

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, yellow, and red, set against a blue grid background. The person is wearing a blue patterned shirt. The text of the report is overlaid on the left side of the image.

Chichester District Council Auditor's Annual Report

Year ended 31 March 2024

April 2025



Chichester District Council
East Pallant House,
1 East Pallant,
Chichester,
West Sussex.
PO19 1TY

1 April 2025

Dear Corporate Governance & Corporate Governance & Audit 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 Chichester District 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 Corporate Governance & Audit Committee meeting on 14 July 2025.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

01

Executive Summary



02

Audit of the financial statements



03

Value for Money Commentary



04

Appendices



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 Corporate Governance & Audit Committee and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Corporate Governance & Audit Committee and management of Chichester District Council 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 Corporate Governance & Audit Committee and management of Chichester District Council for this report or for the opinions we have formed.



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 that we issued on 7 March 2024. 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

Financial statements	<p>Disclaimed</p> <p>As a result of the disclaimer of opinion in the prior year 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">• in the Authority 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' and heritage assets that were not revalued in year.• in the Authority comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet• in the Authority cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet• in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance. <p>We therefore issued a disclaimed 2023/24 audit opinion on 14 February 2025.</p>
Going concern	<p>As we have issued a disclaimer opinion, we do not provide a conclusion on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</p>
Consistency of the other information published with the financial statements	<p>Our disclaimed audit report does not include content related to the auditor's conclusions over other information published with the financial statements.</p>
Value for money (VFM)	<p>We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.</p>
Consistency of the annual governance statement	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>

Executive Summary (continued)

2023/24 Conclusions

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 Chichester District 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.

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	No significant risks identified.	No significant weakness identified.
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	No significant risks identified.	No significant weakness identified.



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, 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 to show how it has used public money and how it can demonstrate its financial management and financial health.

On 14 February 2025, we issued a disclaimed audit opinion on the financial statements.

We reported our audit scope, risks identified and detailed findings to the 20 January 2025 Corporate Governance & Audit Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the accounts areas are set out in the Audit Results Report in Appendix A. We reported 1 internal control recommendation in the Audit Results Report.

Risk/area of focus	Risk identified	Conclusion
Misstatement due to fraud or error	Fraud risk	We did not identify 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.
Pension liability valuation	Inherent risk	We identified a difference relating to the Councils IAS 19 pension balances and disclosures where, due to the final valuation report for the Pension Fund assets being delayed, there was a difference between the year-end asset valuation in the Actuary's IAS 19 report and the valuation considered appropriate by our own internal experts. This difference totaled £840k and was not corrected in the final version of the financial statements.
Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation (inherent risk)	Inherent risk	We identified that the valuation of one investment property asset tested was outside our expected range and therefore overstated by £293k. As a judgmental misstatement, this was not corrected within the financial statements. We were satisfied that the valuation of the Councils Property, Plant & Equipment and Investment Property was not 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

The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities.

The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending. In 2023/24 the Council achieved a surplus £4.9m, off set by the additional spend approved during the year of £0.3m, after the budget was set. this resulted in £4.6m being added to the General Fund Reserve.

The main reasons for the surplus include:

- An historic VAT refund of £2.2m for Leisure services
- Additional income from Car parking of £0.65m
- Additional income from Waste services of £0.52m
- Investment income exceeding budget by £0.72m.
- Income received from the Leisure Centre Management Contract of £0.42m.

The most up to date budget relates to 2024-25. This was taken to Cabinet in February 2024 and showed a net budget requirement of £17.47m for 2024-25 be approved and Council Tax be increased by £5.41 per Band D equivalent. In line with the financial strategy, management have prepared a balanced budget for 2024-25 without the use of reserves.

Throughout 2023/24, the medium-term financial strategy was the "Financial Strategy and Plan 2024-25 to 2028-29". This was presented at the Cabinet meeting in November 2023. This highlighted the following projections:

- 2024/25 = Surplus £484,000
- 2025/26 = Surplus £1,599,000
- 2026/27 = Deficit £1,626,000
- 2027/28 = Deficit £2,895,000
- 2028/29 = Deficit £3,137,000

A new medium-term financial strategy was produced by the Council in November 2024 and presented to Full Council. This showed an update to the aforementioned Projections as follows:

- 2024/25 = Deficit £4,755,000
- 2025/26 = Surplus £393,000
- 2026/27 = Deficit £429,000
- 2027/28 = Deficit £1,428,000
- 2028/29 = Deficit £2,468,000
- 2029/30 = Deficit £3,204,000

The largest uncertainty in the medium term continues to relate to Business Rates. The localisation of Business Rates reset is still delayed, but it was anticipated the Council would retain approximately £1.4 m less per annum when this new funding regime is implemented.

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

At the same time, it is also likely that the Council will lose a further £1.3m per year of central government funding under the redistribution of Revenue Support Grant based on assessed need by MHCLG, as well as other various grants such as the Funding Guarantee and New Homes Bonus grants.

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that:

- The Council manages its resources effectively
- That projects can be delivered by the Council's services and that enough capacity is available to deliver them
- The Council's Cabinet can plan its work
- A framework is provided for evaluating the Council's performance

The plan works alongside the financial strategy to ensure that staffing and financial resources are allocated appropriately. The plan took effect from 1 April 2022 and will run until 31 March 2025. We note through our discussions with management that the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed plan was taken to Cabinet in January 2024.

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

No significant weakness identified

The Council has appropriate arrangements to make informed decisions and manage its risks. There were no recommendations in the prior year in relation to its arrangements.

The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the entity in delivering strategic objectives. This includes both financial and non-financial risks. The register details any risks along with the internal controls, plus any associated action plans to manage those risks. The most recent risk register considered as part of our review was produced in October 2024. Risk registers are updated quarterly and considered by the Strategic Leadership Team.

The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee. The internal audit report annual report and opinion for 2023/24 states that "[...] the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control".

The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made. The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions ('key decisions') are to be discussed or made, these are published in the Forward Plan, in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open to the public to attend except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to Full Council to decide.

We note that no instances of non-compliance have been identified throughout our work, including through our considerations of internal audit reviews.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

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

No significant weakness identified

The Council has appropriate arrangements in place.

The Council implement a Corporate Plan which sets out its future priorities and objectives. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The Plan took effect from 1 April 2022 was due to run until 31 March 2025. However, the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed Plan was taken to Cabinet in January 2024. The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements.

In order to track performance and judge how well the Council are delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods. In addition to the Performance Indicator Updates, an Annual Report is presented to the Council. The most recent report was presented to the 16 July 2024 Council meeting. The report highlights Key Achievements in 2023/24 and expected areas of work for 2024-25 for each of the Cabinet portfolio headings, as well as an annual review of the Performance Indicators. The following performance indicators were flagged within the report as having a variance in excess of 5% of the target:

- Percentage of empty units within commercial and industrial property
- Number of Industrial Processes with an Environmental Permit that are Audited
- Reduction in the Council's Carbon Emissions from 2019 to 2025
- Support the District in Reducing its Carbon Emissions from 2019 to 2025
- Percentage of calls to the Customer Service Centre that are answered
- Households in Nightly-Paid Temporary Accommodation (not CDC Owned, all cases)
- Percentage of cases where homelessness is relieved
- Homes improved with Financial Assistance from the Council
- Percentage of customers satisfied with delivery of Disabled Facilities Grants
- Time taken to process new claims for benefits
- Planning appeals allowed (in both Chichester District and South Downs National Park areas)
- Percentage of Gambling Act 2005 applications determined within 56 days

In each of these cases, the Council continued to monitor performance and undertake action to improve performance.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



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 considers significant financial pressures in its annual budgeting and Medium-Term Financial Strategy (MTFS). The Council produces an annual MTFS covering the current and next 5 years on a rolling basis. The MTFS should have regard to the following criteria:</p> <ul style="list-style-type: none">• Be constructed to resource the forthcoming Corporate Plan;• Identify and quantify all known factors likely to impact on the Council’s budget in the medium term (the financial risk matrix);• Use the service review process to identify efficiencies in order to maintain a balanced budget over the medium term;• Have regard to the current and potential legislative and national financial issues;• Community needs and taxation implications. <p>The strategy sets out the key financial principles to be utilised and key actions that need to be undertaken to ensure the Council is able to continue to balance its finances over the medium term. The purpose of the report is to update the Council’s financial strategy and action plan to help guide the management of the Council’s finances during a period of diminishing resources.</p> <p>Throughout 2023/24, the MTFS in place was the “Financial Strategy and Plan 2024-25 to 2028-29”. This was presented at the Cabinet meeting in November 2023. The five-year financial model forecast was updated to reflect current assumptions, including government funding, council tax projections, projected costs and planned efficiencies.</p> <p>The report notes that it will be necessary to use reserves to help balance the budget in the medium term (from 2024/25 onwards), whilst further efficiencies and income generation options are developed in the medium term. The report states that using reserves to balance the budget is not sustainable in the long term as any deficit will need to be addressed. Full Council approved this approach of balancing the budget over the medium-term using reserves to assist in the intervening years so that vital front-line services could be protected.</p>

Appendix A - Summary of arrangements

GUIDANCE: PLEASE DELETE THIS TEXT BOX BEFORE ISSUING: This appendix should set out the arrangements under each sub-criteria reported in the last AAR and updated for any changes since to 2023/24. Duplicate slide as needed

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><i>Budget setting process</i></p> <p>The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities. The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFS). This strategy is approved by Council, having first been considered by the Corporate Governance and Audit Committee.</p> <p>After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council considers the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place.</p> <p>Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none">• Only incur expenditure or budget provision for which they have approved budgets or specific authority.• Monitor and control revenue and capital expenditure and income under their control.• Submit periodic capital and revenue monitoring reports to members.• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.• Should a need to incur unavoidable or non-controllable expenditure be identified, submit a proposal for a supplementary estimate to Cabinet. <p><i>Responsibility of the Chief Financial Officer (CFO)</i></p> <p>In relation to Financial Planning, the CFO has a responsibility to:</p> <ul style="list-style-type: none">• Manage the annual budget preparation process in accordance with the Council's budget strategy and budget timetable.• Inform Senior Officers and budget managers about the budget strategy, the annual budget timetable and their involvement in the process;

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 it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont.)	<ul style="list-style-type: none">• Actively support Senior Officers and budget managers in meeting their budgetary control responsibilities; and• Provide appropriate and accurate financial advice.
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	<p>In preparation for the annual budget process the Council's Financial Strategy and the five-year financial model, including the key financial principles are reviewed. This is to done to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts. To address the impact on the financial position of the Council, the Future Services Framework (FSF) was approved to aid the decision making and action required to work towards a balanced budget over the medium term.</p> <p>The annual budget for revenue spending for 2023/24 was approved by full Council. The budget incorporated the third year of the efficiency savings identified in the FSF.</p> <p><i>Future Services Framework</i></p> <p>In July 2020, the FSF was presented to Cabinet. This was introduced following the Covid-19 pandemic and detailed how the Council will challenge how they provide their services in order to ensure the continued delivery of services in the most efficient and effective manner. This proposal was broken down into three sections; Efficiency savings, Policy Options and Service prioritisation.</p> <p>This framework was initiated to allow the Council to continue to provide key services to support its communities through a period of uncertainty and increased need due to the Covid-19 pandemic. FSF has been replaced by a new Budget Review Group that was introduced following the change in council leadership after the May 2023 District Council elections.</p> <p>The Budget Review Group outlines to the Cabinet the details of a refreshed Corporate Plan 2022-25, which has now been extended to 2026. It then uses this plan to cost the various elements of it. The Corporate Plan is reviewed each year to take account of any emerging issues and challenges whilst ensuring it remains relevant and affordable. This document therefore aids the Council to understand where financial gaps may exist and how they may be managed. It also allows the Council to plan its finances to ensure sustainable delivery of services</p>



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 identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The annual budget setting and MTFS process is set out above, together with details of the Council's Budget Review Group. Throughout the preparation of each of these, risks are taken into consideration to assess how they impact certain areas and the financial implications of these risks might be.</p> <p>The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.</p> <p>The Council also operates a "Strategic Risk Group" made up of three members of the Cabinet and three members of the Corporate Governance and Audit Committee with responsibility for risk and governance.</p> <p>These arrangements come together, linking the Corporate Plan and its risk assessment, through to the financial plans and implications, as part of the ongoing monitoring of performance and then the annual refresh associated with developing the annual budget.</p>

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	<p>The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.</p> <p>The Council maintains a strategic risk register. The register details any risks along with the internal controls in place, plus any associated action plans to manage those risks. Updates to the risk register are discussed in the Corporate Governance and Audit Committee on a bi-annual basis. All risk registers are updated quarterly and considered by the SLT.</p> <p><i>Fraud Prevention Report</i></p> <p>A “Fraud Prevention Report” is presented to the Corporate Governance and Audit Committee annually which details the arrangements in relation to the prevention and detection of fraud within the Council and to confirm that there are adequate resources available to carry out all investigations and identify the risks of potential frauds across all Council services.</p> <p>The report shows achievements to date and also looks forward to the year ahead to consider what the potential risks might be. The most recent report was presented to the Corporate Governance and Audit Committee in July 2024.</p> <p><i>Internal Audit</i></p> <p>The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of such internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee. In 2023/24, the Council moved their Internal Audit function to a new external provider, rather than running the service in house. The signed 2023/24 internal audit report state that ‘satisfactory’ assurance can be given, and generally that there is a sound system of internal control.</p>
How the body approaches and carries out its annual budget setting process	<p><i>Budget Setting Process</i></p> <p>The Council has a statutory duty to prepare a balanced annual revenue budget. The Council’s budget must be constructed to ensure that resource allocations properly reflect the Council’s priorities, as set out above with reference to the corporate plan.</p>

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 approaches and carries out its annual budget setting process	<p>A financial strategy based on a rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFs). This strategy is then approved by Council.</p> <p>After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council will consider the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place. Prior to this approval, a member of the Budget Review Task and Finish Group considers the draft annual spending plans and the outcome of this review is normally reports to the January meetings.</p> <p>Each of the Council's budgets will be delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none">• Only incur expenditure or vire budget provision for which they have approved budgets or specific authority.• Monitor and control revenue and capital expenditure and income under their control.• Submit periodic capital and revenue monitoring reports to members.• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.• Should a need to incur unavoidable or non-controllable expenditure be identified, submit a proposal for a supplementary estimate to Cabinet.
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	<p>See Section above.</p> <p>Both revenue and capital monitoring take place on a quarterly basis, with a summary report being produced for consideration by the SLT. All budget managers have access to the Council's GL system in order to review actual performance against budget. The queries outlined below can be produced as and when required to help with budget monitoring:</p> <ul style="list-style-type: none">• Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget.

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 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 (contd.)	<ul style="list-style-type: none">• Compare the profiled budget to all income, expenditure, and commitments as at the end of the last completed month. This query will show the variance to date for budget monitoring purposes.• Compare the annual budget with the full year income and expenditure for the last complete financial year. <p>In addition to this budget managers receive a monthly budget monitoring report generated automatically by the GL system. This report also acts as a prompt to the budget manager to review their budgets using the live system year-to-date review anomalies and take appropriate action and/or seek assistance from the finance team when necessary. A member of the finance team will then meet with the budget manager on a quarterly basis to review the year-to-date position and produce an outturn forecast for the service area. The forecasts are then consolidated into a single summary for senior management to consider. Once the review has taken place, the monitoring report is published on the Council's website.</p> <p>The Council continues to monitor their financial position and publishes their position against both capital and revenue budgets on a monthly basis. These are then reviewed by Cabinet on a quarterly basis, and appropriate action taken where necessary.</p>
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	<p>The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made.</p> <p>The Constitution states that all decisions are made in accordance with the following principles:</p> <ul style="list-style-type: none">• within legal and financial parameters;• proportionality (i.e. the action must be proportionate to the desired outcome);• due consultation and the taking of professional advice from officers;• respect for human rights;• a presumption in favour of openness;• clarity of aims and desired outcomes;

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/audit committee (contd.)	<ul style="list-style-type: none">• promotion of equality;• reduction in crime and disorder;• sustainability; and• compliance with members' and officer codes of conduct. <p><i>Full Council</i></p> <p>The Constitution sets out the role of Full Council and explains that the "Council is the policy making body from which the Policy Framework will be established".</p> <p><i>Cabinet</i></p> <p>The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions ('key decisions') are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.</p> <p>Decisions are submitted to Cabinet using a standard report structure. All reports to Cabinet are reviewed by the responsible director who signs them off. These are then reviewed and signed off collectively by the Strategic Leadership Team (including S.151 Officer) and also by the Monitoring Officer. The reports are only finalised for inclusion in Cabinet agendas when "signed off" by all parties.</p> <p><i>Overview & Scrutiny Committee</i></p> <p>The roles and responsibilities of the Overview and Scrutiny Committee are set out within the Constitution and are summarised below:</p> <ul style="list-style-type: none">• to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;

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/audit committee (contd)

Arrangements in place

- to make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of its functions including performance monitoring, and the development and review of Council policies;
- to consider matters affecting the area or its inhabitants and to act as community champion in reflecting the views and interests of the community;
- to exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet;
- to consider reports and recommendations received from the West Sussex Joint Scrutiny Steering Group and/or any task and finish group set up to carry out a joint scrutiny review and ensure that the report and recommendations are dealt with in a suitable manner and referred on to the Cabinet and/or Council for a decision, as appropriate.

Corporate Governance and Audit Committee

The Corporate Governance and Audit Committee is independent of the executive and scrutiny functions and embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.

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)

We have inspected the website of the Council and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives.

The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers, including a Code of Conduct for Councillors and a separate one for staff. The Code of Conduct has been created to support "all tiers of local government to continue to aspire to high standards of leadership and performance" and to assist individuals with the behaviour that is expected of them.

Included within this Code of Conduct there is a section of "guidance to members on the offer, acceptance and declaration of receipts of gifts and hospitality". This guidance sets out the members' obligations to declare gifts and hospitality received in their "official capacity as members of the Council". Officers also have to declare any gifts and hospitality offered and approval sought prior to acceptance, if deemed appropriate.

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><i>Corporate Plan</i></p> <p>The Council implements a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that:</p> <ul style="list-style-type: none">• the Council manages its resources effectively;• that projects can be delivered by the Council's services and that enough capacity is available to deliver them;• the Council's Cabinet can plan its work; and• a framework is provided for evaluating the Council's performance. <p>The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Both Cabinet and opposition leaders consider performance on a monthly basis through informal meetings with SLT.</p> <p>The Corporate Plan sets out the Council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately.</p> <p>The Corporate Plan is reviewed annually to ensure that the key projects and measures are still relevant, important and are continuing to achieve the outcomes that have been set.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p><i>Performance Information</i></p> <p>In order to track performance and judge how well the Council is delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods.</p>

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	Arrangements in place
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 Constitution states that the Council is able to:</p> <ul style="list-style-type: none">• enter into arrangements or agreements with any person or body;• co-operate with, or facilitate or co-ordinate the activities of, any person or body; and• exercise on behalf of that person or body any functions of that person or body. <p>In order to manage these arrangements, the Council may appoint joint committees with the other party to oversee and make decisions in relation to the arrangement. In the ordinary business of Council meetings, Council is to receive reports, and receive questions and answers, on the business of any joint arrangements. This enables the effective monitoring of these arrangements and ensures that Council is held accountable by any stakeholders.</p> <p>The Corporate Governance and Audit Committee also receive an “Annual Partnership Report”. This report acts as a mechanism to ensure that strategic partnerships have appropriate governance measures in place and ensure that all risks are monitored adequately. This report details the individual partnerships that the Council is involved with and provides a risk assessment matrix in relation to each partnership.</p>
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	<p>The Council has in place “Contract Standing Orders”. This information is laid out within the Constitution and sets out the procedures that that must be followed in relation to the procurement and award of a Contract. These are intended to promote good purchasing practice and public accountability and deter corruption.</p> <p>The Standing Orders go through each step of the Contract process detailing the minimum requirements for all Contracts taken out by the Council.</p> <p>Officers undertaking procurement exercises on behalf of the Council are supported by the Procurement Service to aid compliance. In addition to this, any necessary training including updates or refresher training is given to these Officers to ensure that these individuals have up to date skills and knowledge to perform these procurement exercises.</p>

Appendix B - Fees

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.

A breakdown of our fees is shown in the table to the right.

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.psaa.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)	Note Reference	Prior Year (2022/23)
	£	£	£
Total Fee – Code Work	£143,820	(Note 1)	TBC
Total audit	0		TBC
Other non-audit services not covered above	N/A	N/A	N/A
Proposed scale fee variation:			
ISA315:	£15,451	(Note 2)	TBC
IFRS16:	£1,462	(Note 2)	
Total propose scale fee variation:	£16,913		
Total other non-audit services	0		0
Total proposed fees	£160,733		TBC

All fees exclude VAT

(1) PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23 and 2023/24. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) 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.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2025 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk