

**Minutes of a meeting of the
Joint Governance Committee
Adur District and Worthing Borough Councils**

Council Chamber, Worthing Town Hall

25 January 2022

Councillor Roy Barraclough (Chairman)

Adur District Council:

Councillor Andy McGregor
*Councillor Rob Wilkinson
*Councillor Catherine Arnold
Councillor Kevin Boram
Councillor Lee Cowen
Councillor Gabe Crisp
*Councillor Tania Edwards
*Councillor Jim Funnell

Worthing Borough Council:

Councillor Steve Wills
Councillor Mike Barrett
Councillor Cathy Glynn-Davies
*Councillor Louise Murphy
Councillor Helen Silman
Councillor Emma Taylor
Councillor Steve Waight

* Absent

JGC/35/21-22 Substitute Members

Councillor Steve Neocleous substituted for Councillor Tania Edwards.

Councillor Leila Williams substituted for Councillor Jim Funnell.

Councillor Debs Stainforth substituted for Councillor Catherine Arnold.

Councillor Sean McDonald substituted for Councillor Louise Murphy.

JGC/36/21-22 Declarations of Interest

Councillor Steve Wills declared an interest as a Non-Executive Director for Worthing Homes.

Councillors Kevin Boram, Andy McGregor and Steve Waight declared interests as Members of West Sussex County Council.

JGC/37/21-22 Minutes

The minutes of the Joint Governance Committee meeting held on 23 November 2021 were agreed as a correct record.

JGC/38/21-22 Public Question Time

No questions from the public were received.

JGC/39/21-22 Items Raised under Urgency Provisions

There were no urgent items raised.

JGC/40/21-22 Statement of Accounts 2020/21 for Adur District Council and Worthing Borough Council

Before the Committee was a report from the Director for Digital, Sustainability & Resources, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 6.

The audits of Adur District Council's and Worthing Borough Council's 2020/21 Statements of Accounts were substantially complete. The External Auditor's Audit Results Report, elsewhere on the agenda, contained the External Auditor's recommendations and the "Key Message" section of this report summarises the findings arising from the audit. At the time of going to print, there were no qualification issues to report.

The 2020/21 financial statements had been adjusted in respect of the External Auditor's findings as at 13th January 2022. The report sought approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2021 and the letters of representation which were attached at appendix 2.

A Member asked questions in relation to the difference between Adur and Worthing's pension liabilities and whether excess section 31 grants would be reclaimed. Officers advised that pension valuations for the Councils were different because of their respective shares of the joint fund and their demographic make-up and that there was no requirement to repay any excess section 31 grant money.

Consideration was also given to the material valuation uncertainty in respect of properties; the capital investment plans and market rate / interest rate risk assessments.

The recommendations as amended were proposed by Councillor Kevin Boram, seconded by Councillor Gabe Crisp and unanimously supported.

Resolved

That the Joint Governance Committee

- approved the amended Adur District Council and Worthing Borough Council Statement of Accounts for the financial year ended 31st March 2021;
- delegated authority to the Chief Financial Officer in consultation with the Chairmen of the Joint Governance Committee to approve the final version of the accounts, including any material changes agreed with auditors as the audit was concluded if required;
- agreed the letters of representation at appendix 2 which would be signed electronically by the Joint Chairmen of the Joint Governance Committee;
- approved the revised Annual Governance Statements included in the Statement of Accounts; and

- noted the changes in use of reserves referenced in section 4.2 of the report.

JGC/41/21-22 Adur District Council and Worthing Borough Council Audit Results Reports

Before the Committee were 2 reports from the External Auditors, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 7.

Helen Thompson, Stephan van der Merwe and Aphiwe Dudeni attended the meeting to present the Audit Results Reports of the External Auditor.

The areas of audit focus including misstatements due to fraud or error; inappropriate capitalisation of revenue expenditure; valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV); Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC); Pension Liability and Asset Valuation; Going Concern and Accounting for Covid-19 related government grants were considered during the presentation of the reports.

It was noted that the Audit Fees for Adur and Worthing were determined by public sector audit appointments who set the fee for the year. When there are additional fees arising during the year, there is a process to determine the scale through variation. Since the last meeting of the Committee, the PSAA had finally determined the fee for the 2019/20 audit. In Adur the additional fee was £23,662 and for Worthing, the additional fee was £24,712. The assessment of fees for 2020/21 had not been completed for Adur or Worthing because the work was still ongoing. An additional minimal core fee had been announced by the PSAA, covering the areas of value for money and accounting estimates. This would be taken into account when setting fees.

In terms of value for money, it was a new code of audit practice that would impact the 2020/21 financial statements and the auditor's opinion there on. A value for money conclusion would not be issued, instead an initial assessment would be undertaken to assess whether there were any risks of significant weakness. The Auditors had concluded that there weren't. Therefore the Auditors Annual report, which will include a commentary on value for money arrangements, would be produced in due course, once the audit had been completed and an opinion issued.

A member questioned why the auditors had not received the NAO instructions on the 'Whole of Government Accounts' for 2020/21. The external auditor advised that it was not the NAOs fault. The reason for the delay in the Whole of Government Accounts was that HM Treasury had not as yet issued the guidance and the detailed data collection tool that the Councils will need to complete in order to assist with the preparation of the Whole of Government Accounts. It was effectively a mechanism where the set of statements the Committee had seen was effectively turned into consolidation schedules, so that the information was presented in a different way before being sucked up into a statement to set out what the Whole of Government Accounts position was. The latest position was that HM Treasury had not issued any information, they may do by the end of February. For the Councils, there was limited audit work. The finance team will complete the schedules, the auditors would then complete a check to ensure that the Councils are

under the threshold, which was usually set at around £500m of either assets, liabilities or income & expenditure, before issuing an assurance certificate to the NAO. The auditors would only flag something if they had concerns e.g. if the auditor had qualified the accounts.

Consideration was also given to the valuation of HRA properties, the going concern of the Councils, an audit difference concerning pension liability with an uncorrected misstatement of £492k and the letters of representation.

Resolved

The Joint Governance Committee noted the contents of the reports.

JGC/42/21-22 Appointment of External Auditor

Before the Committee was a report from the Director for Digital, Sustainability & Resources, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 8.

The contract for external audit was due to come to an end in 2023 and the external auditor for the audit of the Councils' accounts for 2023/24 had to be appointed before the end of December 2022.

The report set out the approach to procuring a replacement supplier for the audit of the 2023/24 accounts and sought approval to use Public Sector Audit Appointments (PSAA) to procure a new supplier.

The recommendation was proposed by Councillor Steve Waight, seconded by Councillor Kevin Boram and unanimously supported by the Committee.

Resolved

The Joint Governance Committee recommended that Adur and Worthing Councils opt in to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of external auditors for the five years from 1st April 2023.

JGC/43/21-22 Joint Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 to 2024/25, Adur District Council and Worthing Borough Council

Before the Committee was a report from the Director for Digital, Sustainability & Resources, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 9.

The report asked Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 to 2024/25 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

A Member sought clarification regarding the spike in HRA expenditure in 2021/22. A number of projects were postponed in 2020/21 which were now progressing in 2021/22. Therefore, 2021/22 is a catch up year where the Councils were progressing not only the 2021/22 programme but also catching up on the 2020/21 programme. There were also a number of major developments from the HRA programme that were currently being developed, including Cecil Norris, Albion Street and Hidden Homes which have inflated the figures.

The Committee also gave consideration to what was meant by 'ethical' investment and the purpose for investing in banks as opposed to investing in green energy markets. Officers advised that the fundamental principles behind the Councils investment approach were Security, Liquidity and Yield. The Councils required investments that were fairly liquid which could be accessed for cash flow management purposes. There were green bonds out there that met those principles which the Councils would invest in, however, the Councils didn't generally invest in stocks and shares, partly because of the need for liquidity and also due to lack of expertise.

Resolved

The Joint Governance Committee noted the report (including the Prudential Indicators and Limits, and MRP Statements) for 2022/23 to 2024/25.

The meeting was declared closed by the Chairman at 8.07 pm, it having commenced at 6.30 pm

Chairman