

A close-up photograph of a person's hand holding a white pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, brown, and red. The background is dark, and the lighting is focused on the hand and the tablet.

# West Sussex County Council and West Sussex Pension Fund

## Auditor's Annual Report

Year ended 31 March 2024

12 March 2025

12 March 2025



Regulations Audit and accounts Committee  
West Sussex County Council  
County Hall  
West Street  
Chichester

Dear Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for West Sussex County Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the Council any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Regulations Audit and accounts Committee meeting on 24 March 2025.

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulations Audit and accounts Committee and management of West Sussex County Council and Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Regulations Audit and accounts Committee and management of West Sussex County Council and Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Regulations Audit and accounts Committee and management of West Sussex County Council and Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary

## Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

## Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan for both the County Council and Pension Fund that we presented to the 8 July 2024 Regulation, Audit and Accounts Committee. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- Reporting by exception:
  - if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
  - any significant matters or written recommendations that are in the public interest; and
  - if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Executive Summary (continued)

## 2023/24 Conclusions

<p>Financial statements - Council</p>	<p>Disclaimed</p> <p>Exclusively as a result of the disclaimer of opinion in the prior year (2022/23) and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:</p> <ul style="list-style-type: none"> <li>• in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' that were not revalued in year.</li> <li>• in the comprehensive income and expenditure statement and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet</li> <li>• in the cash flow statement and accompanying note: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet</li> <li>• in the firefighters' pension fund financial statements and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.</li> </ul> <p>We therefore issued a disclaimed 2023/24 audit opinion on 21 February 2025 which was discussed in detail at the last committee. We would note a highly positive audit process and reiterate that, other than the impact of the prior year disclaimer, we completed all planned audit procedures with no material issue.</p>
<p>Going concern - Council</p>	<p>Our disclaimed audit report does not include content related to the auditor's conclusions over going concern. Although we have not identified any significant risk in this area.</p>
<p>Consistency of the other information published with the Council financial statements</p>	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
<p>Financial Statements – Pension Fund</p>	<p>Unqualified</p> <p>We issued an unqualified opinion on the Pension Fund financial statements.</p>
<p>Consistency of the Pension Fund annual report and other information published with the financial statements</p>	<p>Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.</p>

# Executive Summary (continued)

## 2023/24 Conclusions

Value for money (VFM)	We reported by exception in respect of the Council's VFM arrangements. As with the 2022/23 year for 2023/24, we identified a significant weakness in relation to the Council's arrangements over the SmartCore programme for replacement of the Council's Finance, HR and Procurement systems as part of our risk assessment procedures. We recognized that for 2023/24 the Council decided not to progress the Smartcore programme further and, as described in this document, migrated to the Oracle Fusion programme and has since taken steps to learn from those challenges experienced. We have included our VFM commentary in Section 03. Other than this issue, we have noted positive VFM arrangements across the organisation.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate once we have received confirmation from the NAO that no further questions will be raised on individual Whole of Government Accounts returns.

# Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that West Sussex County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

# Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Interim Value for Money Report and have been updated for 2023/24.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness in arrangements identified	Significant weakness identified for the 2023/24 year
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Risk of significant weakness in arrangements identified	Significant weakness identified for the 2023/24 year



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council and Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council and Pension Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



# 02 Audit of the financial statements

# Audit of the financial statements

## Key findings

The Statement of Accounts is an important tool for the Council and Pension Fund to show how it has used public money and how it can demonstrate its financial management and financial health.

On 21 February 2025, we issued a disclaimed audit opinion on the Council financial statements and an unqualified opinion on the Pension Fund financial statements.

We reported our audit scope, risks identified and detailed findings to the 7 February 2025 Regulations Audit and accounts Committee meeting in our Audit Results Reports. We outline below the key issues identified as part of our audit in relation to the significant risk areas for the Council and Pension Fund. The findings for each of the accounts areas are set out in the Audit Results Report in Appendix A.

### West Sussex County Council

Risk/area of focus	Risk identified	What are our findings?
Misstatement due to fraud or error	Fraud risk	We identified no evidence of material misstatement due to fraud or error.
Inappropriate capitalisation of revenue expenditure	Fraud risk	We identified no evidence of material misstatement due to incorrect capitalisation of revenue expenditure from our testing of Property, Plant & Equipment additions or testing of Revenue Expenditure Funded from Capital Under Statute.
Valuation of non-operational land and buildings classified as investment property (IP) and surplus assets	Significant risk	No evidence of material misstatement in the valuation of the Councils Investment Property assets.

### West Sussex Pension Fund

Risk/area of focus	Risk identified	What are our findings?
Risk of misstatements due to fraud or error	Fraud risk	We identified no evidence of material misstatement due to fraud or error.
Valuation of level 3 investments	Fraud risk	We found no evidence that the Pension Funds level 3 investment valuations were materially misstated.



# 03 Value for Money Commentary

# Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

## *Financial Performance*

Net revenue expenditure for 2023/24 on portfolio budgets was £752.5 million, representing a £6.3 million overspend after use of Contingency. This was largely due to an overspend within the Children and Young People and Adult Services portfolios. While Portfolio budgets overspend by £34.7 million, Non-Portfolio budgets and the contingency budget underspent or received additional funding in the year, leading to the availability of £20.8 million to fund the overspend on services. Finance budgets also received an additional income of £7.5 million in year, including £5 million from additional Business Rate income. Full year outturn capital spending for 2023/24 was £119.3 million which was £2.7 million lower than the revised budget of £122 million.

## *Financial Position*

Total Usable Reserves decreased by £13.6 million to £262.5 million, while the balance of the Council's General Fund increased by £16 million to provide a buffer against those financial pressures facing the Council, with a value of £36.3 million as of 31 March 2024. The Dedicated Schools Grant position remains a key concern for the County Council with an annual deficit of £28.7 million in 2023/24, increasing the reserve deficit balance to £70.5 million as at 31 March 2024. This is currently ring-fenced and has no impact on the General Fund balance. The reserve is forecast to have a deficit balance of £261m at the end of March 2026. The deficit is classified as an unusable reserve in accordance with regulatory changes which took effect during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, has been extended for a further three years to March 2026.

## *Budgets and Medium-Term Financial Strategy (MTFS)*

The budget for 2023/24 was approved in February 2023 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with statutory duties, however the MTFS published alongside the budget identified a cumulative budget gap to 2026/27 of £121.9 million before planned savings of £17.8 million are taken into account to produce a net budget gap of £104.1 million. At the time the MTFS was produced, pay and price inflation was a significant budgetary pressure and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform are all recognised as risks to the Council's financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at a large number of upper-tier authorities, and associated measures to seek to mitigate them in both its internal financial reporting and external communications with relevant stakeholders where it has lobbied for changes in funding arrangements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

With the exception of the significant weakness identified and outlined below, we note positive arrangements across this criteria.

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. This is supported by the findings of internal audit work in the year, with the Head of Internal Audit concluding for 2023/24 that the Council's framework of governance, risk management and control is reasonable. It has also continued to make good progress in securing improvements to address weaknesses highlighted by service inspections. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards. We are also satisfied that reasonable progress is being made to address and rectify issues arising from the reported breach of Teachers' Pension Regulations that we have considered as part of our VFM responsibilities in previous years.

Our detailed considerations around the Governance of the Council are outlined in Appendix A.

## Impact of SmartCore on our assessment of the Council's Governance arrangements

### 1. Background and timeline of issues and events

#### *Up to 2021/22*

The Council has used SAP as its Finance, HR and Procurement system since 2001. However, it determined that the system was no longer fit for purpose and in November 2019 a decision was taken to approve the commencement of a procurement system for services to deliver a replacement business management system from SAP to Oracle Fusion. This project was known as 'SmartCore', with the programme intended to provide the opportunity to take advantage of potential business benefits from the change. In June 2020 a contract was awarded to Entserv UK Limited (trading as DXC) to be the Council's contractor for the transition. In December 2020 an external consultancy firm, Socitm, performed a 'Health Check' of the project. This recommended a re-set of the programme was needed at that point in time, with an employee of Socitm hired to be the new Project Manager.

Following delays in programme delivery, internal audit performed an initial review of SmartCore programme governance which was reported in September 2021. The review identified the following issues:

- A fully resourced and costed plan to enable delivery of the programme was not in place.
- During the internal audit review the Senior Responsible Officer (SRO) stepped down from the role with responsibilities assumed by the Executive Co-Sponsors. As a result there was a risk of dilution in the governance of the project and potential conflict of interest if the Executive Co-Sponsors were simultaneously carrying out the SRO responsibilities.
- The Finance and Support Services risk register had a risk relating to the SmartCore programme that "there is a risk of the project not being completed by December 2021". The risk was given a score of 15 and consequently was not escalated to the corporate risk register.
- The programme risk register had a number of risks that had not been reviewed and updated for a number of months.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

## Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The audit trail of decisions taken and actions needed contained only one decision made by the Programme Board and no decisions made by the Delivery Board. In addition, there were numerous open actions that did not have an expected completion date.
- There was no evidence of formal escalation to the Council's Executive Leadership Team (ELT) and/or members alerting them to delays in the programme at that point in time and the actions proposed to address the delay.
- Budget forecasting was likely to be inaccurate.

Following this an update on progress of the programme was produced by senior management and presented to ELT. This confirmed risks around adherence to the programme timeline, resourcing of the project, the level of organisational change needed for successful implementation of Oracle and continuing cost pressures against budget.

## *2022/23*

A number of business design and delivery requirements for the programme led to changes in the contractual position intended to ensure a successful implementation. This resulted in additional changes in the implementation plan and delays to the original timetable for the project. This was communicated to members in June 2022 and a variation to the contract with DXC was agreed in July 2022. A further 'Health Check' was commissioned by a new independent consultant in July 2022. Although the resulting report noted that the programme was "in its strongest position yet", a number of key areas of recommended focus were identified to address similar weaknesses in programme management already identified by the 2021/22 Internal Audit Report.

Following this the relationship between the Council and DXC continued to deteriorate as the year progressed. As a result it was agreed that the project would be paused in November 2022. In March 2023 a Suspension Agreement was approved by both WSCC and DXC so that a rectification plan could be put in place following the significant deviation from the original project timeline at this stage. This led to further and more intense work by the Council with DXC to test whether the programme could be brought back on track in terms of timing and budget. As a result of the continued delivery internal audit was commissioned to undertake a further detailed review of SmartCore programme governance as part of its 2022/23 programme of work. This continued to identify a number of significant issues, specifically:

- Despite the further significant delay to the programme, with completion considered to be unlikely until 2024, there was no publicly available evidence of this delay being formally reported to members. The last formal report on progress to members was in September 2022 when they were advised that the programme was on course to meet the new delivery date of April 2023. There was no reporting of the delay to the subsequent Performance and Finance Scrutiny Committee meetings held in January and March 2023 despite the programme having been paused in November 2022.
- As of April 2023, there remained no fully-costed and resourced plan in place to enable delivery of the programme to completion. Internal audit were advised that this was due to the pausing of the programme as a result of the commercial discussions with DXC and the data migration issues being experienced.
- Despite the corporate significance of the project, review of risk registers found that there is no risk relating to the SmartCore Programme recorded on the Corporate Risk Register and no open risks included on the Finance and Support Services risk register.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

## Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- There was a significant gap in formalised governance arrangements between the standing down of the governance boards in December 2022 and the approval of the Sponsors' meetings terms of reference in April 2023. In addition, despite the requirement for decisions made at the Sponsors' meetings to be recorded within the Decision log and the log to be reviewed at each weekly meeting, no decisions had been documented since November 2022.
- Despite significant delays to the completion of the programme resultant implications had not been raised at the Performance and Finance Scrutiny Committee meetings held in January and March 2023 even though the programme had been paused in November 2022.

We do note, however, that there remained significant activity during this period to seek to address the issues experienced in transitioning to the new system, delays and breakdown in relationship with DXC. Specifically:

- Meetings in September 2022 of the Smartcore Commercial Board and Programme Board involving the Council, DXC and Oracle leading to the amendments of the budget for the Programme reported to the September meeting of the Performance and Finance Scrutiny Committee.
- Work to produce and consider the letter of rectification and rectification plan with DXC from October to December 2022. A summary of developments during this period were communicated to members by email in December 2022.
- A meeting with DXC in January 2023 resulting in a short formal pause on work by DXC to enable both it and the Council to reflect on the current position and consider options.
- Further briefing meetings between senior officers and members in February 2023, a verbal update on progress to members and notification to Full Council that the Go Live date had been postponed.
- The appointment of a new Programme Director in March 2023 and issue of a Memorandum of Understanding to DXC to advise of a project standstill period.

2023/24

Following consideration of the continued issues identified by internal audit, in addition to further difficulties in the relationship between the Council and DXC, the Council determined in July 2023 that there was no real prospect of a deliverable plan being agreed and that it should give notice of termination of the contract with DXC. A settlement was agreed between WSCC and DXC where only resources and services provided would be paid for. The relationship between the two parties officially ended on 1 September 2023, with this decision and the basis for it being promptly communicated to members. Updates on developments and proposals on options were provided on a regular basis throughout the year. Briefings were given to Cabinet in May, July and December 2023, the Performance and Finance Scrutiny Committee in June 2023, the Executive Leadership Team in August 2023 and all members in September 2023.

A 'Lessons Learned' workshop was held later in September to help identify areas of improvement prior to revision of the business case and procurement of a new contractor with key themes identified, including managing change, communication, governance and resourcing, and associated recommendations agreed to address these issues going forward. PwC were also subsequently engaged to determine whether Oracle remains capable of delivering the Council's requirements. The resulting report from PwC concludes that overall there is a high-degree of 'fit' between the council's business requirements and the Oracle fusion product. The Council has also established a 'Business Readiness Group' (BRG) for SmartCore with the primary objectives of:

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

## Significant weakness identified

- Ensuring all key identified stakeholders are being actively engaged in the programme and have a forum for raising issues.
- Informing on significant business readiness decisions impacting the implementation.
- Measuring and tracking progress against business readiness plans and checklists.
- Resolving business readiness questions as required.

### *Oracle Fusion*

Following the termination of the SmartCore contract in September 2023, the Council undertook a review of the programme approach and the overall funding of the programme. It then considered options as despite the non-delivery of the previous project, the Council still required a replacement for its existing ERP. In May 2024, the Council made the decision to continue with the implementation of Oracle under a new name, Oracle Fusion. This new name reflects the name of the Council's preferred ERP solution, but in essence has the same aims as SmartCore.

The decision to progress with this project commits the Council to additional funding of up to £26 million over the period 2024/25 to 2027/28, including the procurement of external support, a programme delivery team and a contingency of £4 million. The previous £13 million of spend is not considered by the Council to be obsolete – there is both work and learning resulting from this spend which will contribute to the Oracle Fusion programme.

Following this decision being made the Council commenced procurement for external suppliers to support the delivery of the programme, and additional resources of up to £500,000 that may be required after the implementation of a new operating model and systems which would then be in place. The proposal is to begin a refreshed programme to implement Oracle Fusion as the preferred ERP system, based on a model of 'adopt not adapt' with a new set of suppliers. The go-live is planned for the different elements for December 2025 and April 2026.

The new Oracle Fusion project includes the key objective of using the lessons learned from the SmartCore project to ensure that those recommendations made by PWC are properly responded to. The Oracle Fusion project is in the early stages in June-December 2024, which includes setting a clear project plan and objectives. We understand that the PWC findings form part of the key learning points that will be included within the project plan.

## 2. Impact on the Council's governance arrangements for 2023/24

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for Governance and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criteria:

VFM sub-criteria: How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Internal Audit governance review from August 2023 found that no risks related to SmartCore on the Corporate Risk Register, although this is a significant project and implementation that could potentially impact delivery and business continuity across the Council. The Finance and Support Services Risk Register did contain a risk relating to SmartCore, but this was closed in 2022 meaning there were no risks relating to the programme on the register as at the time of the internal audit review.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Internal Audit concluded these omissions created a risk that senior management and/or members would not be aware of the risks to the programme and the mitigations required in order for the programme to be successfully implemented. Given the current status of SmartCore with the contract termination in July 2023, and the operational and strategic significance of the project to the Council, this should have been considered of sufficient importance that a risk was included in the corporate risk register. Inclusion of a risk would have allowed for greater awareness of the issues across senior officers and members, the need to formulate mitigating actions and better governance.

Regarding Oracle Fusion, at the end of the 2023/24 financial year, governance processes were in the developmental stage. The Council has since prepared new governance structures to support programme leadership, including a wider Programme Plan. The Council has a Steering Group which will report to Executive Leadership team to ensure the Programme Plan is fully understood and prioritised to minimise risks. Regular updates will be provided to members through the Cabinet Member and Performance and Finance Scrutiny Committee. This all indicates action is being taken to build appropriate governance processes and procedures, and these will be considered in detail as part of our 2024/25 Value for Money work.

We have concluded this is indicative of a significant weaknesses in the Council's risk management arrangements in the 2023/24 year.

VFM sub-criteria: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Issues on SmartCore programme management were discussed at the following meetings during the 2022/23 year.

- Performance and Finance Scrutiny Committee in July 2022 – Plans for the variation of the contract with DXC was discussed and approved.
- Performance and Finance Scrutiny Committee in September 2022 – A report was presented to the committee. A summary of the responses to the committee members' questions and comments included the following:
  - The project was on course to meet the new delivery date of April 2023.
  - Updates to the system were planned in November 2022 and February 2023 and testing of these has been factored into the programme.
  - Checkpoints had been built into the programme so that if the Council to allow for data quality checks.
  - The contingency of budget £1.25 million was a realistic amount and costs would be monitored closely as the project progressed.

The Performance and Scrutiny Committee held further meetings in November 2022, January 2023 and March 2023 but SmartCore was not listed as a discussion point from the minutes. From November 2022 the project was paused, and therefore the planned system updates were not implemented. This was a known delay to the project timetable but was not formally communicated to the committee.

We have therefore concluded that limited nature of publicly available reporting to the Performance Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the period.

In raising these observations we also note the necessary work done by the Council in 2022/23 and into 2023/24 to seek to address the issues experienced in

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

transitioning to the new system, delays and breakdown in relationship with DXC, and then the briefings with stakeholders, including Council members, that were given outside of the public domain in 2023/24. We also note the further work done into 2023/24 to learn lessons and devise stronger governance arrangements for the project going forward.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to ensure that it makes informed decisions and properly manages its risks except for the VFM sub-criteria set out above.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Significant weakness identified

With the exception of the significant weakness identified and outlined below, we note positive arrangements across this criteria.

Service performance against Council priorities is considered regularly throughout the year through its performance dashboard, which is made publicly available on the Council website, and forms part of quarterly Performance and Resources Report which show a complete picture of both business and financial performance. Actual performance in 2023/24 judged against the Council's priorities was positive overall and broadly consistent with the previous year. Good progress also continues to be made in improving service performance in Children's Services.

The joint arrangement with East Sussex County Council effective from January 2020 has bolstered leadership capacity continues bring more stability to the Council's senior leadership which, as highlighted by the results of previous external service inspections, had been lacking. Progress was also made on further developing and operationalising the Council's property development joint venture and bringing back in-house, or in limited situations re-procuring, a number of support service functions previously externally provided by Capita under contractual arrangements with the Council.

Our detailed considerations around the Council's arrangements for improving economy, efficiency and effectiveness are outlined in Appendix A.

## Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness

A summary of the background and timeline of issue and events relating to the SmartCore programme has previously been set out previously as part of our consideration of the Council's governance arrangements in this report.

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for improving economy, efficiency and effectiveness and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criterion:

VFM sub-criteria: Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

We consider the following points to be relevant to our 2023/24 reporting judgment:

- The Council took the decision to procure a new Finance, HR and Procurement system at the end of 2019. The contract with DXC, which commenced in December 2020, was terminated in September 2023.
- Expenditure on the project at the end of October 2023 totalled approximately £13 million.

Given the operational and strategic significance of the project to the Council we have concluded that this demonstrates a clear weakness in the Council's programme management arrangements in 2023/24. The Council did not have adequate arrangements in the 2023/24 year to provide assurance that both the system itself, and then the contractual arrangements with DXC to manage the transition, were delivering the expected benefits.

In reaching this conclusion we recognise that work has now been done in 2023/24 and into 2024/25 by the Council, as part of its work to revise the business case for the project, to determine the value derived from the expenditure incurred to date. It is clear that a number of deliverables including the agreement of software licences and development of strategy documents, configuration workbooks and associated designs, functional and technical specifications, arrangements for mapping and migrating data, governance structures and business planning will all continue to have some value as the project is re-launched.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Significant weakness identified

This indicates action is being taken to build appropriate governance processes and procedures, and these will be considered in detail as part of our 2024/25 Value for Money work.

Hence, whilst we acknowledge there may not be a material “obsolescence” relating to the £13 million spent, we also have to acknowledge the level of senior staff engagement on this project to date which, if utilised more productively, could have then been directed to other important Council matters.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to use information about its costs and performance to improve the way it manages and delivers its services except for the VFM sub-criteria set out above.



# 04 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council sets a balanced revenue budget annually. The budget supports delivery of the Council's key priorities, which for 2023/24 were set out in the Council Plan 2021-2025. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of West Sussex and the County as a whole. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a five year forward view, and its capital programme which extends forward for 5 years. Council members are fully engaged in this process, including a briefing on the MTFS including options for managing pressures and savings followed by further review by scrutiny committees.</p> <p>The budget considers known and expected demand and cost pressures and known and expected changes in funding. The wider financial environment has become increasingly challenging for local government in recent years and the Council has needed to operate against a backdrop of reduced funding from traditional sources and increased demand for services. This has meant that difficult choices have needed to be made and rises in council tax have been necessary. In making these choices the Council seeks to focus on the areas it believes will make the biggest difference to people in West Sussex. An annual programme of savings is needed to balance the budget, with decisions on significant savings proposals taken by the Cabinet.</p> <p>The financial outturn position for the financial year is reported to the Cabinet through the Performance and Resources report. Net revenue expenditure for 2023/24 on portfolio budgets was £752.5 million, representing a £6.3 million overspend after use of Contingency. This was largely due to an overspend within the Children and Young People and Adult Services portfolios. While Portfolio budgets overspent by £34.7 million, Non-Portfolio budgets and the contingency budget underspent or received additional funding in the year, leading to the availability of £20.8 million to fund the overspend on services. Finance budgets also received an additional income of £7.5 million in year, including £5 million from additional Business Rate income. Full year outturn capital spending for 2023/24 was £119.3 million which was £2.7 million lower than the revised budget of £122 million.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>In preparation for the annual budget process the Council's Financial Strategy and the 5 year Financial Model, including the key financial principles are reviewed. This is in order to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

How the body plans to bridge its funding gaps and identifies achievable savings

### Arrangements in place

Both a bottom-up and top-down approach is taken to budget setting. In late spring/early summer the published MTFS, as approved by the Council in February, is revised to reflect:

- The latest guidance from government on core funding.
- An update of the tax base for council tax and business rates, with realignment to the latest information from the district and boroughs.
- The latest Office of Budget Responsibility inflation forecasts.

Known and emerging service pressures and savings proposals are considered and quantified as part of this and are required to be supported by directorate templates, including impact assessments. Other savings are driven by strategic decisions that are taken at Cabinet level. Following this initial appraisal, funding sources, service pressures and savings are kept under continual review. In late November/early December, control totals are generated from the MTFS to enable services to build their budgets up for the following year. The totals include service provisions for inflation, budget pressures and adjustments for savings. Final control totals are issued following the outcome of the local government finance settlement in mid-December.

The budget for 2023/24 was approved in February 2023 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with their statutory duties. However, the MTFS published alongside the budget identified a cumulative budget gap to 2026/27 of £121.9 before savings. An updated MTFS was presented to the Cabinet in January 2024 and County Council in February 2024. The Council have produced a balanced budget for 2024/25 with proposed savings of £15.7m and £3.6m one off use of budget management reserve. The MTFS also includes three scenarios a 0%, 1.99% and 4.99% Council Tax increase from 2025/26. Depending on the level of Council Tax increase, the budget gap between 2025/26 and 2028/29 is between £58m and £190m, with a £8.6m of proposed savings in 2025/26.

The emphasis in budget planning continues to be on delivering efficiencies, cost reductions and income generation with a view to protecting core services along with delivering the Council's strategic priorities as set out in its Council Plan for 2021-2025.

Total savings identified 2024/25 and 2025/26 is £24.3m, with the balance for 2024/25 (£15.6m) required to reduce the net deficit for the year down to £0. The 2024/25 savings also include £9m of savings approved as part of the 2023/24 budget which have been re-profiled and now will be delivered in full in 2024/25. The Council routinely reports the delivery of savings in its Performance and Resources Report (PRR), as part of its wider monitoring of financial and business performance. Historically the Council has a good track record of delivery.

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

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

The annual budget and MTFS sit alongside and facilitate the Council's Plan for 2021-25. The Council Plan has been developed collaboratively with elected members, staff, partners and residents to prioritise the most important areas the Council needs to focus on in the future. This is done to allow the Council's limited resources to be spent on the areas where it is needed most. It has been developed in parallel with the budget for 2023/24 and is fully funded. As it is aligned to the budget and MTFS, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.

The process of defining the Council Plan has been designed with the intention of bringing together business planning, financial planning and risk management processes. It is intended to provide the framework for the Council's decision making and planning to ensure that it is making the best use of the resources available, properly understanding the value for money delivered and at the same time remaining focused on the delivery of priority outcomes.

The planning process also includes the redesign of business processes to transform services, reduce costs and manage demand. Part of the funding for the work to achieve these ongoing improvements may come from the Government's flexible use of capital receipts initiative which allows, if certain conditions are met, the Council to fund the revenue costs of transformation from ring fenced capital financing sources.

How the body ensures that 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 integration between the Council's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of the annual budget and MTFS, and detailed assumptions on the operations of the Council that underpin them, is now being driven by its vision of the future as set out in the Council Plan, which is also then linked to the key governance and control arrangements of the Council, for example its performance and risk management arrangements.

Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. The integration between the Council's business and financial planning has been described above, including the link to its investment and capital strategies.

The capital strategy implemented by the Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How the body ensures that 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

by the council. The Council approves a capital programme on recommendation from the Council's Cabinet. The Treasury Management strategy is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council's arrangements for identifying its significant financial pressures as part of its annual budgeting and medium-term financial planning have already been considered as part of this commentary. Performance against those plans is monitored in the Performance and Resources Reports presented quarterly to the Cabinet which provides an integrated assessment of the Council's business and financial performance. This integrated monitoring enables the Council to detect unplanned changes to its service activities and operations with potential to impact its financial resilience on an ongoing basis so they can be considered in its continuous budget planning. Its risk and performance management arrangements, which are considered further below as part of this commentary, also feed into this. The corporate planning process has been designed with the intention of further integrating business planning, financial planning, and risk management processes.

The Council seeks to maintain an adequate level of Usable Reserves. Total Usable Reserves decreased by £13.6 million to 262.5 million at the end of 2023/24. The Dedicated Schools Grant position remains a key concern for the County Council with an annual deficit of £28.7 million in 2023/24, increasing the reserve deficit balance to £70.5 million as at 31 March 2024. This is currently ring-fenced and has no impact on the General Fund balance. The reserve is forecast to have a deficit balance of £261m at the end of March 2026.

Reasonable general and pay-specific contingencies are built into the annual revenue budget and the budget management reserve is used to provide a stable platform for service planning as the MTFs is developed. It is intended to be the first call on the Council resources to deal with any unforeseen in year expenditure if the revenue contingency budget were to be exhausted. As for all public bodies, inflationary cost pressures going into 2024/25 continue to represent a significant financial risk.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The Council's arrangements for the allocation of responsibility for risk management are set out in the Risk Management Procedures in Part 4.2 of the Council's Constitution. The Chief Executive is responsible for approving the Council's Corporate Risk Management Strategy and for reviewing the effectiveness of risk management. The Executive Leadership Team is responsible for implementing the Corporate Risk Management Strategy throughout the Council. The Director of Finance and Support Services is responsible for the monitoring and reporting all significant risks. Directors, Assistant Directors and Heads of Service throughout the Council are responsible for managing specific areas of risk that apply in their specific businesses and are to be aligned with business planning. The Regulation, Audit and Accounts Committee is responsible for monitoring the effective operation of risk management in the Council and for ensuring that Internal Audit's programme of work considers the Council's risks. Members, including through Cabinet and the non-executive and scrutiny committees, are responsible for ensuring that there are appropriate processes in place for effective risk management.

The Council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities. There are linked corporate and directorate risk registers, with risks scored according to their likelihood of occurrence and severity of impact. Quarterly review and update of the corporate risk register is reported as part of the Council's PRR and reviewed by the Regulation, Audit and Accounts Committee, which considers the effectiveness of risk management arrangements more generally. Management has a range of monitoring arrangements to ensure controls are operating effectively, including Internal Audit. The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the County Council's system of internal control.

In 2023/24 the Head of Internal Audit has concluded that the Council's framework of governance, risk management and control is reasonable. Where deficiencies in governance arrangements are identified they are reported in the Council's Annual Governance Statement (AGS) with related actions for improvement included in the AGS action plan. This includes any concerns raised by external inspectorates, external audit, and any limited assurance audit reports, which are issued by Internal Audit.

Minimising any losses to fraud and corruption is an essential part of ensuring that all the Council's resources are used for the purposes for which they are intended. To facilitate this the Council has an Anti-Fraud and Corruption Strategy that sets out its overall policy in respect to fraud and corruption. The Strategy is based on inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover culture, prevention, detection, investigation and training. The Council's anti-fraud and corruption strategy is currently being reviewed and this review will also include a decision on how often this policy should be updated. The anti-fraud strategy is further supplemented by separate policies on whistleblowing and anti-bribery.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

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

The Monitoring Officer and Director of Finance and Support Services work with the Head of Internal Audit to devise and prioritise a counter-fraud work plan. The Monitoring Officer is notified of all specific instances of suspected fraud and the outcome of all related investigations in addition to regular meetings with the Director of Finance and Support Services and the oversight of the AGS and actions arising from it. This is supplemented by the lead role of the Monitoring Officer in overseeing the use of the Whistleblowing Policy and tracking complaints about the Council's systems and procedures made through individuals using the policy or more direct referrals. The Whistleblowing Policy is designed to offer a route for challenges to processes or actions within the Council where Council staff need confidentiality.

How the body approaches and carries out its annual budget setting process

The Council sets a balanced revenue budget annually. The budget is intended to support delivery of the Council's key priorities, which for 2023/24 were set out in the Council Plan 2021-2025. We have considered the linkage between the annual budget and the MTFs in the section of this VFM commentary which considers how the Council identifies all significant financial pressures that are relevant to its short term and medium-term plans. Responsibilities and procedures for the annual budget process are set out in Part 3 of the Council's Constitution. The Cabinet is responsible for issuing guidance on the general content of the budget reflecting political priorities. It is the responsibility of the Executive Leadership Team to ensure that budget and capital programme estimates reflecting the Council Plan are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

The Director of Finance and Support Services is responsible for ensuring that an overall revenue budget and capital programme summarising service budget estimates is prepared on an annual basis for consideration by the Cabinet, before submission to the County Council, along with a forward financial forecast in line with Government funding notifications. The Performance and Finance Scrutiny Committee considers strategic issues relating to the budget including comment on individual portfolio budgets. We are satisfied that this process was followed in both 2023/24 and to date in 2024/25.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

### Arrangements in place

The Council's constitution sets out the Director of Finance and Support Services' responsibility for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of an overall performance management reporting process. It is the responsibility of Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance and Support Services. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance and Support Services to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance and Support Service's advice as well as that of the relevant Director or Assistant Director.

No new assurance reviews were completed by Internal Audit during the year in relation to Budgetary Control, however there was a review of Risk Management which took place in September 2023 (Q2 2023/24) which provided 'Reasonable' assurance. Furthermore, in the latest internal audit report presented to the Regulation, Audit and Accounts Committee, the risk management review was still rated as reasonable. This suggests that there are adequate budgetary control systems in place and that the Council have processes in place to monitor this through their internal audit plan. This is also reflected in the Head of Internal Audits opinion for 23/24.

The Council's financial performance (revenue and capital), savings delivery and business performance are monitored monthly through the Monthly Monitor report, with a more detailed PRR produced each quarter for consideration by the Performance and Finance Scrutiny Committee and Cabinet with a tailored service-relevant version also scrutinised by the other four Scrutiny Committees. The Council therefore takes an integrated approach to its financial and business performance reporting. The PRR reports actual financial results to date together with a forecast position at the end of the year. It identifies areas where performance is not meeting targets together with the corrective action that needs to be taken to address this.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Regulations Audit and accounts Committee

### Arrangements in place

The Council has a number of arrangements in place to ensure that appropriate decisions are made. The decision-making process is detailed within Part 3 of the Council's Constitution. Each committee has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

#### *County Council Functions*

The Full Council is responsible for specified major decisions, such as setting the budget, and debates topical issues. It also receives reports from the Cabinet, and members are able to question the Cabinet on their areas of business.

#### *Executive Functions (Cabinet)*

The Cabinet consists of 9 members of the County Council and each is responsible for a separate Council portfolio. The responsibilities of the Cabinet include:

- Deciding how services are planned to meet the needs of local residents
- Setting targets to be achieved by departments
- Deciding how the budget should be spent
- Taking the most important decisions about policy and services
- Monitoring how each department is performing

#### *Scrutiny Functions*

There are 5 Overview and Scrutiny Committees at the Council whose functions are to hold the executive members to account on the decisions they make both collectively as Cabinet and individually. They can assist the Cabinet and executive members to make effective decisions by examining issues beforehand and making recommendations. The Committees can also challenge decisions before they are implemented, review decisions after they have been implemented to see if they achieved what was intended and suggest new policy areas or review the effectiveness of existing policies.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Regulations Audit and accounts Committee

#### Regulation, Audit and Accounts Committee

The Regulation, Audit and Accounts Committee is independent of the Executive and scrutiny functions and is embedded as part of the authority's overall governance framework. The purpose of the committee is to provide oversight of the Council's systems of governance and risk management and its arrangements for financial control and compliance. Its role is to ensure there is sufficient assurance for governance, risk and control to provide confidence that the arrangements are effective. The terms of reference for this committee are aligned to CIPFA's best practice standards for audit committees.

The RAAC is supported by the Internal Audit Function (Southern Internal Audit Partnership). Quarterly reports are received from the internal auditors highlighting work carried, these reports are presented at Regulation, Audit and Accounts Committee where the results and procedures are discussed amongst those charged with governance.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The responsibilities and statutory requirements for all officers and members are embedded in the Council's Code of Corporate Governance (the Code) and Constitution. The underlying principles of the Code are derived from a series of important reports on governance including the Nolan Committee Report on Standards in Public Life and cover openness, inclusivity, integrity and accountability.

All significant actions by the Council which may have legal implications either require authorisation by the Director of Law and Assurance or individuals specifically delegated to act on behalf of the Director as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains a number of check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. All executive decisions and policy proposals are considered and advised on by legal officers with access to all current legal provisions and guidance and who use a knowledge and research resource which updates all legislation and sources of advice automatically and provides alerts for significant changes in the law.

The Code of Governance explains the framework of governance for Council business and decision-making, and the rules and procedures it has to ensure it acts as a public democratic body should. The Code is underpinned by the Nolan Principles of Standards in Public Life. These provide a guide to the Council to ensure it has robust systems and processes that support effective leadership and high standards of behaviour.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

### Arrangements in place

There is an established Code of Conduct contained in Part 5.1 of the Council's Constitution with which all members are expected to comply.

A parallel code for officers sits in the suite of Human Resources policies.

The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies. The codes of conduct define the standards of behaviour for members and officers.

All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the member Code of Conduct.

#### Officer Declaration of Interests

All members complete the register of interests and receive quarterly reminders about personal interest declarations, and the need to disclose interests is a standing item on all formal meeting agendas for both officers and members. Officer interests, including gifts and hospitality, should be published on the County Council's website annually.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council Plan includes KPIs that will be used to monitor the performance of the Council in its identified key priority areas from 2020/21. For 2023/24 the KPIs were based on the Council Plan 2021-2025. The KPI dashboard is discussed as part of the PRR which is provided to Cabinet and Scrutiny Committees. The dashboard is used to flag areas of required improvement, devise actions to address the weakness identified and monitor progress.</p> <p>Executive Leadership Team, Cabinet and Scrutiny Committees are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met. This performance dashboard is publicly available on the Council's website and based around the agreed strategic priorities of the Council. As set out previously in this commentary routine reporting of performance is combined with financial monitoring in the PRR.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>As set out previously in this commentary, service performance against Council priorities is considered regularly throughout the year through both the performance dashboard, which is made publicly available on the Council website, and as part of the quarterly PRR which shows a complete picture of both business and financial performance. This enables the Council to identify services that are not performing as expected by reference to KPI outcomes against targets which from 2023/24 will be based on the Council's refreshed strategic priorities as per the Council Plan. The PRR includes an exception report to highlight areas where performance is deteriorating or not expected to achieve annual target to clearly flag where remedial action needs to be taken.</p> <p>The Council receive external inspections of services provided during the year, including Education Services (Ofsted), Care Services (CQC), SEND (Ofsted) and Fire &amp; Rescue Services (HMICFRS). The results of these inspections are presented to the relevant committees are the Council so they can take effective action to address the weaknesses and secure improvements. Children's services were previously judged as 'inadequate' from an Ofsted inspection in May 2019. As such, regular monitoring visits have taken place to monitor improvements made to the service. The latest full inspection of Children's Services took place in March 2023 with the report published in May 2023 where the Council's overall effectiveness has improved to 'Requires Improvement to be good', and two out of four criteria were marked as 'Good'. The report acknowledges the substantial improvement to Children's Services by the Council, though there are still several specific areas which require further work. Nonetheless, the results show that the Council has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

As set out previously in this commentary, service performance against Council priorities is considered regularly throughout the year through both the performance dashboard, which is made publicly available on the Council website, and as part of the quarterly PRR which shows a complete picture of both business and financial performance. This enables the Council to identify services that are not performing as expected by reference to KPI outcomes against targets which from 2023/24 will be based on the Council's refreshed strategic priorities as per the Council Plan. The PRR includes an exception report to highlight areas where performance is deteriorating or not expected to achieve annual target to clearly flag where remedial action needs to be taken.

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Children's services were previously judged as 'inadequate' from an Ofsted inspection in May 2019. As such, regular monitoring visits have taken place to monitor improvements made to the service. The latest full inspection of Children's Services took place in March 2023 with the report published in May 2023 where the Council's overall effectiveness has improved to 'Requires Improvement to be good', and two out of four criteria were marked as 'Good'. The report acknowledges the substantial improvement to Children's Services by the Council, though there are still several specific areas which require further work. Nonetheless, the results show that the Council has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance.

Adult and Community Learning: WSCC continued to provide community learning and skills to adults and education programmes for young people aged from 16 to 19 years in West Sussex. This was previously rated as Good in January 2017 and the same rating was given in June 2023.

SEND: An Ofsted and CQC inspection of services provided by the West Sussex Local Area Partnership was conducted in November 2023, the report was published in February 2024. West Sussex County Council and NHS Sussex Integrated Care Board (ICB) are jointly responsible for the delivery, commissioning and planning of services for children and young people with special educational needs and/or disabilities (SEND) in West Sussex. The report provides details of the experiences of children and young people with SEND in West Sussex. The report identifies the areas that the partnership is effective, need to

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>do better and areas of improvement.</p> <p>The outcome of this report was “The local area partnership’s arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). The local area partnership must work jointly to make improvements.”</p> <p>WSCC has therefore set out an improvement plan based on the recommendations set out in the inspection report. The Council is also committed to set aside the right resources to support the improvement plan. This includes an increase of £1.6m in revenue funding and the capital programme which includes £20.205m for the SEND sufficiency programme and a further £1.097m for schools access initiatives which will allow SEND children to attend mainstream schools.</p> <p>While there is clearly work to be done in this area, the Council are swiftly putting arrangements in place to respond to the findings from this inspection.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The County Council works with a variety of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected members and senior officers in the district and borough councils, including regular meetings of all the leaders of the councils (West Sussex Leaders’ Board), to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives’ Board).</p> <p>Regular meetings with other partners, most notably the NHS Integrated Care Board (ICB), are held at various levels and between members and officers on operational, commissioning and service planning. For a number of years, the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. The West Sussex Better Care Fund (WSBCF) was established in 2015. This is a joint operation between the Council and NHS West Sussex CCG to provide integrated health and social care support within the area. The Council acts as host in the arrangement. The WSBCF is monitored by the West Sussex Health and Wellbeing Board with related reporting presented to the Performance and Finance Scrutiny Committee.</p> <p>Partnership pledges, referred to as ‘growth deals’ have been made between the Council, and all district and borough councils in the county. Each five-year, tailor-made growth deal identifies specific priority projects to bring local improvements for West Sussex residents, businesses and visitors.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

### Arrangements in place

The Council established an arrangement with East Sussex County Council effective from January 2020 intended to bolster leadership capacity and bring more stability to the Council's senior leadership which, as highlighted by the results of external service inspections, had been lacking over recent years. This led to the appointment of the shared Chief Executive. It also considered:

- Ongoing work on further joint procurements including West Sussex and East Sussex accessing each other's Frameworks, although this has not yet resulted in joint procurement activity.
- Ongoing discussions about waste and highways management.
- Support for Children's Services recruitment in West Sussex.

There have continued to be ad hoc arrangements for informal mutual support between the two council leadership teams.

The Council's Standing Orders on Procurement and Contracts; and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Director of Law and Assurance and Director of Finance and Support Services in consultation with the Regulation Audit and Accounts Committee and supported by a group of officer subject matter experts sitting as the Procurement Board. The intention is for this to provide a single process for scrutiny of procurement planning, to ensure the most effective and optimal commercial arrangements, ensuring best value from the council's procurement activity, compliance with due process and consistency of best practice. The Council plans to consider some elements of its arrangements further as part of the 'streamlined decision-making' workstream from the good governance review, with the aim being to make aspects of procurement activity simpler and more accessible to officers engaged in commissioning – particularly focussed on ensuring the most effective decision path/routing and documentation required, through the various governance boards in the Council.

The Council developed a Procurement Strategy for 2019-2021 which sets the framework in which it works to ensure that procurement delivers value for money across all services and directly contributes to the achievement of the Council's strategic goals.

We have confirmed this remains the latest version. The published strategy has been rolled forward rather than re-created for 2022 onwards but will be reviewed as part of the planned change to procurement arrangements, with the intention that a new strategy would be published following the Council's transition to Oracle Fusion. Originally this was planned for 2022/23, however, as per the section below, issues with the implementation of the new IT system has been further delayed.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

### Arrangements in place

The Performance and Finance Scrutiny Committee is responsible for the overview of procurement and contract management. The Committee reviews the performance of the Council and seeks to identify areas where procured goods and services are not delivering expected benefits through the performance dashboard, KPI's and financial monitoring in the QPM identifying significant overspending on projects and budgets.

As seen in the Finance section, West Sussex have created four new key priorities in line with the Council Plan 2021-2025 and this is underpinned by a focus on climate change. There is a strategic focus on meeting climate change responsibilities and legislation that may be brought in.

The Council has one wholly owned subsidiary, Ede's Estates Limited. Ede's Estates owns a joint venture with Lovell Partnerships, Kinsted Development LLP. The arrangement has been in place since May 2021, following a tendering process by the Council approved in July 2019. The JV was established on the basis that WSCC provides the land and Lovell provide the design and development costs. The resulting net profit after the deduction of the land value, development costs and any other financial input will be split 50:50 with various options for how WSCC receive the funds.

Previously, a governance structure had been established for the JV, with the JV Board comprising of three representative officer directors from the Council and three from Lovell Partnerships. Council officers have also been appointed as directors and company secretary for Ede's Estates. A separate Shareholder Group has also been established, formed of the Council Leader, Cabinet Member for Finance and Property and Senior Officer of the Council including the Chief Executive. The Shareholder Group acts in an advisory capacity to the Cabinet Member, who seeks to ensure alignment between the activity of Ede's Estates and the JV to the vision and direction of the Council.

# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work for the year 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	<p>Recommendation 1</p> <p>Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council's established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members.</p>	<p>There are now established officer and member governance arrangements in place - Steering Group, Programme Board and Project Delivery Group alongside a Commercial Board. In addition, there is regular reporting of progress, risks and issues to members of the Performance and Finance Scrutiny Committee.</p> <p>There is also a Communication and Engagement Strategy in place and the Business Readiness Group has been re-established with representation from across Council service areas and external partners, such as schools.</p> <p>There is a programme risk register in place and given the complexity of the programme, its cross-cutting nature and the reliance on organisational readiness to adopt the new system, its policies and processes, the project is also included in the Corporate Risk Register.</p> <p>Southern Internal Audit Partnership have recently carried out an audit of the governance arrangements in place for the Oracle Fusion project, resulting in a Reasonable Assurance audit opinion.</p>
Improving economy, efficiency and effectiveness	<p>Recommendation 2</p> <p>Build on the good work already done in 2023/24 to date and learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new contractor. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.</p>	<p>Both robust programme and budget management arrangements are now in place in line with the approved governance arrangements. Following the procurement of the Systems Integrator and Business Implementor, where ever possible, the Council has looked to build on the work previously carried out to ensure maximum value is achieved from the expenditure incurred in the previous Smartcore project. The overarching principle of the project is to adopt the Oracle solution in line with best practice.</p> <p>Southern Internal Audit Partnership recently carried out a review of the procurement for both the Systems Integrator and Business Implementor, resulting in a Substantial Assurance audit opinion.</p>

# Appendix C – Fees – West Sussex County Council

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year (2023/24)	Scale fee (2023/24)	Prior Year (2022/23)
	£	£	£
Total Fee – Code Work	£304,071	£304,071	TBC Note 1
<b>Total audit</b>	<b>0</b>	<b>0</b>	<b>TBC</b>
Other non-audit services not covered above	N/A	N/A	N/A
Proposed scale fee variation	Note 3	-	TBC
Scale Fee Variation 2022/23 – Value for Money	-	-	29,671 Note 2
<b>Total other non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fees</b>	<b>TBC</b>	<b>304,071</b>	<b>TBC</b>

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) PSAA has used its fee variation process to determine the final fee for 2022/23 VFM which has been accepted by the Council. The determination of the final fee for 2022/23 work outside of VFM remains outstanding with the PSAA.

(3) A scale fee variation will be charged in respect of ISA315 and IFRS16, both of which are new standards which required additional work beyond the scope of the scale fee. We will route this fee through the agreed process with the PSAA in due course. A scale fee variation will be charged in respect of the additional work undertaken in respect of the Value for Money significant weakness identified in 2023/24.

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