a balanced budget alongside implementing savings. Total strategic reserves are projected to be £5.2m by 2030, which excludes any additional draws required to balance budgets in 2025/26 or beyond. This compares with a cumulative deficit of £111.1m by 2028/29. The Fair Funding Review 2.0 has had a significant negative impact on the funding available for East Sussex over the next three years. Our Core Spending Power increase over the settlement period, as indicated by the Provisional Financial Settlement is expected to be 11%, below the national average of 15%. This includes assumed Council Tax increases of 5% per annum. Additionally, there are risks and uncertainties regarding the capital programme over the current Medium Term Financial Plan (MTFP) period and beyond, which could impact on the ability to deliver the Council's priorities and set a balanced budget. Funding uncertainty (including capital grants, receipts and developer contributions), inflation, supply chain issues and high interest rates could all constrain our ability to implement our Capital Strategy and increase the pressure on the revenue budget via increased borrowing costs.	R	↔	We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning, which ensures a strategic corporate response to resource reductions, demographic change, and regional and national economic challenges; and directs resources to priority areas. We take a commissioning approach to evaluating need and we consider all methods of service delivery. We work with partner organisations to deliver services and manage demand, making best use of our collective resources. We take a 'One Council' approach to delivering our priorities and set out our targets and objectives in the Council Plan. We monitor our progress and report it quarterly. The Council reviews and updates its 20-year Capital Strategy annually as part of the RPPR process, which sets the framework in which the capital programme is planned and allows the Council to prioritise investment to support its objectives. The development and delivery of the capital programme is overseen by a Capital Strategic Asset Board (CSAB), which is a cross departmental group, who also hear from Departmental Capital Board/Sub Boards who oversee priority areas. Our plans take account of known risks and pressures, including social, economic, policy and demographic changes and financial risks. However, we continue to operate in changing and uncertain contexts. Current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the county's residents and businesses. Alongside this we continue to face ongoing challenges as a result of the persistent legacy of Covid, the increased cost of living and other national and international factors. We will continue to use the latest information available on these challenges to inform our business planning. The resilience and governance review undertaken by CIPFA in the summer confirmed we have effective processes and governance structures in place. We have implemented actions to address the recommendations made by CIPFA to further strengthen our resilience. We will also continually review our performance targets, priorities, service offers and financial plans, and will update these as required. As part of this we will continue to take action wherever we can to mitigate financial and service delivery pressures – making best use of new technology, investing in our workforce, seeking efficiencies, and checking that our services are effective and provide value for money. We lobby, individually and in conjunction with our networks and partners, for a sustainable funding regime for local government in general and for children's social care and adult social care specifically, to meet the needs of the residents of East Sussex. However, in order to address the deficit in funding expected for 2026/27 we have had to apply for Exceptional Financial Support, submitting an indicative request for up to £70m of capitalisation to MHCLG. This includes a £12.5m contingency, which has been earmarked to cover emergent financial pressures, as well as investment aimed at bringing the Council back into financial balance over the MTFP period.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-12	CYBER ATTACK The National Cyber Security Centre (NCSC) has highlighted the enduring and significant threat to UK infrastructure. From ransomware attacks to AI-enabled intrusion, malicious actors are looking to maximise their disruptive and destructive efforts in an increasingly connected world. Cyber-attacks are growing more frequent, sophisticated, and damaging when they succeed. Ransomware remains the most significant cyberthreat to the UK, primarily driven by financially motivated organised crime groups. The UK's Strategic Defence Review acknowledges daily cyber-attacks as a persistent threat and emphasises a shift towards digital warfare capabilities. Amid a rise of state aligned groups, whilst the UK is not disproportionately targeted, there is an increase in aggressive cyber activity and ongoing geopolitical challenges. There is an accelerated need to keep pace with the dynamic threat landscape. Furthermore, while AI presents huge opportunities, it is also transforming the threat landscape. Cyber criminals are adapting their business models to embrace this rapidly developing technology - using AI to increase the volume and impact of cyber attacks against citizens and organisations. Meanwhile the proliferation of advanced cyber intrusion tools is lowering the barrier for entry to criminals and states alike.	R	↔	Most attacks leverage software flaws, gaps in boundary defences or social engineering-based insertion methods (such as legitimate looking emails which trigger viral payloads or impersonation of Service Desk support). These are becoming harder to identify and filter and rely on user security vigilance in tandem with technical controls. IT&D use modern security tools to assure our security posture: Monitoring network activity and identifying security threats; Keeping software up to date with regular patching regimes; Continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence against them; Ongoing communication with the security industry to find the most suitable tools and systems to secure our infrastructure. IT&D continues to invest in new tools, which use pre-emptive technology to identify threats and patterns of abnormal behaviour. Services hosted in ISO 27001 accredited Orbis Data Centres. The Council plans to undertake an assessment against the Cyber Assurance Framework in order to determine whether further actions to strengthen the Council's cyber security could be put in place, subject to the Council's resource constraints. As well as mitigations against attack, the following measures are currently in place to minimise the impact should there be a successful attack: • Behavioural analysis systems defend against hostile activity • Resilient systems enhanced with immutable backups enable quick recovery • Robust protocols for response escalation and communication	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-22	DELIVERY OF ORACLE IMPLEMENTATION There is a risk that the overall implementation of Oracle (across phases 1 to 3) may not achieve the outcomes planned which results in: •higher delivery costs •longer timescales •a reduced quality of back office services from a substandard technical implementation •risk of not meeting statutory or contractual requirements such as payments of Pay as You Earn (PAYE) / National Insurance (NI), pensions, suppliers and employees •general organisational issues •an inadequate control environment •lack of user buy-in and adoption due to a lack of organisational readiness impacting on core business processes •additional pressure on business as usual capacity from high resource demands during delivery •risk to employee wellbeing from high workloads and delivery timescale Failure to implement would result in the use of an unsupported and unlicensed system (or subject to ransom charges on some level of support) as the SAP system passes its expiry date and would miss out on efficiencies that can be gained through the new system.	R	↔	Phases 1 and 2 of the implementation, covering Enterprise Performance Management, Finance, Procurement, Oracle Helpdesk and Recruitment, are now live and have successfully exited the period of 'hypercare' (effectively the warranty period for the build quality of the system). These areas of Oracle functionality are now in Business As Usual (BAU) and the operational risks are therefore being managed on a day to day basis through the functional areas and through the Oracle system support team, with the support from the Oracle programme where required. This includes keeping documentation and training materials up to date, managing the Oracle quarterly updates and resolving any queries or issues that may arise, as for any other BAU type activity. Phase 3 (payroll, and employee and manager self-service) is currently in its testing and planning stage. An earliest realistically achievable go-live date for this phase is currently being considered, the delivery of which will include appropriate governance (including risk identification and mitigation, as well as audit), technical implementation, organisational readiness and plans for post go-live support. To complete the phase 3 implementation, it is necessary to ensure that sufficient programme resource is in place, and this is therefore kept under constant review. In addition, a positive ongoing working relationship with our implementation partner, Infosys, needs to be in place and Infosys need to have the necessary capacity and capability within their teams in order to deliver to the timeframes and quality level required. The programme lead and other key stakeholders therefore have regular conversations with Infosys senior staff and escalate issues where necessary. This includes gaining confirmations from Infosys on the resources available for the ESCC programme. It is also necessary for the organisation to prioritise programme activity at key points in time and this is also therefore kept under constant review through regular engagement with DMTs.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-15	CLIMATE Mitigation: the Council needs to play its part in meeting both the international agreement to keep the average global temperature increase under 1.5°C above pre-industrialisation levels, as well as the legally binding national target to reach 'net zero' by 2050. Adaptation: the Council needs to adapt relevant services to the predicted impacts of climate change in East Sussex, including more frequent and intense flooding, drought, episodes of extreme heat, and accelerated coastal erosion. If services are not sufficiently adapted to climate change this will lead to an increase in heat related deaths (particularly amongst the elderly), damage to essential infrastructure, property damage from flooding, and disruption to supply chains and service delivery.	R	↔	Climate change mitigation: the Council has a science-based target to reduce Scope 1 and 2 carbon emissions. The focus is on buildings, as they contributed 79% of carbon emissions in 2020/21. Currently, there is not sufficient funding available for the Council to be able to keep pace with the science-based target. The target for 2025/26 is for the delivery of a further 10 capital schemes, as part of business-as-usual asset management work. In Q1 and Q3 a total of 13 capital schemes were completed. There is a pipeline of a further 12 capital schemes that may be completed by the end of 2025/26. Climate change adaptation: the Council is working to ensure that all relevant Council service areas will integrate adaptation into their service planning by 2030 (within the constraint of the resources available). In addition, the Council has some direct responsibilities for county-wide climate change adaptation, for example as the Lead Local Flood Authority. The target for 2025/26 is to develop service-based guidance and tools on integrating climate adaptation and trial these with 3 services. There is a delay in identifying the initial 3 services, consequently the target for 2025/26 is unlikely to be met. The corporate Climate Emergency Board oversees progress for both mitigation and adaptation. Ultimately there is not sufficient funding available for the Council to be able to keep pace with the science-based target to halve emissions every five years. Although grant funding will be sought to mitigate against this, it is unlikely to be sufficient. The council will continue to work on what it can to reduce emissions with the funding it has available, including working with its supply chain on Scope 3 emissions. A Scrutiny review will consider the target for the CO2 arising from County Council operations measure, as recommended by Cabinet 16 December 2025.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-20	PLACEMENTS FOR CHILDREN AND YOUNG PEOPLE IN OUR CARE Inability to secure sufficient high quality placements for children in our care, suitable accommodation for care experienced young people and respite provision, leading to significant financial pressure and poorer outcomes for children/young people. The risk of the failure of one or more key providers in the independent sector is an increasing concern, set against necessary regulatory tightening of profit which might further impact the market.	R	↔	A number of strategies have been put in place to manage demand. Work being undertaken includes: - Delivery of the Family Hub programme - providing earlier support and intervention, Information, Advice and Guidance, Start for Life - Comprehensive Early Help offer in place - helping to manage demand at Level 3, reducing escalation. - Robust caseload management- Focus on reduction in Child Protection Plans, through delivery of Connected Coaches/Connected Families Intervention Practitioners (CFIP) interventions- Help' teams, Multi-agency Child Protection Teams, Family Network and Kinship support. Careful consideration of transfer of Care Proceedings to Looked After Children Service after initial hearing. - Enhancing Family Network approach - Family Group Conference offered to all families pre proceedings, full exploration of kinship carers opportunities/Special Guardianship Orders. - Placement and Commissioning team - holding providers to account, utilise frameworks, scrutiny, and challenge re of all provider process. - Participation in South East Regional Commission Cooperative - aims to improve quality/efficiency for children in care through increasing collaboration, enhancing regional commissioning, improved market shaping-building in some protections re market failure. - Strengthening marketing of foster care, increase in rates for East Sussex foster carers, partnership with Brighton & Hove and West Sussex County Council. Delivery of Mockingbird programme - improving retention of carers. - Focus on securing health contributions to Looked After Children placements - challenging 'Continuing Care' (CC) outcomes where appropriate and development of frameworks for integrated commissioning beyond CC.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-19	SCHOOLS AND INCLUSION, SPECIAL EDUCATIONAL NEEDS AND DISABILITIES (ISEND) For Children with Special Educational Needs. Inability to secure statutory provision due to lack of availability of specialist placement within the county and increasing demand for placements in this sector. This would put the Council at risk of judicial review and/or negative Local Government Ombudsman judgements for failing to meet our duties within the Children and Families Act 2014, with associated financial penalties and reputational damage.	R	↔	A number of strategies have been put in place to mitigate this risk. Work being undertaken includes: - Effective use of forecasting data to pre-empt issues. - Work with statutory partners to develop contingency plans. - Work with the market to increase provision where needed. - Expanding internal interim offer for children.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-1	ROADS Extreme weather events over recent years, including the last winter, have caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan: and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.	R	↔	The changing climate is now influencing the rate of road deterioration, with more extreme events such as warmer wetter winters; and drier summers punctuated by unseasonal heavy downpours (drying and shrinking the substructure of roads). Additional funding over the last few years has helped maintain road condition, however, the latest condition and funding modelling showed the potential for continued deterioration over the next 10 years. The highway's maintenance budget for 2025/26 only includes government grant. In previous years we have increased spend through borrowing. We no longer have the flexibility to borrow because of the broader revenue pressure on Council services. This means the level of funding available is below the £25 million needed each year to keep our roads in a steady condition. This funding shortfall, alongside rising costs, presents a considerable challenge in maintaining current standards across the whole network. As a result, we are now taking a more targeted approach to managing network condition—prioritising routes of highest importance to ensure we maintain a safe and resilient core network. This means making difficult decisions about where limited resources can have the greatest impact. In East Sussex, we are focusing on A and B roads and key non-principal routes that form part of our resilient network, because they are vital for emergency services, public transport, and the local economy. Mitigations include encouraging road users to report potholes so we can intervene as soon as possible in accordance with our policies; closely managing the operational performance of the highway contractor; and lobbying Government for additional investment as, without it, it will be increasingly difficult to manage the risks of further decline. New technologies and materials are being trialled to improve efficiency and resilience. Our new Asset Management System, introduced in September 2025, is enhancing how we plan and prioritise maintenance, using better data to model funding needs and target investment for greatest impact. It also strengthens transparency and accountability in decision-making. We are also future-proofing assets, such as street lighting, to adapt to changing technologies and deliver long-term value.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-4	HEALTH Failure to secure maximum value from partnership working with the National Health Service (NHS). If not achieved, there will be impact on social care, public health and health outcomes and increased social care operational and cost pressures, as well as shared Integrated Care System objectives for jointly managing patient flow through our System. An increase in activity and complexity in the presentation of patients through our acute hospital sites, has resulted in an increase in the NCTR (No Criteria to Reside) numbers and presents a system risk in respect of adequate patient flow. Integrated Care Board (ICB) operating costs and programme funding were required to reduce by 50% by Q3 2025/26 as per a national mandate. For NHS Sussex this means a reduction of 53% which presents a risk to the way ESCC works with the NHS to jointly commission services locally and get the best value out of the collective resources available for our population, including potential transfers of current Continuing Healthcare, SEND and safeguarding functions, all of which would need primary legislation to enact (and would therefore be post cost reductions). It could also have implications for the Sussex Integrated Care System (ICS) which would impact on alignment with the Mayoral County Combined Authority Devolution plans.	R	↔	The system is working collaboratively to improve hospital discharge and reduce delayed stays for patients with complex care needs. Additional funding in place to support Winter Pressures, this is seen through funding an additional 10 D2RA beds and 5 SPOT beds, this is in place until the end of January 2026 and will be reviewed at that point. Funding initiatives include keeping patients active in hospital, creating care coordination hubs, deploying two Social Work Teams for 'discharge to recover and assess' beds, and commissioning a scheme to support self-funded care. MADE events have been in place prior to Christmas, these efforts have led to a sustained decrease in the number of patients with no clinical need to remain in hospital (NCTR), though continued success depends on adequate community bed capacity and suitable post-hospital support for increasingly complex needs. The Additional Discharge Funding is now fully integrated into the Better Care Fund pooled budget (no longer ring-fenced). It covers Home First pathways and Discharge to Assess beds, with capacity balanced through a multi-agency approach. A small portion of the fund is reserved to maintain flexibility and support patient flow, especially over winter. Collaborative work is underway to create multi-disciplinary neighbourhood teams serving populations of 30,000–50,000, building on joint leadership in each Integrated Community Team (ICT) area. These 'one-team' approaches aim to deliver more proactive, coordinated care for people with complex needs and reduce unplanned hospital admissions, especially over winter. Participation in the National Neighbourhood Health Implementation Programme (NNHIP) — starting in Hastings and Rother — will accelerate local ICT and proactive care plans, supporting the shift from hospital-based to community-focused care and more sustainable use of existing resources overall. After a delay national agreement has now been reached to fund the reform of ICBs and reduced operational costs by 50%. To support this, NHS England has agreed that NHS Sussex will merge with NHS Surrey to form a single Integrated Care Board (ICB) from 1 April 2026, with further restructure taking place to deliver reduced running costs in 26/27. The new ICB will serve 3 million people (including 1.7 million in Sussex). To prepare, the two ICBs now share a Chair and Chief Executive Officer, and a single shared Board has been appointed. The four upper tier Local Authorities across Surrey and Sussex have agreed to be represented collectively on the new single clustered ICB Board through four senior roles (Chief Executive, DASC, DCS, and DPH). ESCC also continues to work with ICB and local NHS partners to adapt joint planning and commissioning, with the aim of preserving the collaboration within reducing ICB capacity to deliver the best outcomes for our population within the available collective resources. The possible impact on specific functions currently carried out by ICBs, such as Continuing Healthcare, SEND and safeguarding, is still awaited. In a further reform the Government's 10-Year Health Plan (July 2025) announced proposals to abolish Integrated Care Partnerships (ICPs) required under the current Health and Care Act 2022 - in Sussex this is the Sussex Health and Care Assembly. To maintain local focus amid a move to a larger Surrey and Sussex NHS planning area, the four LAs have proposed keeping the Sussex Assembly on an informal, non-statutory basis to support population health and align with the future Sussex CMA footprint.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-9	WORKFORCE An inability to attract and retain the high calibre staff needed in key services and roles could lead to a reduction in the expertise and capacity required to deliver statutory services to our residents, including to prevent harm to children, young people and vulnerable adults at the required level and standards, impacting on the achievement of the Council's strategic objectives.	R	↔	A number of strategies have been put in place to support our recruitment and retention aims. Work being undertaken includes: - ongoing use of apprenticeships, traineeships, intern arrangements and more flexible work arrangements etc as a way of bringing in new talent to the Council. - an assessment of the changes to the new Growth and Skills Levy, particularly in terms of the flexibilities that have been launched with a view to making training more accessible - ongoing review of our new recruitment website 'East Sussex County Council Careers' to ensure the content remains engaging and interesting and attracts individuals to apply for our jobs. - new webpages added to the recruitment site on a pilot basis for future 'job family' content - continued delivery of mentoring to young people in care by Adecco (the Councils Agency supplier) as part of their social value offer. - HR support to ASCH workstream for 'under 30s' - continued delivery of inclusive recruitment training to managers - ongoing promotion of guidance to managers on making reasonable adjustments for disabled candidates. - guidance on the use of volunteers as a route into the workplace is being developed and is currently being shared with departments. The intention is for such opportunities to support people who are out of work to come back into the workplace through gaining confidence and experience of work - a review of the current leadership development offer following the delivery of our two leadership development programmes: 'Ladder to Leadership' and 'Head of Service Masterclasses'.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-23	Local Government Reorganisation and Devolution Both the formation of a combined county authority for Sussex and the proposed transition from a two tier local authority arrangement to a unitary government model for East Sussex will have a significant effect on our workforce. These are likely to lead to additional workloads for staff over the next few years. The timescales for implementation are challenging and will place considerable additional pressures on teams. This could result in resources being diverted from the ongoing delivery of services and a consequential deterioration in service delivery	R	↔	Through our RPPR process we will continue to review the resources required to support Devolution and Local Government Reorganisation and will continue to lobby Government for additional funding to help support the significant additional workload this will place on the Council. We will also continue our work on supporting staff through change and will ensure all staff are aware of the full range of support available to them. Additional mitigations will be implemented as the impact on both the Council and our local area becomes clearer.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-18	DATA BREACH A breach of security/confidentiality leading to destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes. A personal data breach is a security incident that has affected the confidentiality, integrity or availability of personal data regardless of whether information has been accessed, altered or disclosed via electronic or manual means. While AI presents huge opportunities, if used inappropriately the risk of data breach is heightened. Risks to individuals, reputational damage, fines from the Information Commissioner's Officer (ICO), compensation claims.	R	↔	Policy and guidance procedures in place to support practice. Data Protection Officer (DPO), Caldicott Guardians and Information Governance Officers monitor breach reporting and put in place mechanisms to minimise recurrence. Staff training to develop awareness. E-learning and policy delivery mechanism expanded to enhance skills and increase awareness of responsibilities under General Data Protection Regulation legislation. Technical security measures operated by Information Technology and Digital (IT&D), including access control and segregation of duties.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-6	LOCAL ECONOMIC GROWTH The devolution of powers, responsibilities, functions and funding through a Mayoral Combined County Authority (MCCA) for Sussex will lead to significant changes, impacts and opportunities for East Sussex County Council (ESCC) in enabling and supporting the local economic growth for our residents, businesses and visitors. Possible consequences if the devolution is not managed successfully include: • Ineffective structures and mechanisms to position and make the case for local economic growth in East Sussex • Inability to access future investment opportunities if East Sussex priorities are not reflected in MCCA plans/strategies • Lack of pipeline of investment proposals in East Sussex resulting in low levels of investment in East Sussex • Loss of an effective East Sussex 'business voice' (provided through Team East Sussex and sub boards) in determining MCCA priorities	R		In July 2025 the Government approved the Sussex and Brighton Mayoral Combined County Authority (MCCA), to cover East Sussex, West Sussex and Brighton and Hove, to be established in 2026. At this stage the details are unclear as to how the devolved functions will operate between the new MCCA and existing upper tier authorities (and then subsequently the unitary authorities, as a result of Local Government Reorganisation in East Sussex). A small MCCA team has been established to work alongside strategic partners in the lead up and formation of the new Authority – a first set of Devolution policy sessions have been delivered in December 2025. Our risk control/response will be adjusted as information becomes available to consider the wider impact / opportunity this will have on the local economy through the development of Sussex-wide strategies and the resulting growth programmes. As part of our initial response to mitigate these risks we are undertaking the following: • We are currently developing an investment plan to accompany the 'East Sussex Prosperity to 2050' economic growth strategy to articulate our investment propositions and asks to the new devolved MCCA and Government, whilst also addressing how the strategy contributes to delivering the Government's emerging Industrial Strategy and Sector Plans. • Through the East Sussex Growth Hub service, we are able to keep abreast of the needs of the businesses in East Sussex, which will influence the priorities set by the MCCA • We will ensure that, through Team East Sussex, the business voice will heavily influence emerging MCCA priorities and plans. The Council is already working with Sussex partners on a joint plans, as directed by Government. We have jointly developed the Get Sussex Working Plan with WSCC and BHCC, and as a consequence will be in a good position to develop the anticipated Strategic Skills Plan which is likely to be an early deliverable through the MCCA. We have also worked with the Sussex Chamber of Commerce in developing the 1st Local Skills Improvement Plan (LSIP), and will be working with them to develop the 2nd LSIP.	A	

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-21	Care Act reviews and Deprivation of Liberty Safeguarding (DoLS) assessments Demand exceeding capacity for annual Care Act reviews and Deprivation of Liberty Safeguarding (DoLS) assessments	R	↔	These are known issues for virtually all local authorities with social care responsibilities as this activity falls within our duties under the Care Act 2014 and Mental Capacity Act 2005. As of Q3 25/26: We are meeting our target for adult reviews (outturn is 3 days against a target of 6 or fewer days) and carer reviews (outturn is -1 day against a target of 6 or fewer days, meaning reviews started on average one day before their proposed start date). We are also meeting our target for the number of people with a Deprivation of Liberty Safeguards (DoLS) episode awaiting allocation of a Best Interest Assessor (outturn is 250 people against a target for 650 or fewer people). Mitigations and actions: • We are continuing to increase the number of reviews completed year-on-year to help meet increasing demand, and to prioritise reviews according to people's needs. As of Nov 2025, 69.4% of adult Care Act reviews were completed against a target of 66.6%. • We have oversight of performance at all levels of the Council to ensure visibility, accountability and grip. Weekly and monthly reporting is sent to Operational Managers at all levels, and then scrutinised by the Waiting Times Steering Group and the Improvement and Assurance Board on a regular basis. • Since October, we have piloted the delegation portal with our strategic partner Care for the Carers, making it easier and quicker for them to process carer reviews. This pilot is now BAU and will be monitored by commissioners and operational services. • Young carers reviews are undertaken by Imago Community, ensuring a timely assessment and review for this cohort.	A	↔

Report to:	Audit Committee
Date of meeting:	13 February 2026
By:	Chief Operating Officer
Title:	Property Services Annual Update
Purpose:	To provide the Audit Committee with an update on Property Services.

RECOMMENDATION:

Audit Committee is recommended to note the contents of this report in conjunction with the exempt report on Property Disposals Update later in the agenda.

1 Background

1.1 The Audit Committee has received annual reports focusing on different areas relating to the Council's assets over the last 5 years. The Council Plan 2025/26 has 4 priorities and one of them is '*making the best use of resources now and for the future*'. The Council's property assets are key resources and the Council's Strategic Asset Management Plan 2020-2025 has a key objective '*To manage and maintain property effectively, efficiently and sustainably, optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings.*' Appendix 1 sets out a summary of the main Strategic Asset Plan drivers.

1.2 At a meeting of the Place Scrutiny Committee on [28 November 2024](#), there was an update on Property Services work. At the meeting it was agreed a Member sub-group (Asset Plan Reference Group) would be established to consider key themes and next steps to help shape a replacement for the County Council's Strategic Asset Plan 2020-2025. The sub-group met in March 2025 and concluded that as Local Government Reorganisation (LGR) was progressing it would be premature to consider a new Strategic Asset Plan, until there was greater certainty on the future Sussex model.

1.3 As at February 2026, central government are currently considering 2 LGR options; (1) One Sussex unitary model within the existing boundaries of East Sussex County Council, with Brighton and Hove City Council (BHCC) remaining unchanged and, (2) 5 unitaries across the whole of Sussex as proposed by BHCC. It is anticipated, by late March 2026, that a decision will be made on the proposed Sussex LGR model.

1.4 There is preliminary work being undertaken by officers to prepare an interim Strategic Asset Plan 2026-2028. Key themes and a draft plan will be discussed at Place Scrutiny Committee meeting in July 2026 and at the next Asset Plan Reference Group meeting, also due in July.

1.5 The Council's interim Strategic Asset Plan 2026-2028 will need to reflect the Council's financial position as compared to the timing of the original plan in 2020. It will also reflect The Council Plan's 4 priorities outlined in paragraph 1.1 which will underpin an interim

plan. There is likely to be an increased spotlight on using the Council's resources effectively, including property assets to ensure the County Council and the emerging new unitary(s) are 'making the best use of resources now and for the future'. The interim Strategic Asset Plan 2026-2028 is due to be considered further by the Place Scrutiny Committee and Asset Plan Reference Group.

1.6 The interim Strategic Asset Plan will reflect increased budget pressures for 2026/27 and beyond as well as the outcome of the County Council's decision to seek Exceptional Financial Support. It is worth noting that the Ministry of Housing, Communities and Local Government (MHCLG) may set out criteria for the use of Council assets that impact on the interim Strategic Asset Plan 2026-2028. For other Councils who have previously secured Exceptional Financial Support some have been required to dispose of assets seeking to maximise capital receipts.

2 Supporting information

The Council's property portfolio

2.1 The Council has a relatively small asset estate compared to similar size county councils in England. The Council's asset database holds records of its asset portfolio. The Council's assets fall into 3 main groupings, and this is shown in the table below.

Property Type	Number
Non-operational	70
Operational	347
Surplus	31
Total	448*

*Note – data is reviewed annually on 1 April. Excludes Highway land.

2.2 The Council's operational assets relate to where there is core service delivery from freehold or leasehold assets. The range of properties is broad, including schools, children's centres, children's homes, respite centres, day centres, libraries, an archive centre, parks, highway depots, offices, waste and recycling centres and coroner's accommodation.

2.3 The Council's non-operational list includes former operational assets which are no longer providing a direct core service offer. The list includes a diverse range of assets from former educational premises let out to day nurseries or community groups located on school sites, through to former landfill sites and former school playing fields. It also includes assets that have been part of service transformations that have been let to community or private organisations including community run libraries. There are also assets let out to the NHS and other public agencies, providing rental income. In the current financial year, the rental income from the Council's 2 office blocks, at Sackville House and Pacific House has risen. The Council undertook a formal review last year of this portfolio and there has been a slight reduction in the number of assets in the last year. Given that significant work has already been undertaken on generating capital receipts or rental income from assets, the financial benefit accruing from those remaining is not anticipated to be material.

2.4 It is intended to present a report to the Lead Member for Resources and Climate Change on the non-operational estate in more detail in summer 2026 and to set out some recommendations.

2.5 The Council's surplus asset list is a list where these assets are not required for any core operational service delivery or any commissioned-out service or included within the non-operational portfolio. Surplus assets are properties and/or sites which are being programmed for current or future disposal or leased in assets which are not being used for any operational use. There is a process for directorates to formally declare assets surplus to their operational requirements. This is outlined in Appendix 2.

Property Services model

2.6 Property Services does not operate a corporate landlord model, compared to some other county councils or district or borough councils. Individual directorates are responsible for, and manage their assets, reflecting their service use. For these assets, Property Services acts solely in an advisory capacity. The property operating costs, including utilities, business rates, insurance, day to day maintenance and day to day repairs and management costs all sit with an individual directorate. Some frontline services within directorates therefore may have staff who undertake some property related tasks. The revenue and budgets sit with client directorates, Children's Services, Adult Social Care and Health, Communities Economy and Transport, Governance Services and Business Services (CSD, ASCH, CET, GS and BSD respectively). If directorates' assets are let out for rent, the income falls to service directorate budgets. The directorates are responsible for all costs associated with leasing accommodation for operational use, including rent, business rates, repairs under the terms of the lease and dilapidations when leaving a property lease.

2.7 If a Council operates a corporate landlord model, this generally means all assets are deemed to be held corporately alongside all the property related budgets (income and liabilities). Services are considered to "occupy" corporate assets for service provision. There is scope between 2026 to 2028, for a new unitary(s) to consider the asset management model it wants to adopt reflecting the wide set of different asset holdings in a new unitary(s) as compared to an upper tier council. For example, housing stock, leisure centres and parks, crematoriums, operational assets and investment properties held for income. A new unitary(s) will also hold assets based on Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines with General Fund Assets and Housing Revenue Accounts.

2.8 However, for the County Council, there are some aspects of property management that operate more in a corporate or centralised manner. There is a Property Helpdesk whereby directorates can log a request for a reactive repair and there is a pool of external contractors who can be used to fix a leaking roof, repair a boiler for example. The Property team also manage asbestos surveys undertaken across the estate and full statutory compliance testing of building systems occurring in directorates' assets. If there are reactive repairs or if follow on works are required from asbestos surveys or statutory compliance these are picked up under a Property budget. The Property team also secure condition reports of assets on a rolling programme for schools and non-schools. The condition reports identify urgent capital and revenue works required and this is fed into an annual planned

maintenance programme for non-schools and schools. Property Services also holds full responsibility for the corporate estate which houses Council staff (e.g. County Hall, St Mary's House and Cavendish House) as well as assets that are formally declared surplus. The Council rationalised its occupation of County Hall in early Spring 2025. This reduced the property occupation costs from vacating South and East Blocks. The Council has marketed vacant space at County Hall and is in the process of agreeing lease terms with South Downs National Park Authority from March 2026. The quoted rent for the remaining vacant accommodation has been reduced and the appointed marketing agent has refreshed the promotion of the space through marketing channels like Zoopla and EACH. The vacant space is being marketed for occupation on flexible terms.

Investing in East Sussex County Council estate

2.9 The Council remains committed to maintaining and improving its property portfolio through structured maintenance programmes that ensure compliance, sustainability, and long-term asset resilience. Rising building performance standards under legislation such as the Building Safety Act, the Regulatory Reform Order, the Health and Safety at Work Act 1974, and Part L of the Building Regulations have shaped East Sussex County Council's (ESCC) approach to asset management. These underpin the council's proactive strategy for both school and non-school buildings, ensuring that properties remain safe, efficient, and fit for purpose. Department for Education (DfE) provides Dedicated School Grant (DSG) funding for investment across the school estate.

2.10 During the 2025–26 financial year, ESCC held a budgeted property maintenance programme, allocating £5.2 million to high-priority works across the education estate and £4 million to the corporate non-school portfolio. This supported the delivery of over one hundred projects designed to enhance site functionality, extending the usable lifespan of assets, and contributing towards ESCC's carbon reduction and sustainability objectives. Delivered through ESCC / BHCC procured shared Maintenance Contractor Framework these allow ESCC to align operational improvements with environmental responsibility.

2.11 Looking ahead to 2026–27, subject to budget approval by Full Council in February 2026, the Capital Programme will provide investment of £7.121m for Building Maintenance (Schools) and £4.250m for Building Maintenance (Corporate). These planned works will focus on ensuring statutory compliance, improving building performance, and maintaining operational resilience across the council's property portfolio. By prioritising these objectives, ESCC aims to safeguard its assets while supporting the broader goals of efficiency and sustainability.

2.12 In addition to the above, the ESCC Building Maintenance team operates a Revenue Planned Programme to guarantee statutory compliance and operational safety. Supported by commissioned services including a Condition Survey programme and Asbestos Management Survey, this programme encompasses the delivery of statutory obligations under the Health and Safety at Work Act 1974 to ensure a compliant and safe working environment for all ESCC staff and the public who access the Council's sites.

2.13 The Revenue Maintenance service, including reactive maintenance, servicing and compliance, is delivered via small works contracts, mainly with local contractors. These contracts are managed by the Compliance Team and Building Maintenance Teams to ensure best value and adherence to ESCC's requirements.

2.14 Accompanying reactive and term maintenance is the 'Area Controller of Premises Support Service' which is now managed by Property Services to support directorates. This service previously secured Corporate Health and Safety Group approval and is being further developed in the 2026-27 period to provide Property Services with an integrated approach to compliance and provide assurance that site-level responsibilities are being effectively managed, protecting building users and maintaining ESCC's high compliance standards.

2.15 During 2025/26, delivery of school capital projects in East Sussex has continued to be shaped by rising demand for Special Educational Needs and Disabilities (SEND) provision. Nationally, the number of pupils identified with SEND has reached record levels, placing sustained pressure on specialist and mainstream settings. At County level, CSD's School Organisation Plan 2025–2029 identifies the growth in pupils with Education, Health and Care Plans (EHCPs) as one of the Council's most significant long-term educational challenges. It therefore requires continued expansion of educational facilities to ensure sufficiency and reduce reliance on costly independent school placements. The Council's largest capital school project is providing a new 60-place secondary building on the Acre Wood Academy site (formerly Grove Park) in Crowborough. The building construction is progressing well on site and is expected to complete by the end of 2026.

2.16 Capital delivery continues to be affected by the wider UK construction environment. Although material inflation has eased from its 2022 peak, overall building costs remain high and are projected to continue rising, driven by labour shortages, regulatory requirements and long-term supply-chain pressures. Contractors are also pricing in increased contingency due to elevated insolvency risks across the sector, with tender pricing shaped more by risk management than competition.

2.17 Property Services and Education colleagues will work together once the new accommodation requirements are known but this is dependent on the imminent central government White Paper on Special Education Needs and Disabilities (SEND) reform.

Estate management approach to our assets

2.18 Property Services also undertake non-schools' estate facilities management covering several services (e.g. cleaning, waste and recycling). In addition, schools (including Academies) can acquire these services and school catering via the Traded Services to Schools provision. Schools can also buy back extra support from Property Services for the maintenance of some of the building facilities. Most schools also purchase energy contracts where bulk purchasing by the County Council has produced lower costs for the school and non-school estate.

2.19 The Estates team (within Property Services) also work with all directorates to ensure the correct property agreements (leases, licences, wayleaves and other documents) are in

place to protect the Council's interests. Directorates do approach the Estates team to conduct lease renewals and new lettings for directorates for its operational and non-operational estate. The Estates team manage its commercial office estate at Sackville House, Lewes and Pacific House, Eastbourne.

2.20 Where assets are surplus to operational need, the majority are prepared for disposal but there are meanwhile uses, such as live in guardians or short term lets. The Estates and Disposals team within Property manage these assets and there is a separate exempt report on Disposals being presented to the Audit Committee later in the agenda.

Supporting East Sussex economy

2.21 There are several ways, Property Services directly or indirectly supports the wider economy of East Sussex:

- a) It provides office accommodation for businesses in Eastbourne and Lewes with an uptick in occupancy during the last year. The new businesses mostly employ local people so there has been job creation for companies moving in or expanding.
- b) Property Services has a wide range of Property contractors, principally maintenance, general building and repair, and facilities management areas. The Council has procured different contracts from local Small and Medium Size Enterprises (SME).
- c) Property has worked with CET staff to provide advice on property aspects of legacy funding from the abolition of the South East Local Enterprise Partnership (SELEP). The focus of these funding arrangements is on creating employment growth and economic development opportunities in the County; however, some funded projects have created additional opportunities in the creation of affordable housing and community spaces. Property Services have assisted with efforts to mitigate financial and reputational risks to the Council.

Partnership working

2.22 There is increasing partnership working with all public sector partners due to the proposed LGR and changes in Sussex Health Care and NHS Sussex. There have also been a number of updated property arrangements for joint use leisure assets in the county, working with a wider set of stakeholders and the community sector in Lewes, Wealden and Rother. For example, there have been a number of revised property agreements concluded between the County Council and the district and borough councils throughout 2025/26. The County Council worked on new property arrangements for sites in Newhaven and Sidley (Rother) for the delivery of food waste recycling, provided suggestions for site allocations as part of each district or borough revised Local Plans, provided continual and ongoing support for community and voluntary groups with revised property agreements and delivered a new lease arrangement at West Hill Community Centre, Hastings, for protected long term community use.

2.23 The Council is part of the Strategic Property Asset Collaboration in East Sussex (SPACES) which also represents the One Public Estate (OPE) Partnership for East Sussex. This longstanding partnership programme enables public and third sector organisations to collaborate on strategic planning and management of their land and buildings as a collective, seeking opportunities to make best use of resources, creating efficiencies, and improving

services. An update report is routinely presented to the Place Scrutiny Committee on SPACES work, including highlights on funding secured via OPE (including Brownfield Land Release funding to enable local housing delivery on public sector land) and working closely with districts and boroughs, alongside other public sector partners such as health, emergency services, and further education.

2.24 The Chair of the SPACES Board rotates annually which allows all partners a shared opportunity and responsibility for leadership and engagement in the programme. For 2026, the County Council's Head of Asset Management and Performance will be the chair to lead the partnership through the final year of the current SPACES Strategy.

2.25 2026 will be an important transitional year as many public sector organisations are either currently in, or about to go through, significant change. SPACES is in a unique position to engage with others on strategic property and asset management plans, and to facilitate collaboration in support of the delivery of wider objectives, depending on the outcome of the LGR model adopted.

3 Conclusion and reasons for recommendations

3.1 The Audit Committee is recommended to note the contents of this report and read it in conjunction with the separate exempt report found at a later agenda item, Property Disposals Update.

ROS PARKER
Chief Operating Officer

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Strategic Asset Plan 2020-2025

The Strategy summary outlines some key drivers:

- **Closing the buildings we don't need** – operating efficiently within the office buildings that we need and disposing of the buildings we don't require based on business and service-led strategic changes. The Council has reduced its corporate office footprint in Eastbourne and Hastings by 52% since 2020. In addition, service needs in directorates have resulted in adjustments in accommodation needs so over twelve operational assets have been closed since 2020.
- **Addressing the essential maintenance needs of our remaining buildings** – repairing mechanical and electrical (M&E) systems and prolonging their operational lifespan; addressing critical structural issues. The Council's non-school assets require capital investment, utilising condition survey information and working with directorates, an annual programme is collated which invests in assets, only where needed. The budget for the 2024/25 programme is fully committed and preparation has commenced for the 2025/26 programme.
- **Complying with statutory regulations** – ensuring that actions are taken to ensure that buildings are compliant with statutory obligations for fire, legionella and asbestos. The Property team commission contractors to undertake core property statutory checks under the Health & Safety Act 1974 (and other legislation) for all its non-school assets and this includes undertaking fire risk assessments. From 1 April 2025 the Property team will increase the support to directorates for their respective controller of premises for each operational asset.
- **Optimising income** – protecting existing income streams from assets and investing in buildings where additional income can be generated. Previous Audit Committee reports discounted the proposal for the Council to acquire investment properties to produce income. However, the Council has increased its rental income from its non-operational assets since 2020 by 28%.
- **Using less energy and reduce carbon emissions** – improving energy efficiency in our offices and other buildings and reducing running costs. Last year's Audit Committee report outlined the Council's commitment on energy efficiency projects. In 2025/6 there is a Council target for 10 energy efficiency projects to be completed and it is anticipated over 12 projects will be delivered. Previously, the Council has used the Salix invest to save fund of £1.025 million plus maintenance budgets to deliver, over the course of five years, 313 energy efficiency projects for schools and non-schools estate, mainly LED projects. The Council has ensured 15 assets had solar panels were fitted on its estate in 2021/22; and 18 additional assets had solar panels fitted in 2022/23 & 2023/24. 5 assets had solar panels fitted in 2024/25

Enabling more efficient team-working – working more flexibly within our buildings, through promotion of agile working, and providing modern fit-for-purpose workplaces. The Council's services have worked with Property, IT&D and HR teams resulting in revised working styles. Space requirements have been adjusted through the Workstyles programme for corporate offices. Service departments have also revised their service needs which has modified their accommodation needs too.

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Surplus asset process

If there is no operational need for an asset, following a service review by a directorate, Property will then seek views from all directorates to see if there is a business need or requirement for an asset to be re-purposed.

If there is no business/operational need from directorates, an assessment is undertaken to see if it could provide rental income or if a disposal of the asset could secure a capital receipt. The Lead Member of Resources and Climate Change would be advised of the options available and a formal request would be sought to declare an asset surplus.

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Audit Committee – Work Programme

List of Suggested Potential Future Work Topics		
Issue	Detail	Meeting Date
Devolution and Local Government Reorganisation.	As the agenda develops.	TBC
Audit Committee Working Groups		
Working Group Title	Subject area	Meeting Dates
Oracle Implementation (MBOS) Sub-Group	Oversight of the Oracle Implementation programme.	20 February 2026 20 March 2026 24 April 2026 15 May 2026 19 June 2026
Training and Development		
Title of Training/Briefing	Detail	Date

Future Committee Agenda Items		Author
3 July 2026		
Assessment of the Corporate Governance Framework and Annual Governance Statement for 2025/26	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts.	Philip Baker, Deputy Chief Executive
Internal Audit Strategy and Plan	Consideration of the Internal Audit Strategy and Plan for 2026/27.	Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager
Internal Audit Services Annual Report and Opinion 2025/26	An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress reports – Quarter 4, 2025/26, (01/01/26 – 31/03/26).	Nigel Chilcott, Audit Manager / Russell Banks, Chief Internal Auditor
Counter Fraud Annual Report	Annual report on Counter Fraud work	Simon White, Audit Manager – Counter Fraud / Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2025/26 (01/01/26 – 31/03/26)	Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer

External Audit Plan 2025/26	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2025/26.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2025/26	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2025/26.	Ian Gutsell, Chief Finance Officer & External Auditors
Audit Committee Annual Report	Annual Report 2025/26 of the Audit Committee: meeting a requirement of the CIPFA Position Statement for Audit Committee	Ian Gutsell, Chief Finance Officer, Grace Addison, Governance and Democracy Officer
Oracle Subgroup Update	Update from the Oracle (Previously MBOS) Subgroup.	Ros Parker, Chief Operating Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Grace Addison, Governance and Democracy Officer
25 September 2026		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2026/27 (01/04/26 – 30/06/26)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Financial Management Code	Report of the Financial Management Code	Thomas Alty, Deputy Chief Finance Officer / Ian Gutsell, Chief Finance Officer

Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2026/27 (01/04/26 – 30/06/26)	Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Grace Addison, Governance and Democracy Officer
27 November 2026		
Auditor's Annual (VFM) Report on East Sussex County Council 2025/26	To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2025/26	Ian Gutsell, Chief Finance Officer & External Auditors
Treasury Management Annual Report & Mid-Year Report 2026	To consider a report on the review of Treasury Management performance for 2025/26 and for outturn for the first six months of 2026/27, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy before it is presented to Cabinet.	Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2026/27 (01/07/26 – 30/09/26)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Grace Addison, Governance and Democracy Officer

March 2027		
Review of Annual Governance Report & 2025/26 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer

Review of Annual Pension Fund Governance Report & 2025/26 Statement of Accounts	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2026/27 (01/10/26 – 31/12/26)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
External Audit Plan 2026/27	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2026/27.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2026/27	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2026/27.	Ian Gutsell, Chief Finance Officer & External Auditors
Strategic Risk Monitoring	Strategic risk monitoring report – Quarters 2 and 3, 2026/27 (01/07/26 – 31/12/26)	Ros Parker Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Property Services and Assets Update	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Ros Parker, Chief Operating Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Grace Addison, Governance and Democracy Officer

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