

West Sussex County Council and West Sussex Pension Fund

Auditor's Annual Report
Year ended 31 March 2025
March 2026



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Regulation, Audit and Accounts Committee
West Sussex County Council
County Hall
West Street
Chichester
PO19 1RQ

02 March 2026

Dear Committee Members

2024/25 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 2024/25.

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

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 27 June 2025.

Yours faithfully

Kevin Suter

Partner, For and on behalf of Ernst & Young LLP

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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 (<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>)

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 Regulation, 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 the Regulation, 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 the Regulation, 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 Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to West Sussex County Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft Auditor's Annual Report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plans for the County Council and Pension Fund that we issued in April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of West Sussex County Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in West Sussex County 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 the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

<p>Financial statements - Council</p>	<p>We reported previously in our November 2024 Audit Completion Report for the 2022/23 financial year (Audit completion report 2022-23) that we issued a disclaimer of opinion on West Sussex County Council's 2022/23 financial statements under the arrangements to reset and recover local government audit (the backstop arrangements). West Sussex County Council had been in a position to present draft Statements of Account for audit within the regulatory timeframe, and the draft 2022/23 accounts were submitted and available on time by 31 May 2023. Due to audit resource constraints, we were unable to schedule the 2022/23 audit resource necessary to perform the 2022/23 audit for the Council before the back stop date of 13 December 2024.</p> <p>Subsequently, in both 2023/24 and the current year 2024/25 we have focused our audit on the closing balance sheet and in-year transactions. The Council supported the delivery of these audits well. Our assurance is then being rebuilt over time, and we successfully completed all planned procedures in both years. The level of assurance has therefore increased in 2024/25. However, due to the requirements to complete our work by the backstop dates in respect of both years, we have not been able to revisit the 2022/23 disclaimer year. This leaves a residual gap in audit assurance related to:</p> <ul style="list-style-type: none"> • The balances of, and transactions relating to, Property, Plant and Equipment additions and valuations during 2022/23 that have not been subsequently revalued within the Council's cyclical valuation programme; and • The closing balances of the reserves from 2022/23, which roll forward into cumulative balances and prior period comparatives. <p>Due to requirement to conclude our work by the 2024/25 backstop date, we were not able to rebuild those historical gaps in assurance as part of the 2024/25 audit.</p> <p>We therefore issued a qualified audit report on the 2024/25 financial statements in January 2026, which moves the Council forward in the rebuild process compared to the previous disclaimed audit report. The qualification in 2024/25 is solely focussed on those areas where full audit assurance had not been obtained due to the original disclaimed audit from 2022/23.</p>
<p>Going concern</p>	<p>We concluded that the Executive Director of Finance and Support Services (S151 Officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</p>
<p>Consistency of the other information published with the financial statements</p>	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
<p>Value for money (VFM)</p>	<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>

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Financial Statements – Pension Fund	We issued an unqualified upon on the Pension Fund financial statements in January 2026.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual Report and published with the financial statements was consistent with the audited accounts.
Additional powers and duties	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 group instruction 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 the NAO have confirmed no questions will be raised on individual NAO returns.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

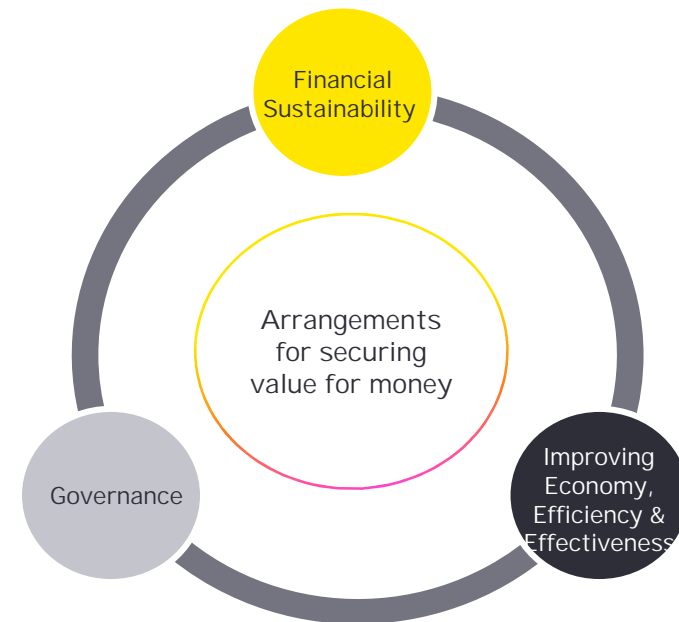
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- 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.

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 key Council officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your 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	Impact of Oracle Fusion programme on the Council's arrangements.	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	Impact of Oracle Fusion programme on the Council's arrangements.	No significant weakness identified

Executive Summary (cont'd)

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 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

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 27 June 2025:

[EY 2025 Transparency Report](#)



02 Audit of financial statements

Audit of financial statements

Key findings

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

Our audit of the 2024/25 financial statements of both the County Council and Pension Fund are complete. We have reported our findings in our Audit Results Report to the November 2025 and January 2026 Regulation, Audit and Accounts Committees.

West Sussex County Council - Financial statement risks

Significant risk

Conclusion

Misstatement due to fraud or error

We completed our audit procedures in response to this risk and identified no evidence of material misstatement due to fraud or error.

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

We completed our audit procedures in response to this risk and 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.

West Sussex Pension Fund - Financial statement risks

Significant risk

Conclusion

Risk of misstatements due to fraud or error

We identified no evidence of material misstatement due to fraud or error.

Valuation of level 3 investments

We found no evidence that the Pension Funds level 3 investment valuations were materially misstated.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Regulation, Audit and Accounts Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Factors impacting the execution of the audit

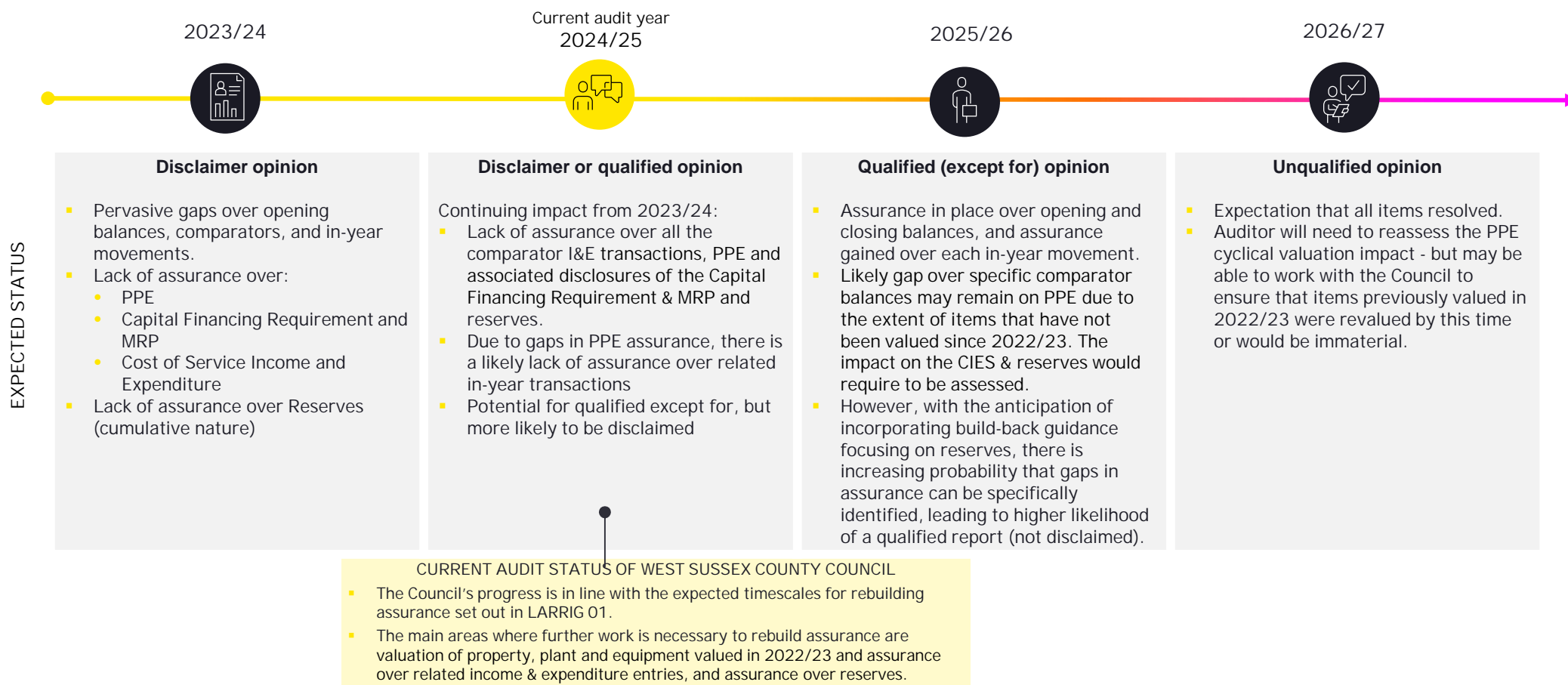
Factors impacting the execution of the Council's audit

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			The number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication were minimal.
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were provided to the agreed timetable.
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Effective			The Council provided timely and good quality supporting evidence for the majority of our audit queries.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			All key finance staff were available to support the audit in line with the agreed project plan.
Volume and value of identified misstatements	Effective			A relatively small number of misstatements were detected as a result of our work which have been corrected by management.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.

Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



Factors impacting the execution of the audit

Factors impacting the execution of the Pension Fund audit

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Requires improvement			There were a number of non-material internal inconsistencies and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were provided to the agreed timetable.
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Effective			The quality of evidence and explanations provided were of a good standard.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			The finance team and key personnel remained consistently available throughout the audit and were cooperative in joining meetings to address our audit queries. Their collaboration was conducted in accordance with the established project plan.
Volume and value of identified misstatements	Effective			No material misstatements were detected as a result of our work.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.



03 Value for Money commentary

Value for Money




The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified	Other matters identified
 <p>Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	<ul style="list-style-type: none"> No risk of significant weakness identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> None identified.
 <p>Governance How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<ul style="list-style-type: none"> Impact of Oracle Fusion programme on the Council's arrangements. 	<ul style="list-style-type: none"> We concluded that the Councils arrangements have sufficiently improved in comparison to previous years such that no significant weakness has been identified. 	<ul style="list-style-type: none"> None identified.
 <p>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.</p>	<ul style="list-style-type: none"> Impact of Oracle Fusion programme on the Council's arrangements. 	<ul style="list-style-type: none"> We concluded that the Councils arrangements have sufficiently improved in comparison to previous years such that no significant weakness has been identified. 	<ul style="list-style-type: none"> None identified.



VFM commentary: Financial sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- 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;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 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; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



Financial sustainability considerations

Medium Term Financial Plan

The Council's Medium Term Financial Plan for 2024/25 to 2028/29 was approved by Full Council in February 2024 and highlighted a budget gap after savings in each year, and a cumulative deficit after savings over the period of £189.7 million. The plan demonstrated the Council will manage the deficit in 2024/25 using £3.6 million from reserves and has sufficient reserves between the General Fund and Budget Management Reserve to cover the deficit in the short term. Although the Council has a healthy level of reserves, the use of reserves is not sustainable in the medium to long term. The Council will need to identify further savings and additional funding sources in order to sustain their financial position.

The Council prepared an updated Medium Term Financial Plan in October 2024, covering the period 2025/26 to 2029/30. This highlighted a budget gap each year from 2025/26, and a cumulative deficit after savings of £203.9 million at 31 March 2030. This is mitigated in part by budget reductions in 2025/26 and 2026/27 of £8.6 million and £4.5 million respectively and estimated increases in Council Tax of between £30.3 million and £38.1 million each year. Assuming maximum Council Tax increases, the cumulative budget shortfall over the 5 year period reduces to £33.4 million.

Exhibit A: The Council's 2024/25 MTFP outlined a cumulative budget gap after savings of £189.7 million by March 2029.

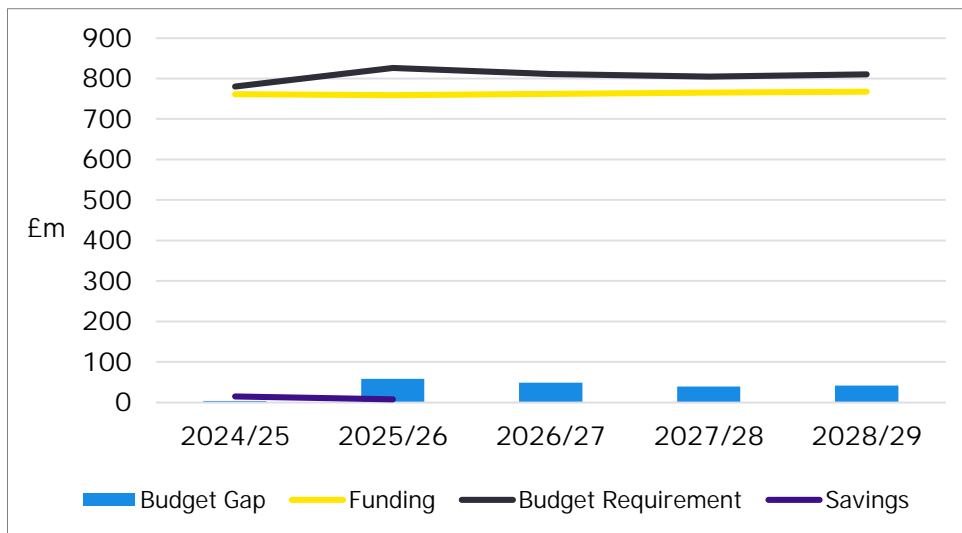
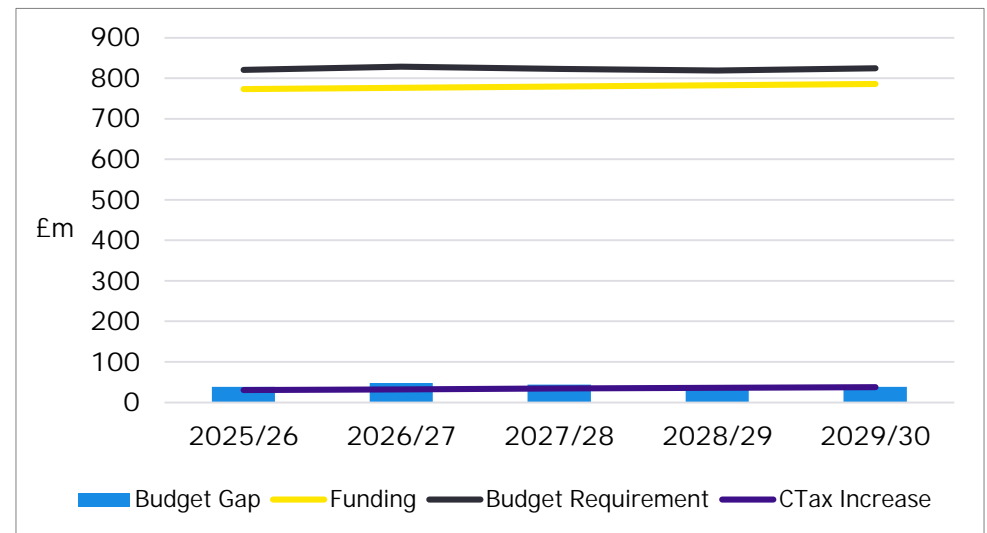


Exhibit B: The Council's updated MTFP for 2025/26 outlines a budget gap of £203.9 million, mitigated in part by budget reductions and Council Tax increases.





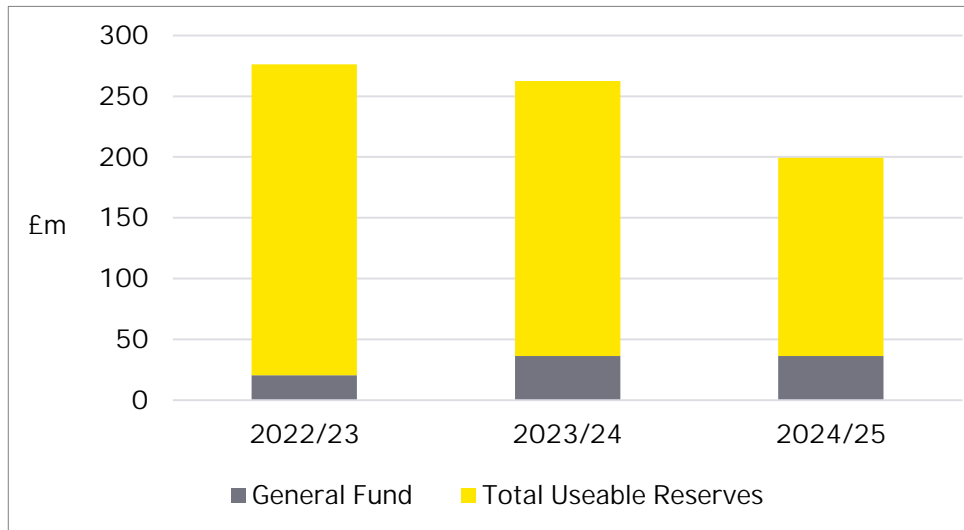
Financial sustainability considerations

Reserves position

The Council's Medium Term Financial Plan demonstrates the shortfall in the Council's funding when compared to expenditure expected in each of the next 5 years. While the October 2024 Plan outlined the expectation of additional Council Tax income to cover the majority of the annual shortfalls, the Council still has a £30.4 million cumulative budget gap over the period. The Council has therefore maintained a Budget Management Reserve (as part of its Useable Reserves) which can be used in addition to the General Fund to cover any shortfall.

The exhibit below demonstrates the size of the Council's General Fund and Useable reserves over the last three years. While the General Fund and Total Useable Reserves were £36.286 million and £199.271 million respectively as at 31 March 2025, there is expected to be a downward trend in these reserves over future periods as they are used to balance the Council's budget. Continued use of these reserves to balance the budget will continue to erode these reserves, although the Council clearly has sufficient reserves to cover any short fall in funding over the short term, and medium-term assuming Council Tax increases occur as planned.

Exhibit C: 3-year analysis of the Councils General Fund and Total Useable Reserves





Financial sustainability considerations

2024/25 Outturn and Financial Sustainability

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 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. In making these choices the Council seeks to focus on the areas it believes will make the biggest difference to people in West Sussex.

The financial outturn position for the financial year was reported to the Cabinet through the Performance and Resources report. Net revenue expenditure for 2024/25 on portfolio budgets was £828.5 million compared to a budget of £795.6 million, representing a £10.1 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 £32.9 million, Non-Portfolio budgets and the contingency budget underspent or received additional funding in the year totalling £23.4m, resulting in an overspend of £9.5m. A further £0.6m of other items increased this overspend to £10.1m. The pressures on services have been recognised with further funding allocated through the planning and 2025/26 budget process.

The Councils Medium Term Financial Plan also highlights concern around educational funding through the Dedicated Schools Grant (DSG). Due to overspends within local authority managed schools, the Council has been maintaining a Dedicated Schools Grant Unusable Reserve. This totalled £71.6 million at 31 March 2024, had increased to £123.2 million as at 31 March 2025, and is expected to total £223 million at the end of March 2026. Due to the size of the deficit, this item is appropriately included within the Council's financial risk management procedures.

Exhibit D: The Council recorded an overall overspend against budget in 2024/25

Revenue Budget Outturn	Budget £m	Expenditure £m	(Underspend) /Overspend £m
Portfolio Budgets	£795.641m	£828.542m	£32.901m
Non-portfolio Budgets	(£26.961m)	(£47.995m)	(£21.034m)
Financing Budgets	(£768.680m)	(£770.429m)	(£1.749m)
Total Net Outturn Overspend			£10.118m

This 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, was initially extended to March 2026 and recently extended to March 2028. There is concern within the Council regarding its ability to fund this deficit when the temporary legislation is due to expire in March 2028. The current deficit is forecast to increase in coming periods and will be greater than the sum of the Councils General Fund and Other Useable Reserves combined. It is also reducing money available to be invested short term and generate investment income.

However, by adhering to the temporary guidance, developing and presenting a DSG Deficit Management Plan to the Schools Forum, and maintaining communication with the Department for Education (DfE), the Council has demonstrated that it has established appropriate arrangements in respect of this issue.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- 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, including in relation to significant partnerships;
- 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/Regulation, Audit and Accounts Committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified a risk of a significant weakness in the Council's governance arrangements associated with the Oracle Fusion Project. While in 2022/23 and 2023/24 we reported a significant weakness existed in the Council's governance arrangements associated with this project, we are satisfied that appropriate arrangements were in place in 2024/25. We therefore conclude that no significant weaknesses were identified in 2024/25 and there are no outstanding recommendations relating to prior years.

The Council's underlying arrangements in relation to governance outside the scope of the Oracle Fusion project are not significantly different in 2024/25 to prior periods and do not contain a significant weakness.

Overview of our conclusions

Based on the work performed, West Sussex County Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.



Governance considerations

Annual Governance Statement

West Sussex County Council has prepared an Annual Governance Statement which was presented to the Regulation, Audit and Accounts Committee in July 2025. The statement complies with the requirements of the Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy's framework; Delivering Good Governance in Local Government. The report therefore sets out the governance arrangements in place at the Council, which are broadly unchanged when compared to previous periods. The Council notes a number of macro and micro changes which affected the Council in 2024/25, from changing national governments, to Local Government Reorganisation and devolution which will impact the Council in future periods, in addition to the Oracle Fusion project.

Risk management

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 Executive Director of Finance and Support Services is responsible for the monitoring and reporting all significant risks. Executive Directors, Assistant Directors and Heads of Service throughout the Council are responsible for managing specific areas of risk that apply in their 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 Performance and Resources Report 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.

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to the Ministry for Homes, Communities and Local Government (MHCLG) guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value. To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.



Governance considerations

Internal Audit arrangements

In 2024/25, 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. For 2024/25, Internal Audit reported on the Council's arrangements for governance and procurement in respect of the Oracle Fusion project and issued 'Reasonable' and 'Substantial' assurance conclusions respectively, with no management actions in either report.

Minimising any losses to fraud and corruption is an essential part of ensuring 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.

The Monitoring Officer and Executive 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 Executive 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.

Informed decision making and member challenge

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.

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 nine 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



Governance considerations

Informed decision making and member challenge

- Taking the most important decisions about policy and services
- Monitoring how each department is performing

Scrutiny functions

There are five Overview and Scrutiny Committees 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.

Regulation, Audit and Accounts Committee

The Regulation, Audit and Accounts Committee (RAAC) 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.

Internal Audit report quarterly to RAAC.

Economic Crime and Corporate Transparency Act: Failure to prevent fraud

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. Under the offence, an organisation may be criminally liable where an employee, agent, subsidiary, or other 'associated person', commits a fraud intending to benefit the organisation and the organisation did not have reasonable fraud prevention procedures in place. The offence will make it easier to hold organisations to account for fraud committed by employees, or other associated persons, which may benefit the organisation, or, in certain circumstances, their clients. The offence will also encourage more organisations to implement or improve prevention procedures, driving a major shift in corporate culture to help prevent fraud.

The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures. Councils such as West Sussex County Council will need to ensure their fraud policy and procedures are compliant with the latest Home Office guidance in order to mitigate the risk of enforcement action.



Governance considerations

Risk of significant weakness: Oracle Fusion

In November 2019, a decision was taken to approve the commencement of a procurement for services to deliver a replacement business management system from SAP to Oracle Fusion, the SmartCore programme.

Following delays in programme delivery, Internal Audit performed a review of SmartCore programme governance, reporting in September 2021. A programme update was also produced by senior management and presented to ELT. This confirmed risks around the programme timeline, project resourcing, the level of organisational change needed for successful implementation, and continuing cost pressures against budget.

In 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. There were 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 delivery contract 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 to those already identified by the 2021/22 Internal Audit Report. As a result, in November 2022 it was agreed that the project would be paused. In March 2023 a Suspension Agreement was approved by both WSCC and the contractor so that a rectification plan could be put in place. An assessment was undertaken by the Council and contractor whether the programme could be brought back on track in terms of timing and budget. Internal Audit was commissioned to undertake a further detailed review as part of its 2022/23 programme of work. This continued to identify a number of significant issues.

In 2023/24, following consideration of the continued issues identified, in addition to further difficulties in the relationship between the Council and contractor, 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. Following the termination in September 2023, the Council undertook a review of the programme approach and the overall funding of the programme. It then considered options as it still required a replacement for its existing ERP. In May 2024, the decision was taken to continue with the implementation of Oracle under a new project name, Oracle Fusion. This new name reflected the name of the Council's preferred ERP solution, but in essence had the same aims as SmartCore. The new project included the key objective of using the lessons learned from the SmartCore project.

Due to these weaknesses, we reported by exception in our audit reports for 2022/23 and 2023/24.

In 2024/25, the Oracle Fusion project included a clear project plan and objective. It incorporated key learning points from the weaknesses identified in the SmartCore project. The Council prepared new governance structures to support the programme leadership with a wider Programme Plan. A Steering Group reported to the Executive Leadership Team to ensure the Programme Plan was fully understood and prioritised to minimise risks. Regular updates were provided to members through the Cabinet Member and Performance and Finance Scrutiny Committee. The project was included in the Council's risk registers, and there is evidence of these risks being monitored, together with updates to risk implications and mitigations over the period.

Internal Audit undertook two reviews of the Oracle Fusion project in 2024/25, again considering the governance and procurement arrangements in place. These were presented to the Regulation, Audit and Accounts Committee and concluded that appropriate governance and procurement arrangements were in place to support the project.

We are therefore satisfied that there is sufficient evidence of improved governance procedures in place for the project, and given the project remains on track in terms of finance and delivery, we are satisfied the significant weakness previously identified has been appropriately mitigated. In our judgement, sufficient arrangements are now in place.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified a risk of a significant weakness in the Council's arrangements associated with the Oracle Fusion Project. While in 2022/23 and 2023/24 we reported a significant weakness existed in the Council's arrangements for achieving economy, efficiency and effectiveness associated with this project, we are satisfied that appropriate arrangements were in place in 2024/25. We therefore conclude that no significant weaknesses were identified in 2024/25 and there are no outstanding recommendations relating to prior years.

The Council's underlying arrangements in relation to achieving economy, efficiency & effectiveness outside the scope of the Oracle Fusion project are not significantly different in 2024/25 to prior periods and do not contain a significant weakness.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

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. The KPI dashboard is discussed as part of the Performance & Resources Report (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.

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.

The Council receive external inspections of services provided during the year, including Education Services (Ofsted), Care Services (CQC), SEND (Ofsted) and Fire & Rescue Services (HMICFRS). The results of these inspections are presented to the relevant committees of 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, when 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 made 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. On 24 July 2024, a further children's services focused inspection was undertaken, the report for which noted that the services for care leavers in West Sussex have substantially improved since the inspection in 2023.

A Care Quality Commission assessment of the Council was released in August 2025 and noted the Council as 'Good' overall, with three of nine areas assessed being scored as 'Requires Improvement'.

Procurement and contract management

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 Executive Director of Law and Assurance and Executive 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 intends to update its Procurement Strategy following the implementation of Oracle Fusion.



Improving economy, efficiency and effectiveness considerations

Partnership working

The Council works with a variety of stakeholders. These include 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).

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.

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.

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 in June 2024. 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.



Improving economy, efficiency and effectiveness considerations

Risk of significant weakness: Oracle Fusion

Following the cancellation of SmartCore project in September 2023, the Council took the decision in May 2024 to continue to replace the ERP under the new Oracle Fusion Project. This aimed to learn from, and utilise the progress made under, SmartCore. There was clear weakness in the Council's procurement arrangements during 2023/24.

At the time of our 2023/24 assessment, the Council was in the early stage of the Oracle Fusion project. However, we noted that the Council had made progress in addressing the recommendations.

For 2024/25, progress updates were presented on a quarterly basis to the Performance and Finance Scrutiny Committee and included information regarding the delivery timeline and financial changes. The report also monitored and updated risks implications and mitigations it identified in May 2024.

In 2024/25, Internal Audit were asked to review the alignment of design principles with desired outcomes and system configuration, as well as the management of contracts with the Systems Integrator and Business Implementer for implementing Oracle Fusion and managing business change. These Internal Audit reports provided 'substantial' assurance over the Council's procurement arrangements, confirmed that those concerns previously raised regarding the procurement processes have been properly responded to, and appropriate arrangements are now in place. We are satisfied that these Internal Audit findings are in line with our understanding of the arrangements at the Council which were in place at the end of the audit period.

We are therefore satisfied that the previously identified risk of significant weakness no longer exists, and in our judgement proper arrangements are now in place.

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