



Joint Audit & Governance Committee
23 March 2023

ADUR & WORTHING COUNCILS

Key Decision [Yes/No]

Ward(s) Affected:

Statement of Accounts 2021/22 for Adur District Council and Worthing Borough Council

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

- 1.1 The audits of Adur District Council's and Worthing Borough Council's 2021/22 Statements of Accounts are substantially complete. The 2021/22 financial statements have been adjusted in respect of the known External Auditor's findings as at 13th March 2023. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2022.
- 1.2 The Auditors Annual Report, elsewhere on this agenda, is still to be finalised with a proposal that the final version be formally presented to the next meeting of the Committee to enable members to be briefed on the outcome of the 2021/22 audit together with the final version (if changed) of the accounts.
- 1.2 The following appendices have been attached to this report:
 - (i) **Appendix 1** (a) Adur DC Statement of Accounts 2021/22
(b) Worthing BC Statement of Accounts 2021/22

2. Recommendations

2.1 The Joint Governance Committee is recommended to:

- Approve the amended Adur District Council and Worthing Borough Council Statement of Accounts for the financial year ended 31st March 2022 in appendix 1.
- To delegate to the Chairs of this Committee the ability to approve, if necessary, the amended final version of the accounts including any changes agreed with auditors as the audit is concluded; and
- To delegate to the Chairs of this Committee the ability to approve the letter of representation.

3. Context

- 3.1 The Accounts and Audit Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2021/22.
- 3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2021/22 draft accounts be certified by the 31st July 2022.
- 3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at the end of the financial year; and the Councils' income and expenditure for that year.
- 3.4 Following the approval of the statement of accounts in July 2022 by the CFO adjustments have been made for revised valuations of fair value assets which were not received in time to be included on the draft statement. The two sets of accounts have been audited which did reveal some disclosure and presentational errors, these have been corrected to ensure that the accounts presented are of a high standard. Changes identified, up to 13th March 2023, have been discussed, agreed and adjusted for within the sets of accounts circulated to members.
- 3.5 Currently there is still ongoing audit work relating to the property asset valuations, Ernst and Young have indicated that this work has been delayed due to resource issues and may not be completed by the committee date. At the time of writing this report the external Auditors Results Report and Letters of Representation have not yet been completed

for inclusion on the committee agenda. However, due to the impending publication of the triennial valuation of the pension fund to 31st March 2022 due in March 2023, any delay in finalising the reports beyond 31st March 2023 will have an implication of additional resource, time and cost. This is because accounting regulations state that the net defined benefit liability recorded in the accounts must not materially differ from the amounts that would be determined at the end of the reporting period. Therefore once the triennial valuation is published, as it covers the reporting period, both councils would be required to commission revised actuary reports to determine the difference and adjust the accounts if material.

- 3.6 It is proposed that Adur District Council and Worthing Borough Council's Statements of Accounts 2021/22 be approved by this Committee. It is also recommended that if there are any adjustments identified after the Committee meeting, the Chairpersons of the Committee will be briefed and asked to reapprove the accounts, in consultation with the Chief Financial Officer, on the Committee's behalf. This will enable the accounts to be signed off as quickly as possible. It is operationally critical that the accounts are signed off prior as close to the year end as possible. If the accounts are not approved and the audit work completed then the Councils will be faced with gaining additional assurance regarding the 'going concern' assessment.
- 3.7 Members of the committee will be updated and presented with final versions of the statement of accounts 2021/22, Audit Results Reports and Letters of Representation for both councils at the Joint Governance Committee meeting in May 2023.

4. Financial Implications

- 4.1 The two sets of Statements of Accounts reflect the 2021/22 outturn position and the transfers to and from reserves and carry forward of balances as reported in the 'Financial Performance 2021/22 - Revenue Outturn and Capital and Projects Outturn for Joint, Adur and Worthing' report which was approved by the Joint Strategic Committee at its meeting of 5th July, 2022.
- 4.2 **Reconciliation of 2021/22 Revenue Outturn to 2021/22 Comprehensive Income and Expenditure Accounts**

The difference between the Adur and the Worthing 2021/22 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following:

Adur District Council		2021/22
Final Outturn 2021/22	£'000	£'000
General Fund		9,624
HRA		850
Final 2021/22 Outturn Net Spend		10,474
Income from council tax and NDR	(8,165)	
Government grants and contributions not included in the outturn report	(5,592)	
Net income from taxation	(13,757)	(13,757)
Payments to MHCLG to the housing capital receipts pool	358	
Gain/loss on disposal and derecognition of assets	441	
Parish Council precepts	435	
Other Operating Expenditure not included in Outturn	1,234	1,234
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(2,314)
Net impact of accounting for pensions under IAS19		1,827
Revenue funded from capital under statute		1,278
Net depreciation, impairment and revaluations		6,042
Transfer to the Major Repairs Allowance		(4,416)
Capital grants applied to revenue		(1,125)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal		
Other adjustments		300
2021/22 Comprehensive Income and Expenditure - Surplus on provision of services		(457)

Worthing Borough Council		2021/22
	£'000	£'000
Final 2021/22 Outturn Net Spend		15,595
Income from council tax and NDR	(10,067)	
Government grants and contributions not included in the outturn report	(5,405)	
Capital grants and contributions	(10,263)	
Net income from taxation	(25,735)	(25,735)
Balance carried forward		(10,140)

Worthing Borough Council		2021/22
Balance brought forward		(10,140)
Gain/loss on disposal and derecognition of assets	2,275	
Other Operating Expenditure not included in Outturn	2,275	2,275
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(1,536)
Net impact of accounting for pensions under IAS19		1,934
Revenue funded from capital under statute		2,129
Net depreciation, impairment and revaluations		899
Capital grants credited to revenue		
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal		(3,736)
Cash sale proceeds credited to CIES as part of the gain/loss on disposa of assets.		2,706
		(558)
Capital expenditure charged against General Fund		(287)
Other minor adjustments		(258)
2021/22 Comprehensive Income and Expenditure - Deficit on provision of services		(6,572)

6.3 Movement in the Other Comprehensive Income and Expenditure values within the Comprehensive Income and Expenditure Statement.

The Other Comprehensive Income and Expenditure section of the core Comprehensive Income and Expenditure Statement has significant movement year on year due to the category of costs that it includes and their sensitivity to market conditions:

Adur District Council	2021/22	2020/21	Movement
	£'000	£'000	£'000
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(24,995)	(20,373)	(4,622)
Re-measurements of the Net Defined Pension Benefit Liability	(6,065)	147	(6,212)
Other Comprehensive Income and Expenditure	(31,060)	(20,226)	(10,834)

Worthing Borough Council	2021/22	2020/21	Movement
	£'000	£'000	£'000
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(3,985)	322	(4,307)
Re-measurements of the Net Defined Pension Benefit Liability	(7,709)	1,960	(9,669)
Other Comprehensive Income and Expenditure	(11,694)	2,282	(13,976)

Surplus or deficit arising on revaluation of property, plant and equipment – this reflects the upward or downward revaluation of the councils’ assets, net of any gains or losses that have been recognised within the Provision of Services. These values may vary considerably year to year depending on the valuations carried out by the independent valuer.

Re-measurements of the net defined pension benefit liability – this reflects the return on the pension scheme plan assets (excluding amounts included in net interest within Financing and Investment Income and Expenditure) and actuarial gains and losses. The actuarial gains and losses are the changes in the net pensions liability that arise because events have not coincided with assumptions made at the last valuation or because the actuaries have updated their assumptions. These returns and assumptions change annually and will reflect market activity and changes in future projections for inflation, mortality and scheme performance.

Finance Officer: Emma Thomas / Sarah Gobey

Date: 13th March 2023

5. Legal Implications

- 5.1 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, based on International Financial Reporting Standards (IFRS).
- 5.2 The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.

6. Publicity

- 6.1 Part 5 of the 2015 Regulations deals with the “Inspection and notice procedure”. As required Adur District Council and Worthing Borough Council gave notice by advertisement and on the respective websites of the matters set out in paragraph (2), regulation 15 of the 2015 regulations.

7. Conclusion

- 7.1 The Accounts and Audit Regulations 2015 place requirements on authorities in completing, approving and publishing their annual Statement of Accounts. Adur District Council and Worthing Borough Council have complied with these requirements.
- 7.2 Members’ are asked to approve the amended Adur District Council and Worthing Borough Council 2021/22 Statement of Accounts, as at the date of this meeting and authorise the Chairpersons to approve the final version of the two statements of accounts and sign the Letter of Representation. Publication will take place when the External Auditors have signed their opinion on the 2021/22 accounts.

Background Papers

Accounts and Audit (England) Regulations 2015

http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2021/22 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2021/22 Accounts

5th July 2021 Joint Strategic Committee – Financial Performance 2020/21 Revenue Outturn and Capital Projects Outturn

<https://democracy.adur-worthing.gov.uk/documents/g1714/Public%20reports%20pack%2005th-Jul-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

31st May 2022 Joint Governance Committee – “The Annual Governance Statements 2021/22” – review and approval

<https://democracy.adur-worthing.gov.uk/documents/g1705/Public%20reports%20pack%2031st-May-2022%2018.30%20Joint%20Audit%20and%20Governance%20Committee.pdf?T=10>

Officer Contact Details:-

Emma Thomas

Chief Accountant

01903 221232

emma.thomas@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The External Auditor's reports are publicly available documents and as such, the findings in the report have an impact on the Councils' reputations with regard to financial Governance.