

Audited body: Brighton and Hove City Council

Year ended: 31/03/2025

Agenda

Management comment

General inquiries	
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	<p>The national economic position continues to be a key factor during 2024/25. Although inflation has stabilised, interest rates remain high, contributing to continuing pressures on homelessness, and the low growth evident in the economy continues to impact many revenue streams including planning fees, commercial rents and parking. During 2024/25 some cultural attractions continued to be impacted including the Royal Pavilion & Museums Trust, whilst the i360 Company continued to struggle, ultimately entering into administration before Christmas 2025.</p> <p>The latter impacted resources by a further £1 million in 2024/25 (and ongoing) reflecting non-repayment of loans by the i360, while pressures on homelessness, Home to School Transport, Adult Social Care and various income sources saw a forecast overspend of over £8 million at month 8 (November) resulting in recruitment and non-critical spending freezes. Together with release of an available risk provision of £1 million, the position has improved to a £3.3 million forecast risk at month 9 (December) and it is expected that break-even can be achieved by year-end, although this may mean deferral of a planned repayment of the Working Balance. This is reflected in the 2025/26 budget report to Budget Council (27 February 2025) which sets out in detail the substantial financial challenges faced by the council, including a further savings requirement of £16 million in 2025/26. More encouragingly in 2024/25, which included the largest savings programme in the council's history of £23.7 million, there has been better progress than in recent years with around 80% of savings delivered.</p>
2. Have you considered the appropriateness of the accounting policies adopted by Brighton and Hove City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	<p>Yes, we have. The only change to accounting policy will be the implementation of IFRS 16. We do not consider that any events or transactions indicate that any further changes of accounting policies is required at this time.</p>
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>Debt: The council has outstanding LOBO loans (simple structure and no high-risk aspects). Apart from this the council's debt is substantially with the PWLB and the council does not have any special purpose investment vehicles.</p> <p>Investments: The majority of the council's investments are simple structure cash investments. The council holds a structured long term investment with Danske, where the interest payable is linked to SONIA, and reset every 6 months. This investment is legally offset against the LOBO held with danske to remove credit risk on that loan. In addition, the council holds £10m investment in Royal London pooled funds which invests in a number of different instruments.</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	<p>There are no significant transactions outside the normal course of business of balance sheet materiality in 2024/25. During 2024/25, the i360 Company went into administration. The venue was</p>

	closed and staff released. The site was recently sold in administration but required the council to release all security on the outstanding debt (£51 million). The sale value was nominal and is unlikely to provide a distribution to the council. A share of future revenues has however been negotiated. This leaves the council servicing underlying PWLB loans of £24 million and setting aside a provision through the MRP policy over the original financing period of 25 years ending in 2041. The overall impact is £2.2m per annum.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	<p>The economic environment and world events generally may have longer term implications for PPE valuations, i.e. depending on the economic position etc.; these cannot be known or estimated at this time. This may therefore have implications for the certainty of PPE valuations (as do all macro or global economic events).</p> <p>Within the HRA (Council Housing stock), the council has identified 8 Large Panel System (LPS) blocks that present additional building safety risks. These risks are being managed while the council explores longer-term options for the properties. This may ultimately require reconstructions. In the meantime, the council has valued the blocks at nil value which also reflects their nominal insurance value.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>The council has a contract with Brighton & Hove Seaside Community Homes ('Seaside Homes') that includes a rent guarantee clause which operates if the Local Housing Allowance (LHA) annual rate increase falls below +3.2%. LHA rates have been frozen in previous years but were uplifted by 7% in 2024/25. At a joint meeting of the Policy & Resources and Housing Committee on 27 February 2023, it was agreed that "...the Council should seek to end the current Local Delivery Vehicle arrangements and bring the temporary accommodation currently leased to Seaside Homes back into Council control."</p> <p>Brighton & Hove City Council - Agenda for Policy & Resources Committee on Monday, 27th February, 2023, 2.00pm (brighton-hove.gov.uk)</p> <p>The council continues to explore options for the return of Seaside Homes' properties to the council but interest rates are currently unfavourable for re-financing and a major valuation exercise needs to be undertaken by both Seaside and the Council.</p>
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	<p>Contingent liabilities and assets will be disclosed as normal but none are currently known to be material. This includes receipt of a significant number of equal pay claims which may ultimately result in a potential liability but which the council currently expects to defend and is taking external advice. Where litigation or contractual disputes are at an advanced stage and the council can estimate any loss with reasonable certainty (e.g. vento scale estimates) these are included as an accrual or a provision.</p>
8. Other than in house solicitors, can you provide details of those solicitors utilised by Brighton and Hove City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Solicitors used by BHCC during 2024/25</p> <p>Irwin Mitchell – leasehold debt claims (litigation)</p> <p>Blake Morgan – construction dispute (litigation) Academy conversions (ongoing).</p> <p>Blake Morgan - acquisition of former school site from Diocese</p> <p>Wilkin Chapman - pursuing Council Tax arrears (litigation)</p> <p>Osborne Clarke - I360 administration</p> <p>Berwick Solicitors – construction matters (litigation).</p>

	<p>Bevan Brittan – advice on Local Enterprise Partnerships (commercial) (ongoing)</p> <p>Bevan Brittan - Southern Taxis (litigation) (ongoing)</p> <p>Bevan Brittan - changes to legal agreements and Seaside Homes (ongoing)</p> <p>Bevan Brittan – advice on letter before action from IT supplier and advice on letter before action on Home to Schools transport matter, together with ongoing support (litigation)</p> <p>Bevan Brittan – Commercial lease renewal proceedings, dispute over access way</p> <p>Blake Morgan – acquisition of school site from Diocese</p> <p>Davitt Jones Bauld: enforcement of property lease covenants (litigation)</p> <p>Davitt Jones Bauld – Commercial lease renewal proceedings, specialist / contentious telecommunication matters (ongoing), acquisition of large residential new build blocks of flats</p> <p>Sharpe Pritchard – specialist construction law advice on major development projects such as Moulsecoomb Hub and Housing project and Hove Beach Park (including assisting with contract drafting and preparing risk analysis). Preparation of BHCC's Schedules of Amendments for JCT and NEC 4 contracts for both Housing and Regeneration teams (ongoing)</p> <p>Freeths – preparation of a Collaboration Agreement on RPMT Garden project.</p>
<p>9. Have any of the Brighton and Hove City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>The Council recognises the threat of fraud and has a strategy against fraud and corruption. The strategy:</p> <ul style="list-style-type: none"> •acknowledges the threat of fraud; •encourages prevention; •promotes detection; •identifies a clear pathway for investigation; and •sets out the appropriate sanctions, including the recovery of losses. <p>Key focus areas remain housing tenancy fraud and council tax discounts. Other key areas where the council received and investigated allegations of fraud or collusion included housing repairs, facilities, and vehicle procurements as well as misuse of parking permits.</p> <p>The Council is a Unitary Authority, so it potentially has a number of areas of fraud risk. However, the Council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager. Internal Audit and Counter fraud adopt a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative).</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The council has taken KC advice on Equal Pay and also on the Council's Transgender toolkit and School Admissions Arrangements.</p> <p>The council uses barristers all the time; cannot list them all. For childcare cases the council instructs Counsel weekly.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as</p>	<p>There are a number of items that have a credit loss provision calculated and applied, with workings provided as part of the working papers. These include the council's investment in Royal London</p>

debtors (including loans) and investments? If so, please provide further details	(RLAM) pooled funds, and loans to third parties. There are no new assets that meet this criteria identified within 2024/25.
Fraud inquiries	
<p>1. Has Brighton and Hove City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Fraud risk is considered as part of the annual audit planning process and through the fraud risk assessment. The Internal Audit Service contains a dedicated team responsible for Counter Fraud. As part of its work, the team maintains a counter fraud risk assessment and an associated proactive fraud work plan.</p> <p>Updates on the Counter Fraud Team's work are provided to key Governance Officers (Chief Exec, Monitoring Officer and Chief Finance Officer) together with the Audit, Standards & General Purposes Committee on a regular basis.</p> <p>There is a detailed Risk Management Framework that includes Strategic Risks (reported to Audit & Standards Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Strategic Risk 02 (SR02) concerns financial sustainability and sets out the First, Second and Third line defences used to treat this risk under the council's Corporate Risk Assessment Framework. Essentially, this sets out that the council manages financial risk through its Targeted Budget Management (TBM) reporting framework, through maintaining an up to date MTFS, and through Internal Audit Reviews and oversight of a well trained and appropriately qualified Finance Function. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.</p>
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Under the National Fraud Initiative, the Council provides data for a data matching exercise to compare records held by various bodies to identify potential error or fraud – these include those most at risk of fraud. This data includes payroll, pensions, creditors, residential care payments, concessionary travel passes, residents parking permits and clients in receipt of direct payments.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brighton and Hove City Council as a whole, or within specific departments since 1 April 2024? If so, please provide details	As an internal audit team we have been notified of a number of irregularities during the year. A high level summary of these was presented in our annual report on irregularity work to Audit, Standards & General Purposes Committee in June 2024. Quarterly progress reports are reported to Audit Committee informing members about irregularity investigations and fraud work undertaken by Internal Audit. Details of these can be found with the committee papers on the Council's website. Senior Governance Officers regularly consider the emerging fraud risk and caseload of Internal Audit & Counter Fraud.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Our Audit, Standards & General Purposes Committee receives regular updates and progress reports from Internal and External Auditors, and also receives updates on Strategic Risks from management.</p> <p>A meeting of statutory officers (CEO, CFO and Monitoring Officer) is held weekly to identify any emerging or escalating corporate risks and considers how these should be communicated if necessary and to whom.</p>

	The Corporate Leadership Team (CLT) maintains a 'Live Issues' tracker which is reviewed weekly and identifies current and emerging corporate risks and issues and receives updates on how they are being treated.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Brighton and Hove City Council where fraud is more likely to occur?</p>	<p>We acknowledge and understand our fraud risks, and we have a dedicated counter fraud team to respond to these risks. A risk assessment of potential fraud areas shows most as Low Impact and Low/Medium Likelihood.</p> <p>In line with key fraud risks highlighted nationally & consideration of the Council's own fraud risk profile, we believe areas to focus on are:</p> <ul style="list-style-type: none"> •Procurement •Related Party declarations •Contracts •Schools •Direct Payments •Grants •Payroll <ul style="list-style-type: none"> • None identified.
6. What processes do Brighton and Hove City Council have in place to identify and respond to risks of fraud?	<p>Internal audit have a dedicated Counter Fraud team to prevent, detect and investigate fraud. The counter fraud strategy sets out our approach to tackling fraud. We undertake both proactive reactive work, and the proactive work seeks to prevent and identify fraud and is targeted through a fraud risk assessment.</p> <p>We have in place a fraud reporting hotline in addition to a confidential reporting (whistleblowing) hotline to encourage the reporting of suspected fraud.</p>
<p>7. How do you assess the overall control environment for Brighton and Hove City Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting</p>	<p>The council is a unitary authority so it potentially has a number of areas of fraud risk. However, the council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place which have been proven to be effective. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager. Key specific processes are:</p> <p>Internal Audit Plan – Annual Plan & Strategy</p> <p>Financial Regulations and Contract Standing Orders</p> <p>Scheme of delegation to Officers</p> <p>Civica Financials and other systems privacy and access controls and reconciliations</p> <p>A balanced and flexible internal audit plan allows for sufficient coverage to provide assurance on the internal control environment, and improve any weaknesses identified.</p>

process (for example because of undue pressure to achieve financial targets)? If so, please provide details	<p>The council has a detailed Risk Management Framework that includes Strategic Risks (reported to Audits, Standards & General Purposes Committee), Directorate-level risks and project-level risks as well as other risk assessment processes.</p> <p>To support the above, the Internal Audit and Counter Fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative). The service supports the council's whistleblowing process and provides fraud awareness e-learning to ensure all services are aware of fraud risks.</p> <p>We are not aware of any areas of potential over-ride of controls.</p>
8. Are there any areas where there is potential for misreporting? If so, please provide details	None known.
<p>9. How does Brighton and Hove City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The council's governance arrangements include codes of conduct for members and officers, a counter fraud strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The council uses its PIER HR/Payroll system to capture and record disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The declaration process is updated and managed as part of the closure of accounts process. The council's intranet ('the Wave') contains copies of guidance and policies accessible to all managers and staff. The council's induction programme and Manager's Checklist includes all of these policies and practices and appropriate e-learning and training.</p> <p>The council promotes its Whistle Blowing Policy regularly. IT&D provide regular corporate communications regarding potentially fraudulent email (phishing) and, for example, have introduced a simple reporting tool (via MS Outlook).</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Staff who have Administrative access and/or development rights in respect of major systems. Segregation of duties, authorisation processes, audit trails (operator logs) and Internal Audit reviews are the primary defences. Managers responsible for procuring goods or services or negotiating property/land deals. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The council's Contract Standing Orders and Waiver Authorisation processes are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and oversight from the Corporate Procurement Team. Staff working in income processing, treasury, banking or other areas present fraud risks, particularly through collusion but these are areas where Financial Procedures, Internal Controls, reconciliation processes and systems, and Authorisation/Privacy controls are designed with Internal Audit and subject to ongoing audit reviews.</p>
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details	None identified. The council keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through Contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage. Similarly, officers are limited to maximum contract awards through Contract Standing

How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Orders and Financial Regulations before needing to seek member approval. For formal related parties, the mitigation is through contractual agreements which determine the governance and controls applicable
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Committee receive and review quarterly updates on the work of the Internal Audit & Counter Fraud Team. A high level summary of these is presented in an annual Counter Fraud report on irregularity work to Audit, Standards & General Purposes Committee; last reported in June 2024.</p> <p>The progress reports capture the emerging risks of fraud (summary of investigations) for the council and any breaches of internal control. Details of these can be found with the committee papers on the Council's website. The Counter Fraud Strategy is reviewed and approved by Senior Officers and the Audit, Standards & General Purposes Committee</p> <p>Details of any investigations and escalating fraud risks are reported to Audit, Standards & General Purposes Committee as part of the regular audit update reports.</p>
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	There have been issues raised through the whistleblowing process. The council keeps a full log of issues/complaints and has well-defined investigation and review processes. The log is highly confidential but is available to view if required.
14. Have any reports been made under the Bribery Act? If so, please provide details	No reports were made in 2024/25 so far.
Laws and regulations	
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Brighton and Hove City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The council's Constitution ensures that all relevant laws and regulations are followed in the conduct of the council's business.</p> <p>The Constitution sets the framework for decision-making, which includes a Cabinet structure for specified types of decision (Key/Non-Key) and delegations to Chief Officers in relation to other decisions. Overview & Scrutiny Committees are in place with powers to scrutinise and call-in Cabinet decisions. The Constitution includes Contract Standing Orders to ensure procurement regulations are complied with and these have been updated and approved by full Council on 30th January 2025 to comply with the new requirements of the Procurement Act 2023.</p> <p>Codes of Conduct are in place to ensure high standards of conduct and governance. The council's Audit, Standards & General Purposes Committee has oversight of key policies such as Whistleblowing and Code of Conduct complaints against Council members, which are monitored. Regular reporting to this Committee ensures that audit investigations are reviewed and trends identified. Three independent members have been co-opted to this Committee to provide additional expertise as well as external challenge, in addition to the Standards responsibilities. Every report to a decision making body routinely includes legal and financial advice which must be taken into account prior to any decision being taken.</p> <p>We are not aware of any changes to the council's regulatory environment which would have a significant impact on the council's financial statements.</p>

2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the council's audit team. Questions are raised and responded to at committee and if necessary member working groups are established to look more closely at any areas of concern. All reports to all committees are required to include legal implications from a nominated legal officer to provide the Audit, Standards & General Purposes Committee and all other member decision making meetings with assurance that decisions take into account relevant regulations and are legally compliant.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details	None have been identified.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	As set out in the existing contingent liabilities disclosure, the council has some general legal claims or litigation cases which had not been resolved at the Balance Sheet date. None of these are quantifiable and nor are they material in value and the claims may be successfully defended. The council has also received a significant number of Equal Pay claims that are also unquantifiable. The council is seeking detailed external legal advice to form its defence. Whilst any such claim may give rise to a potential liability, at this stage there is no identified or quantifiable liability for the council to recognise.
5. What arrangements does Brighton and Hove City Council have in place to identify, evaluate and account for litigation or claims?	The council builds in a review process into its annual closure of accounts process. This includes a meeting with the Monitoring Officer and Lawyers involved in litigation to undertake a financial risk assessment and consider the requirement for provision or other disclosure in the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None identified.
Related parties	
1. Have there been any changes in the related parties including those disclosed in Brighton and Hove City Council's 2024/25 financial statements? If so please summarise: <ul style="list-style-type: none"> the nature of the relationship between these related parties and Brighton and Hove City Council whether Brighton and Hove City Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	There is nothing significant to date. This will be reviewed in detail as part of the work underpinning the 2024/25 Statement of Accounts related parties disclosure note and working papers.

2. What controls does Brighton and Hove City Council have in place to identify, account for and disclose related party transactions and relationships?	Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	This will be controlled by the relevant contractual agreements and defined governance arrangements authorised by Cabinet and full Council. Where there are financial transactions, the council will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party. Budgets are approved by Budget Council, Cabinet or a Cabinet Member.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Standard Financial Procedures and the Scheme of Delegation to Officers regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved budget.
Going concern	
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Brighton and Hove City Council will no longer continue?	Ensuring that statutory services provided by the council can continue is part of the normal financial and operational management processes/controls. The statutory framework within which local government operates requires forward financial planning, prudential provision for repayment of debt and affordability testing for new debt and the setting of a balanced budget annually. Brighton & Hove City Council operates appropriately within this framework and has not undertaken any new high-risk investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).
2. Are management aware of any factors which may mean for Brighton and Hove City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are aware of none in the reporting period. The government's English Devolution White Paper may change the balance of statutory responsibilities between Unitary Authorities, such as BHCC, and any new Mayoral Strategic Authority for the area. However, this is expected to be at least 2 years hence.
3. With regard to the statutory services currently provided by Brighton and Hove City Council, does Brighton and Hove City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Brighton and Hove City Council to cease to exist?	Brighton & City Council is part of a priority programme for Devolution and Local Government Reorganisation. This may see the authority either continue or potentially expand and, as noted in Q2 above, may see some functions ultimately transfer to a new Mayoral Strategy Authority for the area. However, in the interim, the council will continue to develop annual and medium-term financial plans on the current basis until any restructure of local government in the area is formally confirmed.
4. Are management satisfied that the financial reporting framework permits Brighton and Hove City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements. Devolution and/or Local Government Reorganisation may involve a change in the statutory responsibilities of the authority but any change will be managed through legislation and the formal transfer of functions and funding.
Accounting estimates	

<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The council has property, plant and equipment (PPE) of a large value including council dwellings that need professional valuation.</p> <p>The council is an admitted body of the East Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets.</p> <p>The council provided loans to the i360 company that attracted payments of interest and principal. However, the i360 entered into administration in late 2024 and the council has released any security in the outstanding debt and the site/venue has now been sold for a nominal sum. Provision for the expected credit loss and impairment had previously been made in the accounts and the council will now pay down the underlying loan within the CFR (circa £32 million) through its MRP policy over the original loan period (25 years) until 2041, in addition to servicing the PWLB loans in relation to this transaction (currently £24.3m) at a rate of approximately £2.2 million per annum.</p> <p>The council has a range of unexceptional financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies and the accounting code of practice. There are no new instruments identified during 2024/25.</p> <p>Some provisions and reserves may require judgements and estimates (e.g. PFI reserves, debt Impairments/bad debt provision) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.</p>
<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Experienced and qualified accountants work with services to obtain appropriate financial information and develop estimates in accordance with the council's accounting policies. Where necessary, external expertise such as experienced Actuarial firms, Property Valuers or other financial advisers may be engaged directly or indirectly if the council considers it needs independent advice and/or does not have the expertise in-house.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>A structured closure of accounts process has been put in place, led by the Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the S151 Chief Financial Officer. Questions are also put to the Corporate Leadership Team (CLT) and Tier 2/3 (Corporate Directors/Directors) managers regarding potential liabilities and commitments as part of the process.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required, and via the annual Audit Findings Report and ongoing liaison with the external audit team to identify areas where improved methodology or information may be required to inform estimates, and via review against updated best practice and accounting body (CIPFA) code and detailed guidance notes.</p>
<p>5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?</p>	<p>None identified to date.</p>
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist, external expertise is normally sought for non-trivial or material judgements.</p>

	<p>For example, the council has taken advice from Link Asset Services and MHCLG regarding application of its MRP policy to underlying i360 loans.</p> <p>Similarly, the council will seek appropriate advice and support regarding application of IFRS 16.</p>
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The council follows best practice guidance, CIPFA practitioner Code and explanatory guidance and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. East Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	For external expertise, this will be through the procurement processes which will request evidence of the quality assurance processes to be provided by the supplier. Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> • Management's process for making significant accounting estimates • The methods and models used <p>The resultant accounting estimates included in the financial statements.</p>	As above.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	There are no significant items identified in addition to those identified in Appendix A.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	See evidence above for the process of identifying, procuring and improving estimates and valuations. The council considers that these are robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The report accompanying the approval of the accounts sets out the council's quality assurance approach for the production of the financial statements including key judgements and estimates. In 2024/25 the Audit, Standards & General Purposes Committee (as was the case for 2023/24 & 2022/23) will formally review this document in June 2025 (subject to external audit agreement and delivery).

Appendix A – Accounting Estimates

Possible examples include: land and buildings valuations, council dwelling valuations, investment property valuations, valuation of defined benefit net pension fund liability/asset, fair value estimates, level 2 and 3 investments, PFI liabilities, provisions, accruals, credit loss and impairment allowances, leases.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers. Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts.	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	The medium to long term impact of current economic conditions and other major world events on property valuations is uncertain. Reasonable interpretation of this will be provided by the appropriately qualified valuers employed by the council to provide "snapshot" balance sheet valuations. As the council has no assets that it is currently planning to sell to fund committed spending and, in line with the rest of local authorities, does not borrow against the value of its balance sheet, its land and building valuations represent no financial risk.	No
Council dwelling valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No

Investment property valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Depreciation	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the council's asset register annually updated in line with the council's programme of capital investment, annual review of asset lives, and analytical review of depreciation charges changes year-on-year.	No	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	No
Valuation of defined benefit net pension fund liabilities	This is set out in detail in the council's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (Barnett Waddingham LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	
Financial Instruments - Level 2 investments	The is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note that the council holds no level 2 investments (<i>"...that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices"</i>).	N/A	N/A	N/A	N/A
Financial Instruments - Level 3 investments	This is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note the council only has £50k of assets (share	The value is immaterial and has been devalued to 75% of £50k so only £37.5k in the balance sheet.	No	N/A (as immaterial).	No

	equity in the Municipal Bond Agency) in this category.				
Fair value estimates	This is set out in detail in the council's accounting policies under "Fair Value Measurement".	N/A	Yes, the council's treasury advisor values.	N/A	No
Provisions	The method of estimation is set out in detail in the council's accounting policies under "Provisions".	There is a comprehensive annual review of potential provisions as part of annual closing.	No.	The council provisions are fully detailed in the note to the Statement of Accounts and associated working papers. The value (included the business rates appeals provision) is currently below balance sheet materiality (c£9 million at 31 March 2024).	
Accruals	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the council aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders.	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No
Credit loss and impairment allowances	This is set out in detail in the council's accounting policies and in the note to the Statement of Accounts ("Financial Assets and Liabilities – Financial instruments").	This is set out in the working papers to the Financial Instruments note to the Statement of Accounts.	No.	The estimates are based on professional judgement.	No

Finance lease liabilities	The method of estimation is set out in detail the accounting policies under the section on Lease and Lease type arrangements and the associated note in the Statement of Accounts.	The disclosures are based on annual and comprehensive reviews/updates of lease and lease type arrangements across the council's services.		There is limited (or no) scope for interpretation under the Code as acknowledged/set out in the accounting policies.	
PFI Liabilities	This is set out in the council's accounting policies under "Private Finance Initiative (PFI)". As set out in the PFI accounting requirements set out in the code, all three of the council's PFI contracts are supported by long-standing Fair Value models which set out the long term liability to fund the PFI asset (at inception/variation) convert the payments due under the contract to the notional/book entry capital repayment and revenue elements.	The liabilities under the contract were documented/modelled at contract inception or (limited impact as the bulk of the liability arises in the calculations undertaken at inception) varied if required due to contract variations.	Yes, in the original development of the Fair Value models for each contract. All models are now maintained internally.	All three of the council's PFI contracts date from the early 2000's so the original assumptions and Fair Value models which established the book entry liabilities over the lifetime of the contract at contract inception have been subject to annual external audit and review over a substantial number of years. [The relevant PFI assets are revalued annually for the Statement of Accounts disclosure].	Yes – this will be impacted by IFRS 16

