



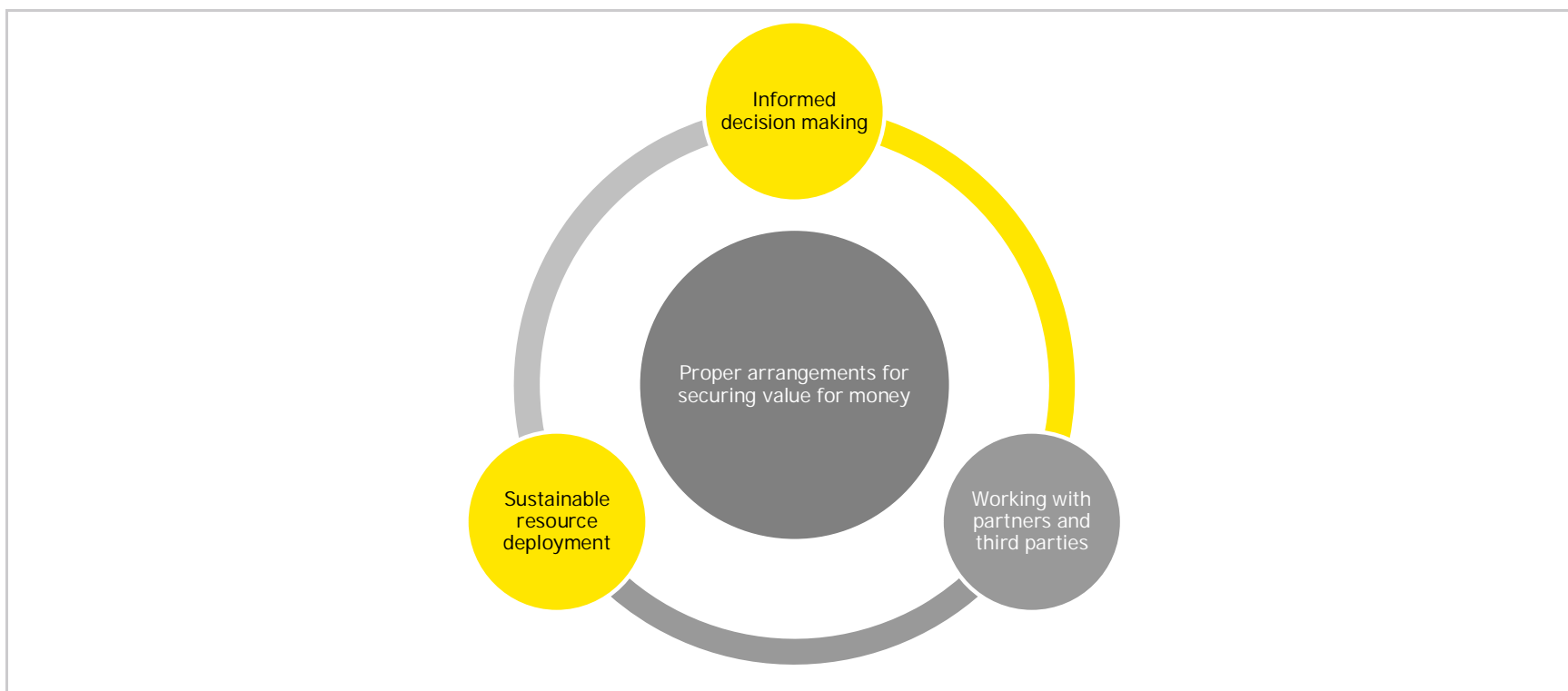
Value for Money

Value for Money

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. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The table below presents the findings of our work in response to the risk identified.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 28 September 2017.

Significant Risk	Conclusion
<p>During the year the Council entered into the purchase of the head lease of The Orchards Shopping Centre in Haywards Heath for some £23 million.</p> <p>This is a significant transaction for the Council and requires a significant use of reserves and external borrowing.</p> <p>Given the value of this transaction and the fact that the Council has taken the decision to fund this in part through external borrowing and in part from reserves, we have at this stage assessed this as a significant risk for the value for money conclusion.</p>	<p>We performed a detailed review of the arrangements through which the Council entered into the purchase of the head lease to ensure that this represents value for money for the Council, including the business case for the purchase and the advice sought by the Council to support the decision. We also examined and challenged the key assumptions used by the Council in arranging the financing of the purchase.</p> <p>The Council considered the value for money of the purchase of the headlease although this did not include a formal business case. As part of this the Council considered the likely future revenue streams from the purchase and the way in which the purchase would fit with the Council's future aims.</p> <p>The Council sought advice from legal counsel and external advice on the purchase from Capita Asset Services regarding accounting treatment, balance sheet implications and borrowing options and FHP Engineering Services Solutions Ltd assisted with the due diligence work. The council relied heavily on PNB Paribas for advice through the process. Given PNB Paribas' experience in this area and the speed with which the purchase was required to be made, this is not unreasonable. The Council kept members informed of progress and requested authorisation where necessary and received challenge from members through the process.</p> <p>The Council were able to fund this purchase from loans from other councils, the rates on which are expected to remain low and this assumption appears reasonable and in line with general market knowledge. The Council are planning to repay the borrowing with a capital receipt, this is an assumption that this receipt will occur, however, the Council has a back-up position of re-financing the loan if it does not happen within the expected timeframe.</p>

A blurred background image showing several people in business attire seated around a large conference table in a meeting room. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Other Reporting Issues'.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 1 August 2017 and in our revised Audit Results Report on 26 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is blurred in the background, focusing attention on the binoculars and the text overlay. A bright yellow rectangular box is positioned on the left side of the image, containing the text 'Focused on your future'.

Focused on your
future

Focused on your future

Area	Issue	Impact
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Authority has taken a number of steps as outlined below:</p> <ul style="list-style-type: none"> • Critically reviewed and amended the closedown process to achieve draft accounts production by 16 June for 2016/17 • Streamlined the Statement of Accounts removing all non-material disclosure notes • Brought forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations • Provided training to departmental finance staff regarding the requirements and implications of earlier closedown • Re-ordered tasks from year-end to monthly/quarterly timing, reducing year-end pressure <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have:</p> <ul style="list-style-type: none"> • Had regular discussions through the year on the Authority's proposals to bring forward the closedown timetable • Brought forward the audit of 2016/17 from September to July 2017 and plan to bring the audit of 2017/18 to June 2018 <p>Together with the Authority agreed areas for early work which have included testing of major income and expenditure streams at month 9, reviewing controls testing performed by Internal Audit, discussing and agreeing material estimation procedures by month 9</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our June 2017 Annual Results Report.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	53,342*	50,542	50,542	50,542
Total Audit Fee – Certification of claims and returns	TBC	12,533	12,533	17,858

* This includes a scale fee variation of £2,800 which is still required to be approved by the PSAA. The additional fee is in respect of the additional work regarding the challenge and subsequent downward adjustment of the valuation of The Orchards Shopping Centre head lease.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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