

Report to Regulation, Audit and Accounts Committee

11 March 2024

Financial Statements 2023/24 – Plans and Progress

Director of Finance and Support Services

Summary

The legislative timetable for the production of the accounts requires that draft accounts are published by 31 May annually, with audited accounts to be approved by 30 September.

DLUHC launched a consultation on 8 February 2024, setting out various measures to address the audit backlog, which has resulted in the County Council accounts for 2022/23 not being audited. The consultation closes on 7 March 2024 and the Council is intending to respond to it. Additionally, CIPFA has indicated an intention to consult on some potential changes to the 2023/24 Code of Practice which could impact, at very short notice, on the Authority's accounting policies and practices. Subject to the finalisation of the DLUHC measures, EY have indicated that the Authority's 2022/23 accounts are likely to be subject to a disclaimed audit opinion. The remainder of this report provides an update on the preparations for the 2023/24 draft accounts.

For West Sussex County Council, the handbook and underlying project plan have been prepared to facilitate the production of draft 2023/24 accounts by 31 May 2024 deadline, although the impact of the outcome of the due CIPFA consultation is currently unknown and may impact on these timescales. A project plan has also been produced for the West Sussex Pension Fund, with draft accounts to be published by the 31 May 2024 deadline.

The accounts are prepared under the requirements of statute and accounting standards, which are consolidated into the Code of Practice on Local Authority Accounting. Officers' interpretation of these requirements is set out in the accounting policies. There is currently one change to the 2023/24 policies for West Sussex County Council relating to componentisation. The policies would usually be reviewed to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes. However, neither this nor the outcome of the Code Update consultation are currently available. There are no changes to the accounting policies for the Pension Fund.

Recommendations

The Committee is asked to:

- (1) Note the project plans for the County Council and Pension Fund accounts (Appendices A and B) and consider progress to date.

- (2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2023/24 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.
 - (3) Delegate authority to the Chairman to approve any amendments needed to the County Council accounting policies, following the outcome of the anticipated CIPFA Code of Practice consultation.
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Proposal

1 Introduction

- 1.1 This paper sets out the planning framework for closing the 2023/24 accounts for both West Sussex County Council and the West Sussex Pension Fund. It also presents a draft set of accounting policies for both the County Council and the Pension Fund accounts.

2 Planning Framework and Draft Accounting Policies

Planning Framework

- 2.1 The legislative timetable for the production of the accounts requires that draft accounts are published by 31 May annually, with audited accounts to be approved by 30 September.
- 2.2 The 2022/23 accounts were closed in line with the statutory deadline of 31 May 2023. A complete set of accounts for both the County Council and the Pension Fund were submitted to EY for audit on this date. It has been reported that only 30% of local authorities achieved the draft accounts publication deadline for 2022/23 and this included West Sussex County Council. The Council has suffered from the widespread issues in the audit market. A report by the Levelling Up, Housing and Communities Committee published in November 2023 confirmed that only 1% of audited local authority accounts were published by the September deadline.
- 2.3 EY have completed both the audit of West Sussex Pension Fund accounts for 2022/23 along with the County Council Value for Money audit for 2022/23. The audited Pension Fund accounts were considered by the Committee on 1 December 2023. However, the County Council 2022/23 financial statements have yet to be subject to an external audit.
- 2.4 DLUHC launched a consultation on 8 February 2024, setting out various measures to address the audit backlog, which has resulted in the County Council accounts for 2022/23 not being audited. Included in these proposals are a series of potential backstop dates, after which any outstanding audits would be closed with a qualification or disclaimer. The proposed backstop date for all historic audits up to and including 2022/23 is 30 September 2024. For 2023/24 audits the backstop date is proposed as 31 May 2025. Further backstop dates are then proposed through to 2027/28 inclusive, to align with the latest auditor appointment cycle. The consultation closes on 7 March 2024 and the Council will be submitting a response. The outcome of the consultation remains unknown at the time these papers were despatched for Committee. If there is any further update from DLUHC, this will be shared verbally at Committee. Additionally, CIPFA has indicated an intention to consult on some

potential changes to the 2023/24 Code of Practice which could impact, at very short notice, on the Authority's accounting policies and practices. It is expected the consultation will cover the following areas:

- extending the override for the valuation of infrastructure assets and disclosure requirements
- simplifying revaluation of operational property by the use of indexation
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets to align with those in FRS 102 rather than IFRS

- 2.5 Subject to the finalisation of the DLUHC measures, EY have indicated that the County Council's 2022/23 accounts are likely to be subject to a disclaimed audit opinion.
- 2.6 For West Sussex County Council, the handbook and underlying project plan have been prepared to facilitate the production of draft 2023/24 accounts by the May deadline, enabling the Council's scarce resources to be allocated, to identify a critical path and formally evaluate risks. It should be noted however, that the impact of the outcome of the due CIPFA consultation is currently unknown and may impact on the timeline. Whilst the statutory deadline was achieved last year, this was extremely challenging, and there are further complexities to consider this year in relation to the potential requirement for group accounts following activity in the Authority's property joint venture, Kinsted Developments.
- 2.7 A project plan has also been produced for the West Sussex Pension Fund, with draft accounts to be published by the 31 May 2024 deadline.
- 2.8 Members will have the opportunity to participate in a briefing session which will be arranged in July 2024 to walk through the financial statements for both the County Council and Pension Fund to help members gain a greater understanding of the accounts and the financial statements.
- 2.9 The external audit planning and interim visits for both the County Council and Pension Fund for 2023/24 audits have been scheduled to take place in March 2024. It is expected that both the County Council and Pension Fund audits will start in June 2024 and assumes that the audit will be concluded and reported to the September committee meeting.
- 2.10 The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below:

Figure 1: WSCC Closedown Milestones

Task	Due date
Letter of instruction issued to property valuers	27 October 2023
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	16 February 2024 (delayed – see section 3)
RAAC considers accounting policies (which may change subject to 2023/24 CIPFA Code of Practice consultation) and handbook	11 March 2024
Closedown timetable and guidance issued to practitioners	15 March 2024
Planned commencement of interim audit	March 2024
Service & consolidated capital monitors submitted for Outturn Performance & Resources Report (PRR)	17 April 2024
Outturn management accounts finalised	19 April 2024
Deadline for submission of school bank reconciliations	19 April 2024
Bruton Knowles provide final valuation report	19 April 2024
Anticipated receipt of IAS19 pensions actuary reports	19 April 2024
Member & Senior Officer Related Party survey deadline	26 April 2024
Anticipated receipt of HR establishment & bandings reports	30 April 2024
CIPFA 2023/24 Closedown Bulletin and 2024/25 Code of Practice due to be published	30 April 2024
Council Tax and Business Rates outturn collection funds required from billing authorities	30 April 2024
Fixed Asset Register “lockdown”	3 May 2024
Fixed Asset QA complete – disclosures handed over for financial statements	10 May 2024
Handover of financial instrument disclosures	10 May 2024
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2024
Executive Leadership Team considers Outturn PRR	16 May 2024
Ledger closed – no further transactions	17 May 2024
Complete draft Statement of Accounts (SoA) available for senior management QA	24 May 2024
Cabinet Briefing considers Outturn PRR	28 May 2024
CFO certifies draft SoA for publication on WSCC website & submission to EY	31 May 2024
Start of accounts inspection period	3 June 2024
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	21 June 2024
Finalisation of audit working paper file	21 June 2024
Commencement of County financial statements audit (TBC)	24 June 2024
Outturn PRR approved by Public Cabinet	25 June 2024
RAAC meeting - EY Audit Plan (TBC)	8 July 2024
End of accounts inspection period	12 July 2024
RAAC Member Briefing – walkthrough draft financial statements	July 2024 TBC
Submission of ‘Cycle 1’ draft Whole of Government Accounts	16 August 2024

Anticipated conclusion of financial statements audit – schedule of audit adjustments agreed with EY	23 August 2024
Submission of 'Cycle 2' final Whole of Government Accounts	13 September 2024
CFO authorises audited SoA for RAAC despatch	16 September 2024
EY despatches final Audit Results Report to RAAC	16 September 2024
RAAC approves audited SoA	25 September 2024 TBC
EY provides audit opinion	Late September TBC
Audited SoA published on website	30 September 2024

Figure 2: WSPF Closedown Milestones

Task	Due date
Complete quality assurance (QA) of SoA	24 May 2024
Director of Finance certifies draft SoA for publication & submission to EY	31 May 2024
Deadline for publication of draft SoA	31 May 2024
Ensure that individual electronic working papers are complete in accordance with the agreed protocol with EY, signed off by the Lead Reviewer	7 June 2024
Submission of draft SoA and working papers to EY and audit commences	June 2024 TBC
Completion of EY audit work within advised fee scale	TBC
Consideration of final SoA by RAAC	25 September 2024 TBC
Provision of an unqualified audit certificate following meeting of RAAC	Late September TBC
Publication of audited SoA on website	30 September 2024

- 2.11 Attention is drawn to the County Council and the Pension Fund risk registers which are attached as an annex to the respective project plans. For the County Council, five risks have been identified, four of which are red and one is amber, and mitigations are in place for each of them. Six risks have been identified for the Pension Fund; of which two are red and four are amber, and again mitigations are in place for each.

Accounting Policies

- 2.12 It is good practice to present the accounting policies to those charged with governance. The accounting policies for both the County Council and the West Sussex Pension Fund are attached as Appendices Ci and Cii.

- 2.13 There is currently only one amendment proposed to the accounting policies for the County Council for 2022/23. The proposal is to revise the accounting policy for Property, Plant and Equipment in relation to componentisation. Previously, the Authority's policy has been to apportion the value attributed to its operational building assets with a gross carrying value in excess of £10m across a standardised set of components, and depreciate each component accordingly. However, the CIPFA Code of Practice on Local Authority Accounting ('the Code') requires assets to be componentised only to the extent that this has a material impact on in-year and cumulative depreciation charges. Owing to the Authority's approach to property revaluation, including biennial revaluations of high-value assets and the routine application of indexation, it can be demonstrated that the componentisation of assets over £10m does not have a material impact on cumulative depreciation charges. The Authority therefore proposes to remove the requirement to componentise building assets with a carrying value in excess of £10m from its accounting policies, and replace this with a more generic reference to depreciate major components separately subject to materiality to align more closely with both the example accounting policies contained in the Code Guidance Notes and those of neighbouring upper tier authorities.
- 2.14 The wider review of the accounting policies has been limited by both the delayed publication of CIPFA's 2023/24 Code Guidance Notes (which typically includes a set of example accounting policies reflecting the latest Code requirements and which can therefore be reviewed against) and the absence of any 2022/23 audit findings to amend for. No further changes to the accounting policies for 2023/24 are therefore currently proposed. It should however be noted that, as referenced elsewhere in this report, CIPFA is expected to consult imminently on a Code Update as part of the measures to address the national audit backlog. It is anticipated that this consultation will propose to revise on a temporary basis the Code's requirements in relation to the valuation of operational land and buildings and the disclosure of pension fund assets and liabilities. As such, it may be necessary for the Authority to revise its accounting policies for 2023/24 once the outcome of CIPFA's consultation is known.
- 2.15 There are no significant changes to the Pension Fund accounting policies, although the opportunity has been taken to review the wording for clarity.

3 Finance

- 3.1 The accounting policies determine the detailed application of accounting standards, and thus the basis on which the accounts are prepared. Approval of policies inconsistent with the Code of Accounting Practice risks additional audit time and fees, as well as reputational damage. The risks included on the risk register, if not mitigated, may also lead to additional audit time and cost.

4 Risk implications and mitigations

- 4.1 The project plans include an analysis of the main risks and mitigating actions.

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Appendices

Appendix A – WSCC Project Management Handbook

Appendix B – WSPF Project Management Handbook

Appendix Ci – WSCC Accounting Policies

Appendix Cii – WSPF Accounting Policies

Background Papers

None