

East Sussex County Council

Auditor's Annual Report for the
year ended 31 March 2024

November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for East Sussex County Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

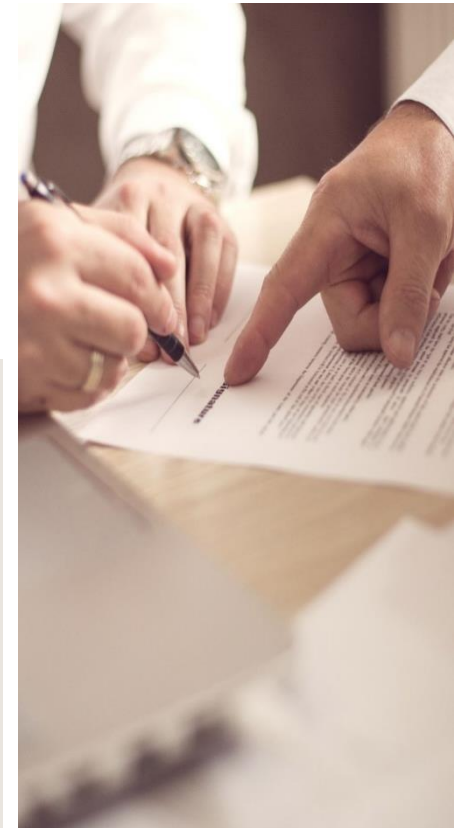
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ('the Report') with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below.



Financial sustainability

At 31 March 2024 the Council produced an underlying overspend of £30.1m before mitigations. This is almost entirely attributed to the Children's Directorate which produced a £30.4m overspend for the year. To balance the overall year end position, the Council required the use of the Financial Management Reserve and underspends in other areas of the budget.

The Council has set a balanced budget for 24/25, however this has required further use of the Financial Management Reserve of £14.3m to do so, and £18.5m usage of reserves overall. In addition £29.7m of risks have been identified which could impact the position further, if they emerged in full. At quarter 1 of 24/25 there is evidence that financial risks are emerging and the Council is forecasting a £9.4m overspend at year end, after mitigations to respond to the pressures being observed.

This latest medium term financial position demonstrates that the Council has an £83.6m budget gap across the 3 year period (25/26 to 27/28) which could be a further pressure on reserves, which are not sufficient to fund the deficit, limiting the opportunity to replenish reserves to respond to future financial risks.

At the end of 23/24 General Fund, Earmarked Service Reserves and Earmarked Strategic Reserve totalled £92.8m, but the medium term financial gap between 24/25 and 27/28 is greater than this reserves balance. The Council does set aside contingencies, as well as reserves, within the budget to respond to emerging pressures and reduce the call on reserves. Despite the contingencies in place, £43m of reserves would be needed to close the gap in 25/26 without other supporting actions. Current plans suggest that in 26/27 contingencies would be sufficient to protect reserves from further usage, this relies on no further risks and pressures emerging not currently accounted for in financial plans. The 24/25 position to date suggests this may be unlikely.

The Council approved a total savings target for 23/24 of £1.779m, 38% of the target was achieved in year and the majority of savings are still deemed to be deliverable but in future years and so have been rolled forwards (59%). This leaves 3% unachieved, deemed undeliverable. The Council has seen a decline in savings performance between 21/22 and 23/24. The Council has a limited savings programme in 24/25 and the medium term due to having exhausted its options for service cuts in prior years, as such the current financial planning does not include a savings programme capable of reducing the deficit expected in future years. The Council is currently in the process of developing a 3 year savings programme as part of its 25/26 budget setting process.

The Council's budget is aligned to its Corporate Plan and other supporting strategies and therefore seeks to use resources to meet the objectives of the organisation. A key priority, and area of pressure, is within Children's Social Care. The Council has begun to implement extensive actions to respond to the pressures in this service, with support from external consultants, to improve demand, supply and cost side challenges in the service. A time lag between action and impact is to be expected and we will keep a watching brief in 24/25 to establish whether arrangements are embedding effectively and producing the desired outcomes.

The action the Council is taking is reasonable, to seek to address the funding challenges faced. However, as the future risk remains, and whilst we did not identify an immediate action the Council should take which it is not currently exploring, should the financial risks emerge, the Council would not be financially sustainable in future. As a result, it would be unable to demonstrate the achievement of VfM, in effective use of resources, leads us to identify a significant weakness in arrangements and raise an associated key recommendation.

Executive summary (continued)



Governance

The Risk Management Framework is being updated in 24/25, as part of existing cyclical review arrangements, to ensure that it remains effective. Early drafts demonstrate that the Framework itself remains consistent, with changes reflecting minor terminology updates and clarity over risk appetite. The risk register includes information that allows Members to understand the key risks to the organisation and how they are being mitigated, we have noted some opportunities for improvement in the format to ensure transparency, accountability and context are achieved.

The Council continues to be supported by a well-established Internal Audit Shared Service, delivered by Orbis. The team completed 90% of the planned audits in 23/24 and therefore met its performance objectives, and undertaking a sufficient number of reviews to inform their opinion. The overall Head of Internal Audit Opinion for 23/24 is consistent with the prior year, a rating of 'Reasonable Assurance'. Officers respond to recommendations in a timely manner.

The Council continues to use the well-established and understood Reconciling Policy, Performance and Resources (RPPR) process for setting the budget and MTFP in 23/24. The process has been strengthened over several years and is supported by scenario planning, sensitivity analysis and benchmarking. There is a good level of engagement of officers throughout the year across all departments, Finance, the Corporate Management Team and Members.

Effective budget monitoring is achieved by a fully integrated Council Monitoring Report on financial performance, non-financial performance and risk. It is presented at Council-wide, directorate and individual service level. The information included within the report is extremely comprehensive. The high level of detail means Members are adequately informed and therefore able to thoroughly discuss, challenge and scrutinise the Council's reported financial and operational performance.

The Orbis shared service arrangements also cover Procurement Services. Preparations are progressing well for the 2023 Procurement Act coming into effect on 28th February 2025, including the setting up of a dedicated Procurement Team and training on the Act being rolled out. The Council does not have a current, updated Procurement Strategy in place, this expected to form part of the Council's preparations for the Procurement Act changes.

In conclusion, and based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. However, we have identified one area where the Council could improve arrangements and as such, have raised an improvement recommendations to support management in achieving best practice in their arrangements.

Executive summary (continued)



Improving economy, efficiency and effectiveness

Council arrangements to monitor performance remain the same as prior year, no opportunities for improvement were raised as part of that work and our review of 23/24 arrangements continues to observe a strong performance monitoring framework in place. Performance reporting clearly identifies the areas of operational under-performance and the causal factors associated with this. The Council is seeking to undertake further investigation to ensure a targeted response to the issues identified can be developed. Key issues are within Adult Social Care.

The Council actively engages with external reviews of its services to ensure it can deliver quality services. The latest Ofsted inspection of Children's Services was reported in February 2024, rating the service as Good with elements of Outstanding. It has also engaged the Local Government Association (LGA) to undertake a Peer Challenge of Adult Social Care in preparation for an anticipated Care Quality Commission (CQC) inspection. This highlighted some area for improvement, although none significant individually. The Council has developed an action plan to respond to the recommendations and has begun to progress this in 24/25.

The Council was part of the South East Local Enterprise Programme (SELEP), a Partnership between local authority areas in East Sussex, Essex, Kent, Medway, Southend and Thurrock. The government made the decision to discontinue the use of LEPs in August 23, with effect from 1 April 2024. In light of this, SELEP took the decision to close operations, with LEP functions and responsibilities transitioning to Upper Tier Local Authorities from April 2024, including the Council. The Council developed transitional plans and has begun to implement these, however the Council requires a final Transition Agreement to be in place, the responsibility of Essex County Council, before the transition can be completed. The Council has established arrangements and taken the necessary actions which are within its control.

Although the Council is supported by Orbis, who provide, Procurement services, this does not include Contract Management Services. Whilst Orbis provide a Contract Management Framework, managing contracts, and accountability for contract performance and associated risks, is the responsibility of individual departments within the Council rather than Orbis or a central team at the Council, as such central, Council-wide oversight of contract performance could be improved. Corporate-wide contract management was reviewed by Internal Audit in the year and received a Partial Assurance, suggesting improvements required in the process. The Council have responded to the recommendations and arrangements are currently being followed up by Internal Audit, to determine the effectiveness of the responses. The expectation from the Council is an improvement in the rating. Several other contract specific Contract Management reviews were also undertaken in year, which received Reasonable Assurances and so highlighted fewer opportunities for improvement.

In conclusion, and based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. However, we have identified areas where the Council could improve arrangements and as such, have raised two improvement recommendations to support management in achieving best practice in their arrangements.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 23/24 is the fourth year that these arrangements have been in place. 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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risks of significant weakness identified within the Audit Plan, the risk of weakness investigated became apparent during the course of our work and is therefore reported in this Annual Auditors Report.	R We have reported a key recommendation in respect of the Council's ability, to ensure future financial sustainability. This is a result, of the local government sector wide challenges, of increasing service demand coupled with static or reducing government funding creating a financial gap, and future affordability challenges, as it stands in a climate of limited reserves. Whilst, the Council, is fully aware of the position and taking all possible action, to mitigate, the future risk remains, and this is why we have reported the significant weakness.	↓
Governance	G No significant weaknesses in arrangements identified.	No significant weaknesses in arrangements identified.	G No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements to achieve best practice	↔
Improving economy, efficiency and effectiveness	G No significant weaknesses in arrangements identified.	No significant weaknesses in arrangements identified.	G No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements to achieve best practice	↔

G No significant weaknesses in arrangements identified and limited improvement recommendation made.

A No significant weaknesses in arrangements identified, but a number of improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Significant weakness identified in Financial Sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there was a significant weakness in arrangements.

Key factors in identifying a weakness in arrangements:

- A large overspend against budget for 23/24 of £30.1m, predominantly caused by pressures in Adults and Children's Social Care
- A track record of overspending, having overspent by £10.7m on services in 22/23 (and £1.8m in total) and forecasting an unmitigated overspend of £23.4m on services (and £9.4m in total, following mitigations) at quarter 1 of 24/25
- A significant increase in the overspend since 22/23 of £19.4m (181% increase)
- Unplanned use of reserves in both years required to mitigate the overspend
- Reliance on reserves of £14m in 24/25 to produce a balanced budget
- The Council has recognised £29.7m of risks to the 24/25 budget, there is evidence that some of these are beginning to emerge in the quarter 1 forecast overspend
- A medium term budget deficit of £83.6m (25/26 to 27/28) which suggests limited scope to replenish the Financial Management Reserve, or any other reserves, in the medium term and therefore exposing the Council to future financial risks.
- Limited savings currently identified to close the medium term gap

Based on our work undertaken and the evidence considered we do note that the action the Council is taking is reasonable, to seek to address the funding challenges faced. We note the Council continue to lobby appropriately with government and associated local government bodies, such as the LGA, the position they are in, and the growing gap in demand, and funding. A savings programme is in place, and the financial reporting, including the Section 25 report, is clear on the future financial risks. However, as the future risk remains, and whilst we did not identify an immediate action the Council should take which it is not currently exploring, should the financial risks emerge, the Council would not be financially sustainable in future. As a result, it would be unable to demonstrate the achievement of VfM, in effective use of resources

Key recommendation 1

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 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.

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



Opinion on the financial statements



Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Council's financial statements following the Audit Committee on 22 November 2024.

The full opinion will be included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is presented to the Council's Audit Committee alongside this report. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements



Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Pension Fund's financial statements following the Audit Committee on 22 November 2024.

Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2024. We issue an auditor's consistency report which includes our opinion that the 2023-24 East Sussex Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We intend to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report following the Audit Committee on 22 November 2024.

Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is presented to the Council's Audit Committee alongside this report, and will also be presented to the Pension Fund Committee. Requests for this Audit Findings Report should be directed to the Council or Pension Fund.

Use of auditor's powers

We bring the following matters to your attention:

2023/24

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.

Local context

East Sussex Council is an upper tier local authority for the county of East Sussex, which is divided into five district areas of Hastings, Eastbourne, Lewes, Wealden and Rother. Whilst the latter 3 areas are considered more rural, both Eastbourne and Hastings are mainly urban localities with higher population densities. In contrast, the area also has a rich natural environment, with over two thirds of the county being covered by one or more environmental designations such as Areas of Outstanding Natural Beauty, Environmental Stewardship Agreements and a National Park.

The population size is estimated to be circa 545,800 (2021 census). The county is characterised by a mix of urban, suburban, and rural areas. The population is diverse, encompassing a range of age groups, socioeconomic backgrounds, and cultural identities.

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, which saw one division won by the Green Party and the second won by the Liberal Democrats. The Authority moved into "no overall" control.

Overall, the workforce comprises 9,174 people and 7,383 'full time equivalent' employees as at 31 March 2024. They deliver a range of statutory and discretionary services to local residents. Services include education, social services, transport and highways, public health, libraries, waste management, and planning. The council also plays a key role in promoting economic development, protecting the environment, and supporting cultural and community initiatives across the county.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

At 31 March 2024 the Council produced an underlying overspend of £30.1m before mitigations. This is almost entirely attributed to the Children's Directorate which produced a £30.4m overspend for the year. The overspend was able to be fully mitigated from a variety of sources including the Financial Management Reserve, Treasury Management overperformance, underspends in other areas of the budget and contingencies and provisions built into the budget to manage emerging risks. This is a similar picture to 22/23 where the overspend position was £10.7m on services (and £1.8m in total), due to the same pressures and mitigated from similar sources of funding.

The Council has set a balanced budget for 24/25, however this has required use of the Financial Management Reserve of £14.3m to do so, and £18.5m usage of reserves overall. This has been used, but to a much lesser extent, in prior years to partially mitigate unanticipated budget overspends.

In January 2024 the Council set its Medium Term Financial Plan (MTFP) for 24/25, 25/26 and 26/27. This has since been updated in June 2024 to cover 25/26 to 27/28. This latest position demonstrates that the Council has an £83.6m budget gap across the 3 year period which is currently unmitigated and could be a further pressure on reserves. As noted on page 17 the Council is in the process of developing its 3 year savings plan for 25/26 to 27/28 and therefore the extent to which savings can bridge the gaps is unknown. The Council continues to include general and specific contingencies within the medium term position to assist in responding to risks and protecting reserves. Despite these contingencies the track record of overspends, risks identified within the budget and forecast overspends for 24/25 are a threat to the medium term sustainability of the Council reserves. This challenge is explored further on page 20 and 21 where we have recognised a weakness in arrangements to achieve financial sustainability in the medium term, and made a key recommendation.

The Q1 position for 24/25 shows that there is continued pressure in Adults and Children's Social Care despite £19m investment in these services in the budget. Overall, there is a forecast £23.4m overspend on services. Every department is overspending but the largest overspends are £12.5m in Children's Social Care and £9.8m in Adults Social Care. As this is a forecast position the Council does have the opportunity to respond in the following 3 quarters to try to reduce these pressures by year end. Available mitigations have been mobilised immediately, which have reduced the forecast deficit to £9.4m. These include the use of corporate contingency, use of a social care grant announced after budget was set and continued overperformance of Treasury Management. Other budgetary control measures have been implemented and Officers and members continue to liaise to maximise opportunities. The remaining deficit would need to be met from reserves, in addition to the planned drawdown of £14.3m in the budget.

Overall, based on the medium term financial outlook, we have identified a weakness in the Council's ability to achieve financial sustainability and have raised a Key Recommendation to reflect the significance of the findings.

R

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

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

plans to bridge its funding gaps and identifies achievable savings

The Council approved a total savings target for 23/24 of £1.779m, this comprised of £974k of new savings agreed for the financial year and savings unachieved in prior years and rolled forwards. The year end position shows that £664k of the target was achieved in year (38%), the majority of savings are still deemed to be deliverable but in future years and so have been rolled forwards (59%). This leaves 3% unachieved, deemed undeliverable. The Council has seen a decline in savings performance between 21/22, when the full £1.8m savings target was achieved, and performance in 22/23 and 23/24. There has been increased under delivery year on year despite the savings remaining relatively stable. Each year, including 23/24, the majority of undelivered savings have been temporarily funded, meaning that for one year only the saving has been replaced with funding from the budget (for example from reserves or underspends in certain departments), but the saving will still need to be made in future years, or be replaced with an alternative savings scheme and is ultimately rolled forwards each year.

This exerts pressure within the budgets of future years and therefore is unsustainable for the medium term. Within the 24/25 budget is focussing on delivering £693k in Business Services, included in existing savings plans for the financial year, and an additional £1.115m carried forward from 2023/24, split between Business Services and Communities, Economy and Transport directorates. No savings have been identified within the MTFP and therefore the Council is carrying a medium term financial gap. The Council is in the process of developing its 3 year plan for savings from 25/26 to 27/28. The Council has previously focussed on savings from traditional service line budget cuts, the Council is responding to the emerging 24/25 outturn overspend by initially introducing 10-15% budget reductions in services. Therefore, it is still partially reliant on savings of this nature. There is evidence that the Council is exploring more transformative approaches to savings in Children's Services and Adult Services, which is appropriate given these present the most significant financial and demand pressures to the Council. Governance arrangements are in place to support transformation in these services including a Children's Transformation Board, who are specifically focussed on progressing the IMPOWER Consultancy recommendations and in Adults they have an RPPR Board to drive improvements.

The Council effectively monitors savings delivery through its quarterly Council Monitoring Reports, which effectively draw members attention to savings delivery at Council-Wide, Directorate and Service line level. Performance is transparent and pressures easily identifiable via this reporting, the frequency is sufficient for actions to be taken between reports.

Overall, the Council has a track record of rolling forward undelivered savings into future years and continues to work to deliver these, work already being undertaken to make improvements in savings in 25/26. No recommendations made.

G

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has set a clear strategic direction based on a thorough data-driven understanding of the local area. It prepared and presents the State of the County report in June each year, providing a deep understanding of the underlying demographics and background to the Council's operating environment which informs the budget setting process.

The budget setting process at the Council is encompassed within the Reconciling Policy, Performance and Resources (RPPR) processes which include budget, MTFP and Capital Plans. The Council Plan, which sets the Council's priorities and how they will be achieved is reviewed annually alongside the RPPR process to ensure that financial, and non-financial plans, ultimately align to Council objectives. This is a well established, well-understood and robust process.

The design of the 24/25 budget is consistent with prior years in that it is focussed predominantly on statutory areas of spend in Adult and Children's Social Care which account for 75% of the net revenue budget. Children's Services are a particular area of pressure for the Council, producing the largest overspends each year with an £11.5m overspend in 22/23, £30.4m in 23/24 and forecast £12m in 24/25 before mitigations.

G

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

(continued)

It is clear that Council processes and analysis, including their detailed Key Performance Indicator (KPI) monitoring, have been able to pinpoint the specific causal factors in the overspends, being Looked after Children, Home to School transport and SEND Provision. As such the Council has been able to take specific and targeted actions in these service areas. The response we have observed is extensive and seeks to tackle a combination of demand, supply and cost side factors. These include the reopening of Lansdowne Children's Home, the establishment of an Early Intervention Strategy, the establishment of a reunification framework and the Connected Families Intervention programme. All are focussed on early intervention as a priority, to put demand reduction at the forefront of actions taken.

Of particular note is the Council's work with IMPOWER Consultants on the Valuing Care Approach. Recommendations made from the work were based on a deep understanding of root causes of pressures, being increasing demand and supply of appropriate cost effective Children's Social Care Placements. The Consultancy have worked closely with the Council, who have been well engaged in the process, to implement the 3 phased approach to secure appropriate types of placement for the right amount of time. These Consultants have also assisted with securing and retaining quality foster placements and building the skills and capacity in commissioning internally. The programme is in its infancy and therefore sustained financial and operational improvements are yet to be observed but early signs of improved outcomes are positive. estimated savings totalling £2.3m have been identified between 24/25 (£1.4m) and 25/26 (£0.9m) which could increase to £4.3m in total if the target number of placements are identified. In addition to this a further £1.5m of savings have already been realised. Unfortunately, these have been outstripped by unanticipated increases in demand in 24/25, hence forecast overspends continuing. In addition, at the end of 23/24 the Council's KPI monitoring showed reductions in the numbers of Looked After Children to within target levels.

Therefore, although pressure continue the response is deemed to be comprehensive, and a time lag between action and impact is to be expected. We will keep a watching brief in 24/25 to establish whether arrangements are embedding effectively and producing the desired outcomes.

Overall, Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities, and we have not identified any improvement opportunities in this area.

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council has evidenced that it regularly updates its key strategies which support delivery of its corporate objectives, as set out in the Council Plan, which is reviewed and updated annually. We would expect key strategies to be reviewed at least every 3-5 years to ensure that they remain fit for purpose, there is evidence this is adhered to. In the 23/24 year the Council has updated both its People Strategy and Climate Change Plan, which support key objectives.

The People Strategy 2024-2029 identifies the interventions that are planned to support the development of the future workforce. It demonstrates a clear commitment to involving employees in decision making, providing training and improving wellbeing with the aim of greater retention and recruitment of the workforce. It clearly sets out strategic level objectives at Council Level whereas setting the required staffing complement is the responsibility of individual departments. This feeds into the budget setting process to ensure the establishment is affordable.

To ensure effective monitoring of the People Strategy the Council have identified a set of deliverables which will be measured to determine how successful the strategy has been in meeting its objectives. These will be monitored via an annual review which will be presented to the Human Resources Management Board and, where appropriate, on to the Corporate Management Team. Therefore arrangements are in place to ensure effective monitoring of the strategy.

G

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

<p>(continued)</p>	<p>The Council Climate Emergency Plan 2023-25, which seeks to achieve net zero status by 2050. The Plan has been developed based on scenario planning and modelling investment and emission data. The correlation between increased investment and reduced emissions has been incorporated into Council financial plans, which include both revenue and capital investment in climate change projects.</p> <p>The Council sets its Capital Strategy and Programme within the RPPR process, alongside the budget each year. Capital Programme expenditure for the year 23/24 is £77.5m against a budget of £85.9m, a net variation of £8.4m. This is an overall difference of 9.7%, which consists of overspend, slippage and spend in advance, and is not considered to be significant, the Council fully understands the specific projects and causes of the slippage and have taken action accordingly in 24/25. This includes allowing for a corporate slippage risk factor within the programme for 24/25 to respond to emerging risks and reviewing assumptions, based on historical trend data, to improve the accuracy of assumptions in the programme.</p> <p>Overall, the Council's financial plans align with its strategic objectives and supporting strategies, we have not identified any opportunities for improvement.</p>	
<p>identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>The 24/25 budget accounts for known pressures, which are built into budget estimates and funded, these include pressures from social care placements, inflation and national living wage increases on the social care provider market. The budget also considers unforeseen risks and uncertainties. These uncertainties are estimated to be £29.7m and therefore, if they emerged in full, could be an additional pressure to the breakeven budget set for 24/25. These uncertainties include pay and non-pay inflation, social care and climate risks over and above those that can be estimated reliably. The risks highlighted are within our expectation for the Council's services and operating environment and we have not noted any significant omissions and therefore consider members to be well informed of risks. Members understanding the likelihood, as well as impact, of these risks would be beneficial and this has been considered as part of our overarching financial sustainability Key Recommendation on page 20 and 21.</p> <p>The Council undertakes sufficiently detailed monitoring of reserves and contingencies within the quarterly monitoring reports.</p> <p>Overall, the Council ensures members are well-informed of the risks within the budget and MTFP, we have identified an opportunity to provide further detail, further assisting members in their decision making and recognised this as part of our Key Recommendation. No further issues have been identified in this area.</p>	

Financial sustainability (continued)



Significant weakness identified

In the prior year, 22/23, the Council's outturn was a total revenue overspend of £10.7m (and £1.8m in total). In 23/24 the overspend increased to £30.1m. This shows a track record of overspending. In both years the deficits were mitigated by use of the Financial Management Reserve, better than anticipated investment income due to high interest rates and use of general contingencies that are set aside each year to protect reserves.

As at 31 March 24 the Financial Management Reserve stands at £35.8m, however there is planned usage of this specific reserve of £15.1m (including £14.3m to balance the budget) in 24/25, reducing it to £20.7m. The 24/25 budget monitoring is currently forecasting a £9.4m overspend for 24/25 after mitigations.

The latest medium term outlook is a deficit of £83.6m (25/26 to 27/28) which suggests limited scope to replenish the Financial Management Reserve, or any other reserves, in the medium term and therefore exposing the Council to future financial risks.

We would suggest an annual or medium term budget gap in excess of 5% of the net revenue budget to be significant. Per Table 1 the total gap over the medium term is below this at 4%, the gap is also below this in all years except 25/26. In 25/26 this is close to 10%. As such there is greater pressure in 25/26 and so the Council should prioritise its actions to target this particular financial year in addressing the medium term outlook and this is reflected in our recommendation

	24/25	25/26	26/27	27/28	Total
Budget Gap	14.3	55.3	16.5	11.8	97.9
Net Revenue Budget	552.4	591.8	623.5	671.9	2,439.6
%	2.59%	9.34%	2.65%	1.76%	4.01%

The Council has a series of reserves set aside which include General Fund Reserves (unallocated for non-specific use), Service Reserves (set aside to fund specific financial risks or projects in specific departments) and Strategic Reserves (set aside to mitigate financial risks of any kind that hinder the Council in meeting its objectives). At the end of 23/24 General Fund, Earmarked Service Reserves and Earmarked Strategic Reserve totalled £92.8m. This represents 16.8% of the net revenue budget for 24/25. Grant Thornton published a paper 'Lessons from recent Public Interest reports' in 2021 which includes a strong emphasis on the importance of maintaining an adequate level of reserves. There is no formal definition as to what constitutes adequate, but Grant Thornton's view is that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10%. The level of reserves at the start of 24/25 is above this threshold.

The medium term financial gap between 24/25 and 27/28 is greater than the reserves balance, and so if no mitigating actions were taken these reserves would be completely eradicated before the end of 27/28. In reality, the Council sets aside contingencies within its budget each year - a general contingency and some specific contingencies, for known pressures. For 24/25 to 26/27 this is around £5.3-£5.4m per year for general contingencies and £6.2m of specific contingencies per year for inflation and energy price rises. Despite the contingencies in place, £43m of reserves would be needed to close the gap in 25/26 without other supporting actions, but in 26/27 contingencies would be sufficient to protect reserves from further usage. This would slow the depletion of reserves but does not fully respond to the pressures, further supporting our view that focus is needed on reducing the budget gap in 25/26 through measures other than contingencies.

After consideration of contingencies, the Council currently estimates that by 31 March 2029 its total General Fund and Earmarked Reserves will stand at £45.5m which is 6.6% of net revenue expenditure. The Council has recognised £29.7m of risks to the 24/25 budget, as well as the 24/25 emerging overspend of £9.4m. These issues, if they materialised, could potentially eradicate reserves despite contingencies set aside.

Although there is an assessment of magnitude of these risks, of £29.7m, these are uncertain and so not accounted for in the budget. There is no assessment of likelihood, and therefore without this information it is not clear to decision makers whether the budget includes sufficient contingencies to address the risks should they occur.

Financial sustainability (continued)



Significant weakness identified (continued)

The Council has a limited savings programme due to having exhausted its options for service cuts in prior years, as such the current financial planning does not include a savings programme that could meet some of the deficit expected in future years. We have made an improvement recommendation in this regard as the Council is currently in the process of developing a 3 year savings programme as part of its 25/26 budget setting process, and we are aware this includes savings being asked of Children's Services which is expected to be more transformative in nature, therefore the Council are already seeking improvements. Savings are a key mechanism by which the budget gaps can be addressed, protecting reserves with a view to replenishing them in the medium to long term.

We have noted extensive actions being taken in response to pressures in Children's Services, therefore on an operational level we believe arrangements in that service line to be robust. Although Children's Services is a key source of financial pressures in the budget and MTF the financial position is Council-wide and so the weakness identified in financial sustainability is not mitigated by the actions in Children's Services alone.

Based upon the evidence we believe there is a significant weakness in arrangements to deliver financial sustainability. This is due to unmitigated funding gaps in medium term financial planning that substantially threaten delivery of the plan. If unaddressed the Council will need to rely on use of contingencies and reserves to cover unplanned spending. The Council has a track record of overspends, overspending is currently forecast for 24/25.

The Council is taking reasonable actions to respond which includes continuing to lobby appropriately with government and associated local government bodies, such as the LGA, the position they are in, and the growing gap in demand, and funding. However should the financial risks identified in the Council's own reporting emerge, the Council would not be financially sustainable in future. As a result, it would be unable to demonstrate the achievement of VfM, in effective use of resources, leading to a weakness in arrangements being identified.

Key Recommendation 1 – 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 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.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Risk Management Framework is being updated in 24/25, with changes reflecting minor terminology updates and clarity over risk appetite. Review and challenge of risks is extensive with oversight from Corporate Management Team, the Audit Committee, departmental Risk Co-Ordinators and Finance regularly throughout the year. Risk reporting is achieved via the Council Monitoring Reports which are present to Members quarterly. The reports are fully integrated, combining risk, financial performance, non-financial performance and savings at directorate and organisation-wide level. As such, Members have a clear picture of the impact of risk on performance and vice-versa.

The format of the Council risk register is effective in linking risks to strategic objectives and provides detail of the actions being taken to mitigate the risk, however we have identified an opportunity to improve the information presented to Members. Further details, and our improvement recommendation, are on page 26. The number and type of risks are representative of the activities, environment and challenges the Council faces specifically.

The Council continues to be supported by a well-established Internal Audit Shared Service, delivered by Orbis. Internal Audit effectively liaise with officers and members in developing their Plan each year, before final approval, which has ensured that there is coverage across key financial systems, a range of operational area/services and a range of risks. The team completed 90% of the planned audits in 23/24 and therefore met its performance objectives, and undertaking a sufficient number of reviews to inform their opinion. The overall Head of Internal Audit Opinion for 23/24 is consistent with the prior year, a rating of 'Reasonable Assurance'. This is positive but does highlight several areas of improvement in the recommendations. The recommendations are readily accepted and progressed by management.

Overall, a minor improvement recommendation in relation to risk management arrangements has been identified.

A

approaches and carries out its annual budget setting process

The Council continues to use the well-established and understood Reconciling Policy, Performance and Resources (RPPR) process for setting the budget and MTFP in 23/24. The process for producing the budget begins in July each year, via the 'State of the County' report which provides important analysis and context about the environment the Council operates in and ultimately provides Members with the detailed information they require to scrutinise key assumptions being made in developing the budget. The process continues to engage officers throughout the year across all departments, Finance and the Corporate Management Team before final approval by Members each January.

The process is supported by scenario planning, sensitivity analysis, benchmarking and has been updated over several years following VFM and Local Government Association Peer Reviews. As such it is clear that the Council undertakes a significant amount of work to assure Members of the robustness of the estimates within the budget. The information models the potential impact of changes in several income and funding streams (such as Adult Social Care Grants, Business Rates, Council Tax and Inflation) on the medium term position, taking it from an initial forecast budget gap of £83.6m across 25/26 to 27/28 to £31.2m. However, this would only be achieved should each scenario materialise in full, and so the Council continues to explore mitigations to the current gap.

Overall, the Council ensures members are well-informed of future financial uncertainties, no recommendations have been made

G

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Monthly performance monitoring takes place through DLTs, and quarterly monitoring takes place through CMT and Cabinet. Performance is reported to Cabinet in the quarterly Council Monitoring Report. Prior to this is it sighted by Corporate Management Team (CMT) and monthly monitoring is undertaken by individual departments in the intervening period.

The report is a fully integrated report on financial performance, non-financial performance and risk. It is presented at Council-wide, directorate and individual service level. The information is supported by detail narrative of the causes of the performance and actions taken as well as useful tabular summaries - for non-financial performance this includes target performance, trend data, RAG rating and actual performance for each KPI set at the start of the year, it also includes the responsible directorate and owner. As a result, the information is comprehensive and allows members to gain a full picture of performance, including the interdependencies between risk, finance and operations. It also allows them to understand performance at granular, service-level detail to ensure that individual departmental challenges are not masked in the overall position by overperforming departments. Although the information is extensive it is thoroughly discussed at Cabinet meetings by Members, who focus on key issues at hand, and so does not appear to be excessive or overwhelming to decision makers. Discussion does cover financial, non-financial and risk performance and therefore scrutiny covers all aspects of the reporting.

Overall, no recommendations in relation to budget monitoring have been identified and therefore reflects, continued, strong arrangements in this area.

G

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

Review of Cabinet minutes, publicly available webcasts of Committee meetings, attendance at Audit Committee and discussions with officers has provided assurances that papers provide comprehensive detail on key issues to decision makers and achieve transparency. Members are engaged in discussion on issues within these papers and there is a good level of challenge and scrutiny observed.

Improvement recommendations raised internally, or by External or Internal Audit, are accepted and responded to in a timely manner.

The Council is well supported by their Audit Committee. The Committee meets sufficiently regularly, every quarter, and attendance at the committee is strong, with most members attending every meeting or sending a substitute in their absence. They provide appropriate challenge of financial and non-financial items, and the members of the Committee demonstrate mix of knowledge and expertise. There is a two way support system in place, with meetings also attended by the Chief Operating Officer, Chief Finance Officer, the Head of Internal Audit and staff from Grant Thornton who provide detailed presentations and papers and encourage and answer questions from the committee effectively, this ensures members are well informed across risk, governance and audit matters.

Best practice suggests that the committee should contain at least one independent member. In July 23 the Committee agreed to the appointment of two independent members of the Audit Committee, therefore best practice has been achieved.

Overall, no recommendations in relation to challenge and transparency in decision making have been identified and therefore reflects, continued, strong arrangements in this area.

G

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Council Constitution sets out the rules and procedures under which the council operates. The Constitution has the important purpose of providing a guide for members, employees, local people, businesses and other organisations to understand how the council's decision-making works. It was recently updated in July 2024 and is therefore considered up to date, with the review demonstrating that the Council seeks to ensure it remains relevant and fit for purpose. The Constitution contains Codes of Conduct for members, and the Council also has a separate Code of Conduct Policy which sets out standards for employee behaviour. Despite having these policies in place complaints regarding the Council's standards can occur and where individuals feel their complaints have not been dealt with effectively by Council processes can escalate these to the Local Government Ombudsman. 63 complaints were escalated to the Ombudsman in 23/24 of which only 32 required investigation by the Ombudsman, several were closed after initial enquiries as they were not relevant to Ombudsman's remit or didn't meet the definition of a complaint. Of the 32 investigated, 28 were upheld and so found to require resolution by the Council i.e. the Council were found to be at fault. This is 88% compared to 85% at other similar authorities and as such the Council is not an outlier. Although only 2 of the 28 cases had appropriate remedies implemented before the case reached the Ombudsman (which is also in line with similar authorities), following Ombudsman investigation the Council did provide satisfactory remedies in 100% of the upheld cases and so all have been appropriately responded to, retrospectively. The Council may benefit from understanding the underlying reasons for the cases being escalated to the Ombudsman, but currently the performance is reflective of similar authorities and not a significant concern.

Procurement and Contract Standing Orders (PCSOs) are also contained in the Council Constitution and so have also recently been updated. Procurement service continue to be provided for by Orbis Procurement. Orbis is a shared service arrangement consisting of East Sussex County Council, Surrey County Council and Brighton and Hove Council. Preparations are in progress for the 2023 Procurement Act. The Act was initially expected to come into effect at the end of October 24, this has been deferred nationally to 28th February 2025. Orbis have been working towards the initial date despite the deferral and have made good progress with preparations within their control, with outstanding areas being due to information not yet provided by central government. A Programme Team is in place working across 19 workstreams. Staff training in relation to the new requirements of the Act has been rolled out. The Council does not have a current, updated Procurement Strategy in place. This is an active decision due to the fact that the service is currently in a state of change, as it is being reorganised, and it would be the Council's preference to wait until the Procurement Act 2023 has embedded to understand the impact of the requirements on the Council. The Council are aware of the need to be fully prepared and compliant with the Procurement Act upon its implementation in February 2025. Given that the implementation date for the Act becoming law has been deferred from October 2024 to February 2025, the Council does have time with which to develop such a Strategy.

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Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

(continued)

In line with the Local Government Transparency Code for Contracts and Purchase Orders the Council has published its active contracts and purchase orders on its website, over £5k, since quarter 2 of 23/24. The information achieves appropriate transparency by providing the public with details of what the contract is for, who the supplier is, the total value of the contract, start date, end date and any extension. Having reviewed the information at quarter 4 of 23/24 it is clear that a range of suppliers are used, with no over reliance on certain suppliers observed. The largest contract on the register is for £1bn with Veolia for a 30 year Integrated Waste Management Contract. This contract was reviewed by Internal Audit in year and received positive assurances, demonstrated by its Reasonable Assurance rating.

Overall appropriate arrangements are in place to ensure appropriate standards are met, and no recommendations have been made.



Governance (continued)



Areas for improvement

Risk Register Formatting

To ensure that Members are provided with sufficient information to manage the risks to the organisation it is important that certain information is included within the risk register. This includes:

- A clear link to corporate objectives in the Council Plan for each risk
- Allocation of each risk to a responsible officer
- A clear risk score, allocated between impact and likelihood, as per the Risk Management Framework
- A RAG rating of each risks score
- A target risk score
- Direction of travel

Currently the Council Risk Register is reported as part of the Council's Integrated Monitoring Reports, and as a stand-alone risk register. Each includes a risk reference number, detailed description of the risk, mitigating actions being taken, a RAG rating post mitigations and trend information on the direction of travel. The stand-alone risk register also includes the RAG rating pre and post-mitigations. However no responsible officer is allocated to each risk, no details of the risk score itself, or how its allocated between likelihood and impact, or a target is presented. This could be improved to achieve better accountability, context and transparency.

A report is also presented at each meeting of the Pension Fund Committee and Pension Board setting out the risks faced by the Fund. The report sets out the risks, the mitigating actions, risk rating pre and post mitigations and the risk owner. As such there is sufficient information to understand the risks, this report does also include information with which to hold relevant officers to account and understand the impact of the actions being taken. However, it is not clear from the register itself how the risk score has been arrived at, based on likelihood and impact or what the target risk score is. Trend analysis of the risk scores over the last 2 years is provided which, if a target was provided, would give useful context to this information. Therefore, improvement could be achieved in this respect, in line with the Council risk register.

Improvement recommendation 1: The Council should review the format of both the Council, and Pension Fund, risk register to ensure that the best practice is achieved in the information it presents to decision makers, notably including a clear link to objectives within the Council Plan, target risk score for each risk, a responsible individual for each risk and information on the impact vs likelihood score for each risk, consistently in the two registers.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement

Council arrangements to monitor performance remain the same as prior year, no opportunities for improvement were raised as part of that work and our review of 23/24 arrangements continues to observe a strong performance monitoring framework in place. Members are presented with a full suite of integrated financial, non-finance and strategic risk information with which to reliably base their decisions upon. We have observed a positive culture of discussion, challenge and clarification at Cabinet meetings in relation to performance information, which is evidence of effective transparency and accountability. The significant volume of information does not overwhelm members and discussion is focussed on key issues highlighted in the reporting. The information is suitably up to date, KPIs reviewed regularly to ensure they remain reflective of Council priorities and data integrity observed.

Operational performance for 23/24 was positive with 64% of KPI targets achieved, 40% improved or were at the maximum compared to prior year, therefore showing an improving trajectory in many cases. The majority of below target metrics (6) are in Children's Services and we have already noted several actions taking place in this department to generate improvements.

The Council submits annual RA return forms (budgeting costs) to Ministry of Housing, Communities & Local Government (MHCLG) who collate the data nationally to compare unit costs of Council services with all other County Councils. Data from this tool highlighted that the Council had very high comparative unit costs in Adult Social Care. The pressure highlighted by this data concurs with the Council's own performance reporting which has identified the operational root cause to be high numbers of carers supported through short-term crisis intervention. These individuals are not referring themselves for support, resulting in the need for immediate short-term solutions, instead of longer term more cost effective solutions. The Council wishes to seek more detail for reasons for the drop in referrals from carers needing support, and so more evidence of the Council response to this pressure is expected in 24/25.

Overall, performance monitoring arrangements are good, with further actions expected to respond to areas of underperformance in 24/25.

G

evaluates the services it provides to assess performance and identify areas for improvement

The Council actively engages with external reviews of its services to ensure it can deliver quality services. The latest Ofsted inspection of Children's Services was reported in February 2024, rating the service as Good with elements of Outstanding - a positive result. This is downgrade from the 2018 rating of Outstanding and so the Council has developed an Action Plan, presented alongside the report to Cabinet. The Action plan effectively links the improvements identified by Ofsted to a series of specific tasks, a responsible owner and a target date, and so is effective in ensuring accountability. The final action plan was shared with Ofsted in May 24 to ensure they were also aware of the actions agreed and could hold the Council to account as required. The action plan is monitored quarterly by the Children's Department as part of their existing quarterly monitoring arrangements. This includes scrutiny from the Director of Children's, Heads of Service and Performance Managers as required. Liaison with the Director of Children's has confirmed that all actions have been completed with the exception of the IRO dashboard, which requires resourcing to be allocated. This is considered a timely response and informal feedback from Ofsted is positive in terms of progress made by the Council.

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Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

(continued)

A Local Government Association (LGA) Peer Challenge of Adult Social Care took place in 23/24 and the report was presented to July 24 Cabinet. The review was commissioned by the Council in order to help them prepare for any Care Quality Commission (CQC) inspections which could occur in the next 18 months. This shows a proactive approach to gaining feedback and fostering improvement, it is clear that the Council are seeking quality in this service. Cabinet were presented with the findings promptly and there was evidence that the Council were well engaged in the process (including submitting their own self assessment against industry standards from Jan 23 and 235 People speaking to the peer reviewers). As a result of the findings the Council are currently develop an Adult Social Care Priority Development Plan, which is in draft form, focussed on Prevention, Waiting Times, Safeguarding, Quality and Value for Money. Many actions responding directly to these priority areas have already commenced. Supporting governance arrangements to ensure the Plan is progressed have been agreed - an Improvement and Assurance Board will have responsibility for developing the workstreams under each priority and monitoring progress. Ensuring delivery will be the responsibility of a sub-group of the People Scrutiny Committee. These groups are now in place and have met in 24/25.

Overall, no recommendations in relation to engagement with external performance reviews have been identified and therefore reflects, continued, strong arrangements in this area.

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

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, and as a more locally-driven replacement for the nine regional development agencies abolished in 2010. East Sussex formed part of the South East Local Enterprise Partnership (SELEP), which also included Essex, Kent, Medway, Southend and Thurrock.

In March 2023, as part of its overall levelling-up and devolution agenda, the government announced that it was minded to discontinue funding LEPs from April 2024 onwards, a position that they formally confirmed in August 2023. In light of this, SELEP took the decision to close operations, with LEP functions and responsibilities transitioning to Upper Tier Local Authorities (UTLAs) from April 2024.

The Council has therefore taken on relevant local SELEP responsibilities from 1 April 2024 and has established a series of governance arrangements to ensure there is dedicated resource, clear responsibilities and smooth management of the transition. The overall transition is being overseen, internally, by the underlying Economic Development, Skills and Infrastructure Service who has been responsible for overseeing the LEP work previously and so have a deep understanding of the programmes of work and specific projects involved. They are supported in this role by a series of LEP specific groups, one example being Team East Sussex (TES) who are an independent, business-led, body, with representation from local business members, voluntary and community sector, education and Council Leaders cross East Sussex. The aim of the group is to ensure that the transition can be facilitated locally and meet the interests of relevant stakeholders.

G

Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

The framework for the transition has been established in advance of the transition from April 24. The SELEP Transition Plan, accompanied by the Council's own local East Sussex Integration Plan, sets out precisely which functions will be transferred to East Sussex, and the actions necessary to integrate those functions over the coming months. These were approved in December 2023 and March 2024, respectively. Responsibility for monitoring the implementation of the internal integration plan sits with the Economic Development, Skills and Infrastructure Service. The SELEP Transition Plan and East Sussex Integration Plan are supported by other governance arrangements. This includes an internally drafted East Sussex Assurance Framework that will support the transition of the legacy capital funded programmes. Internal Governance Boards are being established to manage and monitor the LEP requirements and follow formal governance processes where decisions need to be taken

Although the key framework documentation, and governance arrangements, have been developed in a timely manner, ahead of the transition, some arrangements are continuing to evolve and are not yet fully implemented. Notably a Transition Agreement from Essex County Council, as the current Accountable Body, to transfer the responsibilities to the partner authorities. Although the Council can control the pace of internal arrangements, the delays to the Transition agreement sit with Essex County Council.

The lack of Transition agreement has caused challenges to the Council including officers undertaking responsibilities under new arrangements whilst also undertaking those associated with the continuation of SELEP until it is fully transitioned under an official Transition Agreement. This has had a direct financial impact as the Council has been unable to access funding from Government, allocated to support the transition and so many activities have been delayed and will need to be achieved in a shorter timeframe due to the time-limited nature of the funding. The Council are also unable to access some residual revenue funds held by SELEP which will be reallocated to partners to support LEP transfer activities once the Transition Agreement is signed.

As part of the 22/23 audit we became aware of a 'deep dive' investigation by the Department for Levelling-Up, Homes and Communities (DLUHC) Assurance and Compliance Team into alleged weaknesses in the Council's arrangements in respect of regeneration schemes funded by LEP money. The initial draft was received in March 24 and the Council challenged its findings, a second version was provided in May 24. We reviewed these as part of our audit work in the prior year and identified that although there were weaknesses in procurement and project arrangements these were not significant in nature. The finalised version of the report has not yet been received by the Council, with the reasons for the delay being cited as the change of government meaning communications have stalled. We do note that, despite the lack of finalised report, the Council has progressed actions to support the transition and is expecting to internally review arrangements in 24/25.

The Internal Audit Plan for 24/25 includes a review of Transition of Local Enterprise Partnerships and this will provide the Council with assurance that the transition has taken place in accordance with government guidance and that the new arrangements are properly governed and controlled, allowing them to take any corrective actions required.

Overall, arrangements in relation to the SELEP are in a transitional phase, although the Council has acted to progress the actions within its control and as a result we have not identified any current need for improvement.

(continued)

Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

As previously noted, procurement services are provided by Orbis Procurement. Whilst Orbis provide a Contract Management Framework, managing contracts, and accountability for contract performance and associated risks, is the responsibility of individual departments within the Council rather than Orbis or a central team at the Council. As such, there is the opportunity to improve centralised, Council-wide oversight of contract performance (see page 31 for further details and our improvement recommendation)

Orbis updated its Contract Management Framework in August 2023, therefore it is considered up to date. Orbis also provided training on the new framework to 87 individual contract managers across 3 sessions in January 2024. In addition, these managers have been provided with eLearning modules and self-service learning via an internal portal across several modules including change management, risk, financial, governance and monitoring. The training is deemed to be comprehensive and able to support individual departments in applying the new framework.

Internal Audit reviewed Contract Management in 23/24 as part of their work and this received 'Partial Assurance', being the second lowest rating in a 4-grade system. The processes and controls have been subject to follow-up review in 2024/25, which will determine how successful the impact of the new framework and training on contract management have been on improving arrangements. Early indications from discussions between officers and Internal Audit are that all recommendations have been responded to and an improvement in rating is anticipated once the report is published.

The Partial Assurance Review related to corporate level arrangements, i.e. those that are Council-wide. However several other contract management related reviews were undertaken by Internal Audit in 23/24, as below, each of the received a Reasonable Assurance rating which is positive in its assurances and therefore suggests that issues are not pervasive across all contracts.

- Integrated Waste Management Services – Contract Management
- Contract Management Group Cultural Compliance Follow-Up
- Health Visiting Contract – Contract Management
- Domestic Violence and Abuse Refuge Contract – Contract Management
- Highways Contract Management

Overall, contract management arrangements are developing, with ongoing improvements being identified. We have highlighted the opportunity for further improvement with regards to oversight of arrangements.

A

commissions or procures services, assessing whether it is realising the expected benefits

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Centralised Contract Management Oversight

Discussions with Officers confirmed that Orbis, nor the internal Council Procurement Team, do not currently have any arrangements in place to monitor the performance of suppliers, resolve arising issues or track the delivery of benefits in relation to contracts. It is not that arrangements are not in place at all, but that these arrangements are not carried out centrally. Instead, contract management, and accountability for contract performance, resides in the departmental services and as such, there scope to increase centralised, Council-wide oversight of contract performance and associated risks. If there are any specific contracts for which information is required, liaise with the service to obtain the information they require on an ad-hoc basis. The Internal Audit review of Contract Management in year received Partial Assurance and therefore noted improvement required within the processes and controls in this area. The Council have responded to the recommendations and await follow up from Internal Audit to conclude on the effectiveness of that response. Given the need for improvement in contract management highlighted by Internal Audit we believe that the Council would benefit from ensuring it has arrangements in place to ensure that contract management processes are applied consistently and monitored effectively, centrally. We note that steps have already been taken to update the Contract Management Framework and provide training, therefore the focus should now be on ensuring that arrangements to monitor contracts at whole Council level are developed, to improve oversight and take action accordingly should performance not be in line with expectation for individual contracts.

Improvement recommendation 2: The Council should seek to strengthen contract management by ensuring arrangements are in place to monitor the performance of individual contracts centrally, to provide a Council-wide picture of performance and take action accordingly.

Pension Fund



We considered how the audited body:

Commentary on arrangements

Assessment

As administering body for the East Sussex Pension Fund, how the Council:

- ensures that it makes informed decisions and properly manages its risks (Governance)
- uses information about its costs and performance to improve the way it manages and delivers its services (3Es)
- plans and manages its resources to ensure it can continue to deliver its services. (FS)

The Council oversees the governance and administration of the East Sussex Pension Fund, with a Pension Fund Committee and a Pension Board in place to make key decisions and provide oversight.

The administration of the fund is carried out by the Chief Finance Officer of the Council and the Pension Fund Team, with regular updates provided to the Pension Fund Committee.

Investment performance is reported quarterly, overall positive returns were made on the Fund for 23/24 although below the benchmark set. Within the overall performance, some individual fund managers have made a negative return and/or performed below their individual benchmark, but these have been offset in the overall position.

The Pension Fund's valuation. At the most recent triennial revaluation showed that it is 123% funded and therefore the Fund's long-term investment objective of maintaining a funding level at or close to 100% of the estimated liabilities is being achieved. The Fund's assets exceed anticipated liabilities by £763m, making it affordable and well-managed.

Internal audit have reviewed several aspects of the Pension Fund Team processes and controls in 23/24 and all receive positive assurances with some minor improvement recommendations, these have been accepted by management and transparently reported to the Pension Fund Committee.

With regard to risk management, the Fund's risk register is well-structured, addressing a range of risks. While there is one red-rated risk, this has not impacted performance and therefore risks are observed to be well managed. Minor improvement opportunities in the format of the risk register have been identified and included in our improvement recommendation on page 26.

Overall, the Pension Fund is well governed and managed, with a positive performance on investments and overall fund value. Compliance and internal audit are satisfactory, and risk management is being actively managed, albeit with a minor improvement opportunity.

A

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>KR1 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.</p>	Key	Financial sustainability	<p>24/25 Budget and MTFP State of the County Report 23/24 Council Monitoring Reports 24/25 Council Monitoring Report Q1</p>	Reserves are a finite resource, which require replenishment in the medium-term to protect against future financial risks.	<p>Actions: We recognise the challenges we face and through our well established Reconciling Policy Performance and Resources (RPPR) process we will strive to set a balanced budget for 2025/26 and a sustainable Medium Term Financial Plan. We will be dependent on government recognising the challenges Local Government faces, particularly across social care services, and our lobbying efforts will continue as we seek a longer term fair funding solution.</p> <p>Responsible Officer: Chief Finance Officer</p> <p>Executive Lead: Chief Executive</p> <p>Due Date: 11 February 2025 (2025/26 Budget Setting) and ongoing in 2025/26</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should review the format of both the Council, and Pension Fund, risk register to ensure that the best practice is achieved in the information it presents to decision makers, notably including a clear link to objectives within the Council Plan, target risk score for each risk, a responsible individual for each risk and information on the impact vs likelihood score for each risk, consistently in the two registers.	Improvement	Governance	Council and Pension Fund Risk Quarterly Registers	Members being made aware of risk scoring details, link to objectives, target risk score and who is responsible allows them to hold officers to account for the success of its actions, understand the effectiveness of actions in meeting objectives and take further action accordingly	Actions: We will take on board the comments raised and review the risks registers for the County Council and Pension Fund to ensure best practice principles are being followed Responsible Officer: Deputy Chief Finance Officer and Head of Pensions Executive Lead: Chief Operating Officer and Chief Finance Officer (Pension Fund) Due Date: 1 April 2025
IR2 The Council should seek to strengthen contract management by ensuring arrangements are in place to monitor the performance of individual contracts centrally, to provide a Council-wide picture of performance and take action accordingly	Improvement	Governance	Internal Audit Contract Management Detailed Report Internal Audit Annual Report 23/24 Contract Management Framework Contract Management Training Discussions with Finance Officers and Orbis Procurement	Having a Council-wide view of performance improves the ability for the Council to understand the impact of individual contract performance on meeting is corporate objectives..	Actions: The implementation of the Procurement Act 2024 will provide the opportunity to review contract management and performance report of such activity Responsible Officer: Director of Procurement Executive Lead: Chief Operating Officer Due Date: 1 September 2025

Appendices

Appendix A: Responsibilities of the Council

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

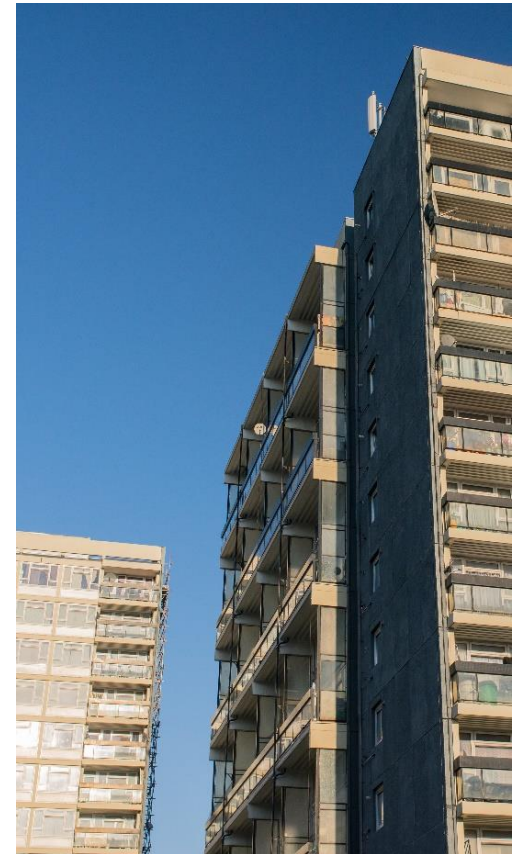
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>1</p> <p>Financial Sustainability - Members and officers must develop a robust strategy to secure financial sustainability over the medium to long term and to retain safe levels of reserves. This must include consideration of the steps needed to prepare the organisation for another period of significant service transformation, after several years of organisational stability. This must include a sustainable funding solution for Children Services.</p>	Improvement	November 2023	<p>The Council has continued to face pressures in Children's Services which have caused a larger, more significant overspend in 23/24. However, the Council has taken several steps to respond to the pressures, both operationally and budgetary. The actions are fairly recent in their implementation and therefore at this stage limited evidence of an improvement in financial outcomes has been observed. But we acknowledge the comprehensive response observed.</p> <p>This latest position demonstrates that the Council has an £83.6m budget gap across the 3 year period. Our work has identified a weakness in arrangements to secure medium term financial sustainability due to the pressure this position puts on future reserves, despite the Council setting aside contingencies in its budget annually. These contingencies slow the depletion of reserves but do not mitigate the issue in the short to medium term completely. The budget setting process also identifies a series of risks and uncertainties which are not planned for in the budget and could represent additional financial pressures should they materialise. Further details are found on pages 20 and 21, where we have raised a Key Recommendation in 23/24 in relation to the need to protect and replenish reserves in the medium term.</p>	No	We have raised a key recommendation, which supersedes this improvement recommendation, to ensure that the Council is focused on addressing the challenging medium term position. See Key Recommendation KR1.
<p>2</p> <p>Improving Economy, Effectiveness and Efficiency - The Council needs to complete the external review of the MBOS project to deliver a new integrated finance, payroll and HR system and act promptly on the options presented to ensure and adverse impact on value for money is mitigated or minimised.</p>	Improvement	November 2023	<p>The external review has been completed. A decision was taken on May 2024 by CMT to implement Oracle over three phases stretching forward from Christmas 2024 to April 2026.</p>	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>3 Financial Sustainability (Prior Year) - The Council should consider implementing a longer MTFP horizon (e.g., 5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated over multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.</p>	Improvement	22/23	In January 24 the Council set its MTFP for 24/25, 25/26 and 26/27. We would expect an MTFP to cover a 3 to 5 year planning horizon to ensure the medium term outlook can be effectively captured. Therefore, the January MTFP only covers 2 years of future outlook, as 24/25 is part of the annual budget setting process. The latest MTFP from June 24 covers the period 25/26 and 27/28, 3 financial years. This is within the minimum threshold of 3-5 years we would expect for a medium term planning horizon. Our recommendation was based in the fact the Council would benefit from a longer term horizon given the financial pressures it has experienced in recent outturns, to respond to the emerging risk. The Council have confirmed that they would always aim to provide a longer term Medium Term Financial Plan. However, with the service pressures currently being faced, combined with national uncertainty of a new government this is not possible. The government have committed to providing longer term funding certainty, but this is likely to be for 26/27 onwards. 25/26 will again, mostly likely, be a one year settlement.	Partially	Although the current approach covers an appropriate planning period there remains scope for improvement and the recommendation remains open.
<p>4 Improving Economy, Effectiveness and Efficiency (Prior Year) - Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.</p> <p>Update 22/23 - the training should be reviewed to ensure it is addressing the needs of contract managers.</p>	Improvement	22/23	The recommendation was partially addressed in 22/23, and the recommendation updated. Training is yet to be rolled out. A suite of training is to be undertaken in conjunction with the implementation of the 2023 Procurement Act which comes into effect from 28 th February 2025, following an extension to the target date, nationally.	No	The recommendation remains open, to be reviewed in 24/25 following the implementation of the Procurement Act.



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