



## Communities Directorate

16 September 2016

**Joint Governance Committee  
6.30pm on Tuesday 27 September 2016  
Queen Elizabeth II Room, Shoreham Centre,  
Shoreham-by-Sea**

**Adur District Council:** Councillors George Barton (Chairman), Jim Funnell, Carol Albury, Ken Bishop, Kevin Boram, Paul Graysmark, Emily Hilditch and Barry Mear

**Worthing Borough Council:** Councillors Elizabeth Sparkes (Chairman), Paul Yallop, Paul Baker, Joan Bradley, Alex Harman, Lionel Harman, Steve Wills and Mark Withers

### Agenda

<b>Part A</b>	<b>Page No.</b>
<b>1. Declarations of Interest</b>	-
<p>Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.</p> <p>If in doubt contact the Legal or Democratic Services representative for this meeting.</p>	
<b>2. Minutes</b>	-
<p>To approve the minutes of the Joint Governance Committee meeting held on 7 June 2016, copies of which have been previously circulated.</p>	

<b>3.</b>	<b>Public Question Time</b>	-
	To receive any questions from members of the public.	
	<i>(Note: Public Question Time will operate for a maximum of 30 minutes.)</i>	
<b>4.</b>	<b>Items Raised Under Urgency Provisions</b>	-
	To consider any items the Chairman of the meeting considers to be urgent.	
<b>5.</b>	<b>Statement of Accounts 2015/16 for Adur District Council and Worthing Borough Council</b>	5
	To consider a report by the Chief Financial Officer, copy attached as item 5.	
<b>6.</b>	<b>Audit Results Reports for Adur District Council and Worthing Borough Council</b>	303
	To consider a report by the External Auditors, copy attached as item 6.	
<b>7.</b>	<b>Annual Treasury Management Report 2015/16 for Adur District Council and Worthing Borough Council</b>	357
	To consider a report by the Chief Financial Officer, copy attached as item 7.	
<b>8.</b>	<b>Internal Audit Progress Report</b>	381
	To consider a report by the Acting Head of Internal Audit, copy attached as item 8.	
<b>9.</b>	<b>Disaster Recovery Provisions</b>	395
	To consider a report by the Director for Digital and Resources, copy attached as item 9.	
<b>10.</b>	<b>Risk and Opportunity Management</b>	403
	To consider a report by the Director for Digital and Resources, copy attached as item 10.	

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|----------------------------------------------------------------------------------------------------------------------|-----|
| <b>11. Complaints Monitoring (including LGO annual monitoring report)</b>                                            | 407 |
| To consider a report by the Director for Customer Service, copy attached as item 11.                                 |     |
| <b>12. Appointment of Honorary Alderman or Alderwoman under Section 249 (1) of the Local Government Act 1972</b>     | 429 |
| To consider a report by the Director for Communities, copy attached as item 12.                                      |     |
| <b>13. Joint Independent Remuneration Panel Report on the Scheme of Members Allowances for Adur District Council</b> | 439 |
| To consider a report by the Director for Communities, copy attached as item 13.                                      |     |

**Part B - Not for Publication – Exempt Information Reports**

None.

**Recording of this meeting**

The Council will be voice recording the meeting, including public question time. The recording will be available on the Council’s website as soon as practicable after the meeting. The Council will not record any discussions in Part B of the agenda where the press and public have been excluded.

For Democratic Services enquiries relating to this meeting please contact:

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The agenda and reports are available on the Councils website, please visit [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)



**STATEMENT OF ACCOUNTS 2015/16 FOR ADUR DISTRICT COUNCIL  
AND WORTHING BOROUGH COUNCIL**

**REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER**

**1.0 SUMMARY**

1.1 The audits of Adur District Council's and Worthing Borough Council's 2015/16 Statements of Accounts are complete. The External Auditor's Report to those Charged with Governance (ISA 260), elsewhere on the agenda, contains the External Auditor's recommendations and the "Key Message" section of this report summarises the findings arising from their audit. At the time of going to print, there are no qualification issues to report. The 2015/16 financial statements have been adjusted in respect of the External Auditor's findings as at 16th September 2016. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2016 and the letters of representation which are attached as appendix 1

**2.0 BACKGROUND**

2.1 The Accounts and Audit (England) Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2015/16.

2.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the draft accounts be certified by the 30<sup>th</sup> June 2016.

2.3 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.

2.3 Following the approval of the statement of accounts in September 2016, the two sets of accounts have been audited. The audit has revealed some disclosure, presentational and other errors, which required correction to ensure that the accounts presented are of a high standard. The changes identified, up to 16<sup>th</sup> September 2016, have been discussed, agreed and adjusted for, within the sets of accounts circulated to members. Any significant amendments affecting the certification agreed after 16<sup>th</sup> September 2016 will be amalgamated into the two sets of accounts before publication. All the Auditor's findings identified to date are contained in the Auditor's 2015/16 External Auditor's Report on the Audit Results (ISA 260), elsewhere on this agenda.

### **3.0 AGREED AMENDMENTS TO THE 2014/15 STATEMENT OF ACCOUNTS**

- 3.1 As the External Auditor's Report on the Audit Results (ISA 260) (elsewhere on this agenda) explains, there are no qualification issues arising from the audit of the two sets of 2015/16 Statement of Accounts to report.
- 3.2 It is proposed that the Adur District Council and Worthing Borough Council Statements of Accounts 2015/16 be approved by this Committee. The audit may not be completely finalised by the date of this meeting. However, it must be completed by the 30<sup>th</sup> September 2015.
- 3.3 Due to the publishing timetable requirement for this Committee it may be necessary to issue a final version of the External Auditor's report, if this does occur the Report will be represented to Committee at the next meeting.
- 3.4 There are no unadjusted items this year for either of the statements of accounts at the time of drafting this report,

### **4.0 ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Committee will be aware that approval was given to the draft Annual Governance Statements for 2015/16 at its meeting on the 7<sup>th</sup> June 2016. Following the approval the External Auditor's have conducted their review of the Statements as part of the annual audit of accounts. These have now been incorporated into the Statement of Accounts prior to publication.

### **5.0 LEGAL**

- 5.1 The three sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit (England) Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, based on International Financial Reporting Standards (IFRS).

### **6.0 FINANCIAL IMPLICATIONS**

- 6.1 The two sets of Statements of Accounts reflect the 2015/16 outturn position, the transfers to and from reserves and carry forward of balances, in the '*Revenue and Capital Outturn for Joint, Adur and Worthing 2015/16*' approved by the Joint Strategic Committee at its meeting of 13<sup>th</sup> July, 2016.

## 6.0 FINANCIAL IMPLICATIONS

### 6.2 Reconciliation of 2015/16 Revenue Outturn to 2015/16 Comprehensive Income and Expenditure Accounts

The difference between the Adur and the Worthing 2015/16 Revenue Outturn and the Comprehensive Income & Expenditure Account is made up of the following:

Adur District Council		2015/16
	<b>£'000</b>	<b>£'000</b>
Outturn 2015/16		
General Fund		9,375
HRA		(104)
Reported 2015/16 Outturn Net Spend		9,479
Income from council tax and NDR	(7,618)	
Government Grants and Contributions not included in outturn report	(2,303)	
Net income from Taxation	(9,921)	(9,921)
Payments to DCLG for housing capital receipts pool	599	
Gain/loss on disposal and de-recognition of assets	2,534	
Parish Council Precepts	365	
Other Operating Expenditure not included in Outturn	3,498	3,498
<b>Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis</b>		
MRP and HRA set aside included in outturn and not included in Comprehensive I&E Statement		(2,435)
Net impact of accounting for pensions under IAS19		685
Revenue funded from capital under statute		537
Net depreciation, impairment, and revaluations		11,289
Transfer to the Major Repairs Allowance		(2,269)
HRA – Reserve movements included in the HRA outturn		(347)
Other minor adjustments		56
<b>2015/16 Comprehensive Income and Expenditure - Deficit on provision of services</b>		<b>10,572</b>

## 6.0 FINANCIAL IMPLICATIONS

Worthing Borough Council		2015/16
	<b>£'000</b>	<b>£'000</b>
Reported 2015/16 Outturn Net Spend		13,002
Income from council tax and NDR	(10,122)	
Government Grants and Contributions not included in the outturn	(5,336)	
Net income from Taxation	(15,458)	(15,458)
Gain/loss on disposal and de-recognition of assets	32	
Other Operating Expenditure not included in Outturn	32	32
<b>Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis</b>		
MRP and HRA set aside included in outturn and not included in Comprehensive I&E Statement		(931)
Net impact of accounting for pensions under IAS19		(293)
Revenue funded from capital under statute		820
Net depreciation, impairment, and revaluations		(1,768)
Other minor adjustments		31
<b>2015/16 Comprehensive Income and Expenditure - Deficit on provision of services</b>		<b>(4,565)</b>

## 7.0 PUBLICITY

7.1 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.

## 8.0 LEGAL IMPLICATION

8.1 The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.

## 9.0 CONCLUSION

9.1 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.



## 9.0 CONCLUSION

9.2 Members' are asked to approve the amended Adur District Council and Worthing Borough Council 2015/16 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. Publication will take place when the External Auditors have signed their opinion on the 2015/16 accounts and the audit has been concluded.

## 10.0 RECOMMENDATIONS

10.1 The Committee is recommended to:

- approve the amended Adur District Council and Worthing Borough Council Statements of Accounts for the financial year ended the 31st March, 2016, attached and
- agree the letters of representation at Appendix 1 which will be signed by the Joint Chairmen of the Joint Governance Committee.

### Local Government Act 1972 Background Papers:

Accounts and Audit (England) Regulations 2015  
[http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf)

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2015/16 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2015/16 Accounts

2015/16 External Auditor's Report to those Charged with Governance (ISA 260)

13<sup>th</sup> July 2016 Joint Strategic Committee – “Joint Revenue Outturn 2014/15”  
<http://www.adur-worthing.gov.uk/media/media,140519,en.pdf>

7<sup>th</sup> June 2016 Joint Governance Committee – “The Annual Governance Statements 2015/16 – review and approval”  
<http://www.adur-worthing.gov.uk/media/media,140060,en.pdf>

### Contact Officer:

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Title: Chief Financial Officer  
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Telephone number: 01903 221221  
e-Mail address: [sarah\\_gobey@adur-worthing.gov.uk](mailto:sarah_gobey@adur-worthing.gov.uk)

## SCHEDULE OF OTHER MATTERS

### 1.0 COUNCIL PRIORITY

Matter considered and no issues identified

### 2.0 SPECIFIC ACTION PLANS

2.1 Matter considered and no issues identified

### 3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

### 4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified

### 5.0 COMMUNITY SAFETY ISSUES (SECTION 17)

5.1 Matter considered and no issues identified

### 6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

### 7.0 REPUTATION

7.1 The External Auditor's Audit Results Report – ISA (UK and Ireland) 260 is a publicly available document and as such the findings on the report have an impact on the Councils reputation with regard to financial Governance.

### 8.0 CONSULTATIONS

8.1 Matter considered and no issues identified

### 9.0 RISK ASSESSMENT

9.1 Matter considered and no issues identified

### 10.0 HEALTH & SAFETY ISSUES

10.1 Matter considered and no issues identified

### 11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

### 12.0 PARTNERSHIP WORKING

12.1 The accounts of the constituent authorities contains details of the Adur and Worthing partnership.

## **ATTACHMENTS**

Adur District Council 2015/16 Statement of Accounts (including the Annual Governance Statement)

Worthing Borough Council 2015/16 Statement of Accounts (including the Annual Governance Statement)



Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

Our Ref: SG 15-Sep-16/GP/  
Your Ref:

Thursday, 15 September 2016

Dear Mr. Rohimun,

**ADUR DISTRICT COUNCIL – AUDIT FOR THE YEAR ENDED 31 MARCH 2016**

This letter of representations is provided in connection with your audit of the financial statements of Adur District Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

## **A. FINANCIAL STATEMENTS AND FINANCIAL RECORDS**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

## **B. FRAUD**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**B. FRAUD**

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

**C. COMPLIANCE WITH LAWS AND REGULATIONS**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**D. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS**

3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**E. LIABILITIES AND CONTINGENCIES**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.



Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**E. LIABILITIES AND CONTINGENCIES**

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

**F. SUBSEQUENT EVENTS**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**G. USE OF THE WORK OF A SPECIALIST**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

**H. ACCOUNTING ESTIMATES**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

#### **H. ACCOUNTING ESTIMATES**

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **I. RETIREMENT BENEFITS**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **SIGNED ON BEHALF OF ADUR DISTRICT COUNCIL**

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 27 September 2016

Yours sincerely,

Signed SARAH GOBEY  
Chief Financial Officer  
Email: [sarah.gobey@adur-worthing.gov.uk](mailto:sarah.gobey@adur-worthing.gov.uk)  
Direct Dialling No: (01903) 221221

I confirm that this letter has been discussed and agreed at the Joint Governance Committee on 27 September 2016.

Signed: COUNCILLOR GEORGE BARTON  
Chairman of Joint Governance Committee

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

Our Ref: SG 15-Sep-16/GP/  
Your Ref:

Thursday, 15 September 2016

Dear Mr. Rohimun,

**WORTHING BOROUGH COUNCIL – AUDIT FOR THE YEAR ENDED 31 MARCH 2016**

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Worthing Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

## **A. FINANCIAL STATEMENTS AND FINANCIAL RECORDS**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

## **B. FRAUD**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**B. FRAUD**

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

**C. COMPLIANCE WITH LAWS AND REGULATIONS**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**D. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS**

3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**E. LIABILITIES AND CONTINGENCIES**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

**E. LIABILITIES AND CONTINGENCIES**

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

**F. SUBSEQUENT EVENTS**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**G. USE OF THE WORK OF A SPECIALIST**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

**H. ACCOUNTING ESTIMATES**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

Hassan Rohimun  
Executive Director  
Ernst and Young LLP  
Wessex House,  
19 Threefield Lane,  
SOUTHAMPTON SO14 3QB

#### **H. ACCOUNTING ESTIMATES**

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **I. RETIREMENT BENEFITS**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **SIGNED ON BEHALF OF WORTHING BOROUGH COUNCIL**

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 27 September 2016

Yours sincerely,

Signed SARAH GOBEY  
Chief Financial Officer  
Email: [sarah.gobey@adur-worthing.gov.uk](mailto:sarah.gobey@adur-worthing.gov.uk)  
Direct Dialling No: (01903) 221221

I confirm that this letter has been discussed and agreed at the Joint Governance Committee on 27 September 2016.

Signed: COUNCILLOR ELIZABETH SPARKES  
Chairman of Joint Governance Committee



Adur  
District  
Council



***Statement of  
Accounts  
2015/2016***

**A D U R   D I S T R I C T   C O U N C I L**

**S T A T E M E N T   O F   A C C O U N T S**

**for the year ended 31st March, 2016**

**C O N T E N T S**

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## **NARRATIVE REPORT**

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### ***INTRODUCTION***

This Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA). It aims to provide information to our residents, Council Members, partners, stakeholders and other interested parties so that they can:

- Understand the financial position of the Council in 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- Be assured that the overall position of the Council is sound and secure.

This is the narrative report to the Statement of Accounts for the year ended 31 March 2016. This is a new requirement which was introduced as part of the 2015 Accounts and Audit Regulations. The narrative report provides information about Adur, including any key issues which affect the Council and its accounts. It provides a summary of the financial position as at 31<sup>st</sup> March 2016 and is structured as below:

- Introduction To Adur District Council
- Key facts about Adur District Council
- Key information about the Council
- The 2015/16 revenue budget process and medium term financial plan
- Financial Overview of the Council 2015/16
  - \* Revenue spend in 2015/16
  - \* Capital strategy and Capital Programme 2015/16 to 2017/18
- Non-financial achievements of the Council 2015/16
- Corporate risks
- Summary position

This is followed by an explanation of the Financial Statements

### ***AN INTRODUCTION TO ADUR DISTRICT COUNCIL***

Adur District Council is one of seven Local Authorities in West Sussex. It lies on the South coast and cover an areas of approximately 41.8 km<sup>2</sup> . The council shares its boundaries with Brighton and Hove City Council to the east, Worthing Borough Council to the west, and Horsham District Council to the north. It is located at the foot of the South Downs at the southern edge of South Downs Nation Park.

## NARRATIVE REPORT

### **KEY FACTS ABOUT ADUR**

#### **Population:**

Adur has a population of approximately 63,430 according to the Office of National Statistics with an age profile of:

<b>Age range</b>	<b>Adur District Council</b>	<b>Nationally</b>
0 - 19	22.26%	23.69%
20 - 64	54.56%	58.45%
66 - 90+	23.18%	17.86%

There are 2,215 businesses within the area. Business rate income was £19.2m in 2015/16 of which the Council keeps £1.7m (8.8%). 10% of the income is paid to the County Council with the remainder paid to Government.

### **KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL**

Adur District Council is a large complex organisation offering a wide range of services to its residents. Its policies are directed by the Political Leadership and implemented by the Council Leadership Team and Officers of the Council. The following section describes the political and management structures of the Council.

#### **Political Structure in the 2015/16 Municipal Year**

Adur has 29 Councillors representing 14 wards. In 2015/16 the political make-up of the Council was:

<b>Conservative Party</b>	20 Councillors
<b>UK Independent Party</b>	6 Councillors
<b>Independent</b>	2 Councillors
<b>Labour</b>	1 Councillor

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of portfolio responsibilities and the delegation of Executive Functions. Scrutiny of the Executive decision for 2015/16, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Neil Parkin.

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## NARRATIVE REPORT

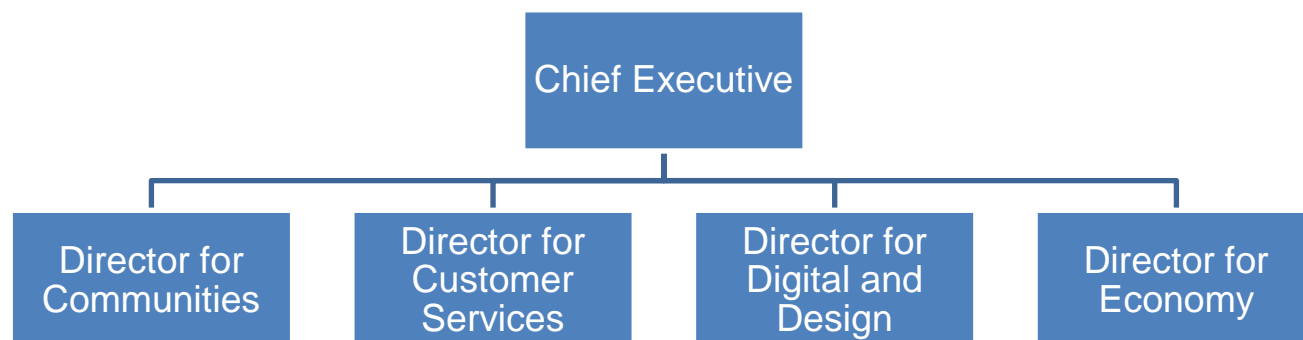
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### **KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL**

#### **Management Structure**

Supporting the work of the Councillors is the organisational structure of the Council headed by the Corporate Leadership Team led by the Chief Executive, Mr Alex Bailey.



#### **Council plans and monitoring commitments**

The joint strategic agenda for Adur and Worthing Councils were set out in “Catching The Wave”, in 2014. The harmonised prioritised outcomes for Adur and Worthing Councils, evolving from this agenda are contained in “*Surf’s Up*” (a 24 month programme of activity approved by the Joint Strategic Committee on 2 December 2014).

*Surf’s Up* contains around 40 different prioritised outcomes (framed as commitments) designed to guide the Councils between 2015 and 2017. These high level priorities are reviewed every six months by Elected Members.

The commitments are divided among the 3 ‘Wave Catchers’ (*Supporting Wealth Generators*, *Cultivating Enterprising Communities* and *Becoming Adaptive Councils and Systems*) and the fourth strand, ‘Waxing the Board’, - contains action points in order to be ‘fit for purpose’ and deliver the Councils’ agenda

The full list of commitments can be found on the following pages within “*Surf’s Up*”.

- **Supporting Wealth Generators** - the full list of commitments made to the Adur and Worthing communities by the directorate for the economy can be seen on page 24 – 29
- **Cultivating Enterprising Communities** - the full list of commitments made to the Adur and Worthing communities by the directorate for communities can be seen on pages 30 – 34
- **Becoming Adaptive Councils** - the full list of commitments made to the Adur and Worthing communities by the directorate for communities can be seen on pages 35 – 38
- **Waxing the Board** The full list of these ‘must do’s’ can be seen on pages 39 – 40

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## NARRATIVE REPORT

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### **KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL**

#### **Council plans and monitoring commitments**

The Councils have developed “realtime” progress tracking against the commitments which can be accessed through the Trello board [https://trello.com/b/PqFkkv3q/surf s up monitoring report](https://trello.com/b/PqFkkv3q/surf-s-up-monitoring-report) - <https://trello.com/b/PqFkkv3q/surf-s-up-monitoring-report> . Trello is a free App that the Councils have started to use to move from the “static snapshot” reporting (which rapidly becomes out of date) to something that links to data in real time and to the individuals or teams with accountability for delivery. The Trello board has a column for each of the 3 Wave Catchers and Waxing the Board. Within each of the columns, the commitments are listed, containing activities with progress labels against each activity – green, amber red.

The “Surf’s Up” programme (and commitments) can be found - <http://www.adur-worthing.gov.uk/catching-the-wave-and-surfs-up/>

Surf’s Up monitoring reports to JSC in 2015/16 may be viewed at:

Joint Strategic Committee report 7 July 2015 (6 month progress update)  
<http://www.adurworthing.gov.uk/media/media,134733,en.pdf>

Joint Strategic Committee report 5 January 2016 - *The “Surf’s Up” Programme a 12 month update report* - <http://www.adur-worthing.gov.uk/media/media,137711,en.pdf>

#### **Working in partnership**

Government initiatives have placed great emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District and Worthing Borough Councils are part of an innovative partnership arrangement.

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net cost of services of £23.9m. The shared services are managed via a Joint Committee. This Joint Committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:-

- The Joint Strategic Committee has a separate budget.
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled.
- The joint budgets/expenditure are recharged back to Adur and Worthing Councils.

### **THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

#### **Revenue Budget 2015/16**

The budget strategy for 2015/16 was compiled in the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government settlement.

## NARRATIVE REPORT

### ***THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)***

#### **Revenue Budget 2015/16**

In addition to the national context, the Adur District Council budget strategy has taken account of pressures and risks such as:

- inflation, the largest source of cost pressure
- income generated by the Council may be affected by lack of demand;
- withdrawal of funding by partners, potentially losing funding for key priorities;

The Council has a working balance and other earmarked reserves to help mitigate these risks.

Both councils agreed a budget strategy to meet this challenge in 2015/16 through 3 major work streams – major service reviews, efficiency reviews and base budget reviews.

As a result significant savings of £524,000 were identified as part of the 2015/16 budget round and the Council set a balanced budget in February 2015.

#### **Council Tax**

The Council chose again to freeze Council Tax for 2015/16 and take advantage of the Council Tax Freeze Grant offered by Government.

The comparison of the average Band D Council Tax charged in the area is shown below:

Band D Council Tax	2013/14	2014/15	2015/16
	£	£	£
Adur District Council	262.08	259.02	259.02
West Sussex County Council	1,161.99	1,161.99	1,161.99
Sussex Police and Crime Commissioner	138.42	141.12	143.91
	1,562.49	1,562.13	1,564.92
Parish precepts and other adjustments:			
Lancing Parish Council	47.79	48.15	46.89
Sompting Parish Council	31.77	31.50	30.87
Special Expenses (charged in all areas except Lancing Parish Council)	17.28	17.55	17.82

#### **Council Tax base**

The Council Tax base for 2015/16 was 20,155.6 which was an increase on the previous year's number of Band D equivalents of 457.8. This in part reflects the Council's support for local house building and economic regeneration.

Band D Council Tax	2013/14	2014/15	2015/16
	£	£	£
Number of Band D equivalent dwellings	19,680.70	19,697.8	20,155.6

## NARRATIVE REPORT

### **THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

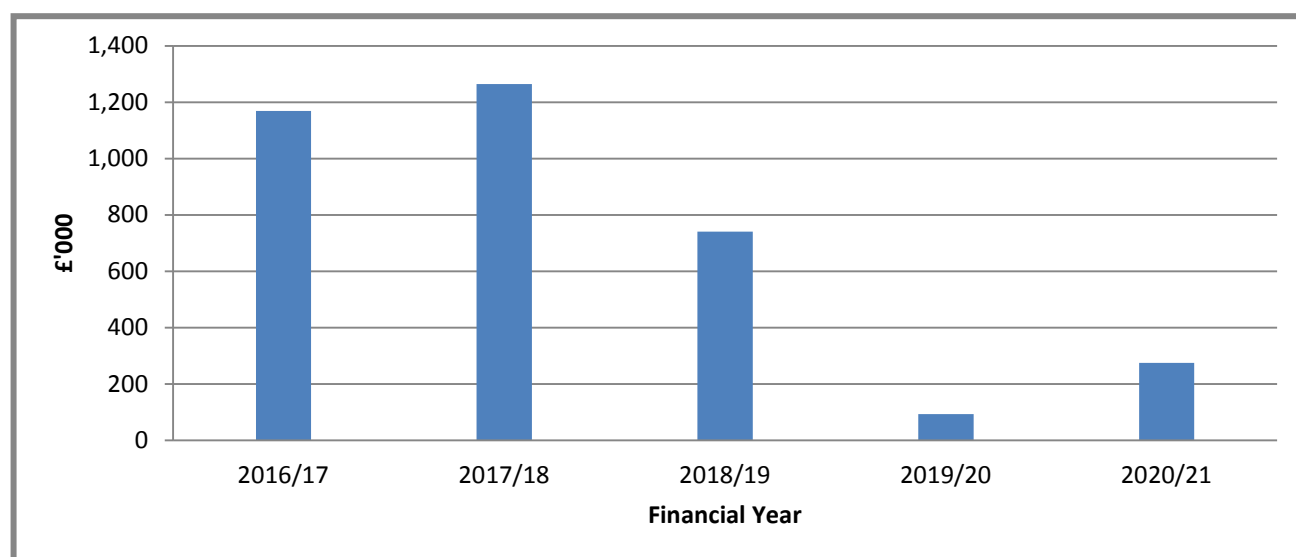
#### **Budget Strategy for 2016/17 to 2019/20**

In preparing the budget strategy for 2016/17 to 2019/20, the aim was to deliver the council's priorities outlined in 'Surf's up'. The forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges, The budget strategy for the forthcoming 2016/17 budget was approved by Council on 23<sup>rd</sup> July 2015 and it set the strategic direction to address the significant challenges not only for 2016/17 but onwards

The fall in government funding included in the forecasts highlighted that the Council needs to:

1. Transform services through the use of digital technology;
2. Invest in new property to generate income for the Council in the future;
3. Expand commercial activity

The Council will need to find significant budget reductions over the five years as follows:



Further details around the most recent forecasts for both councils are contained in the "Outline Forecast 2016/17 To 2020/21 And Budget Strategy", which was reported to 7<sup>th</sup> July 2015 Joint Strategic Committee.

The link for this report is <http://www.adur-worthing.gov.uk/media/media,134736,en.pdf>  
<http://www.adur-worthing.gov.uk/media/media,125629,en.pdf>

#### **Budget monitoring**

Revenue and capital monitoring information is presented to the Executive four times a year. Any areas of concern are the subject to detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.



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## NARRATIVE REPORT

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### ***FINANCIAL OVERVIEW***

A comprehensive summary of the financial performance of the Partnership authorities – Adur District Council, Worthing Borough Council and the Joint Strategic Committee – is contained in the 13th July 2016 Joint Strategic Committee reports “Joint Revenue Outturn 2015/16” and the “Capital and Projects Outturn for Joint, Adur and Worthing 2016/17”. These are available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

### ***SUMMARY OF REVENUE SPEND***

A more detailed summary of the Council's financial results for 2015/16 is given on the following pages but a brief outline of what we planned to spend and what we actually spent is given below.

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. The current economic recession has impacted on income streams for the Council. In 2015/16 Adur District Council reported an underspend of £139,270 against a budget of £9,605,860.

The most significant items which contributed to the position were as follows:

	<b>£'000</b>
Treasury Management:	
Change to Minimum Revenue Policy	-277
Shortfall in investment income	96
Overspend on ICT and telephony	91
Additional income for planning services	-50

Where such items were identified when the 2015/16 budget was being prepared, an allowance for any impact on the future years was built into the budget.

In spite of a difficult year from a financial perspective, the Council has maintained and improved services and delivered on major capital investments whilst containing revenue spend within the approved budgets.

## NARRATIVE REPORT

### **SUMMARY OF REVENUE SPEND**

How the money was spent and how services were funded

SUMMARY FINAL REVENUE OUTTURN			
CABINET MEMBER PORTFOLIOS	CURRENT ESTIMATE 2015/16	OUTTURN 2015/16	UNDER/ OVERSPEND
	£000s	£000s	£000s
CM for Environment	3,154	2,932	(222)
CM for Health & Wellbeing	1,215	1,086	(129)
CM for Customer Services	1,094	1,163	69
Leader	666	629	(37)
CM for Regeneration	1,767	1,864	97
CM for Resources	2,000	2,627	627
Support Service Holding Accounts	611	2	(609)
<b>TOTAL CABINET MEMBERS</b>	<b>10,507</b>	<b>10,303</b>	<b>(204)</b>
Credit Back Depreciation	(1,403)	(1,497)	(94)
Minimum Revenue Provision	996	718	(278)
Additional Non Ring Fenced Grants	-	(152)	(152)
Financial Instrument Adjustment	-	2	2
	<b>10,100</b>	<b>9,374</b>	<b>(726)</b>
<b>Transfer to/from reserves:</b>			
Contribution to/from reserves	(495)	360	855
<b>Overspend transferred from Working Balance</b>	-	(129)	<b>(129)</b>
<b>Total Budget requirement before External Support from Government</b>	<b>9,605</b>	<b>9,605</b>	<b>-</b>

A reconciliation between the revenue spend for 2015/16 and the Comprehensive Expenditure and Income statement can be found in Note 29.

### **Funding from Central Government Support**

The Council's share of Revenue Support Grant is £1.35m for the financial year 2015/16.

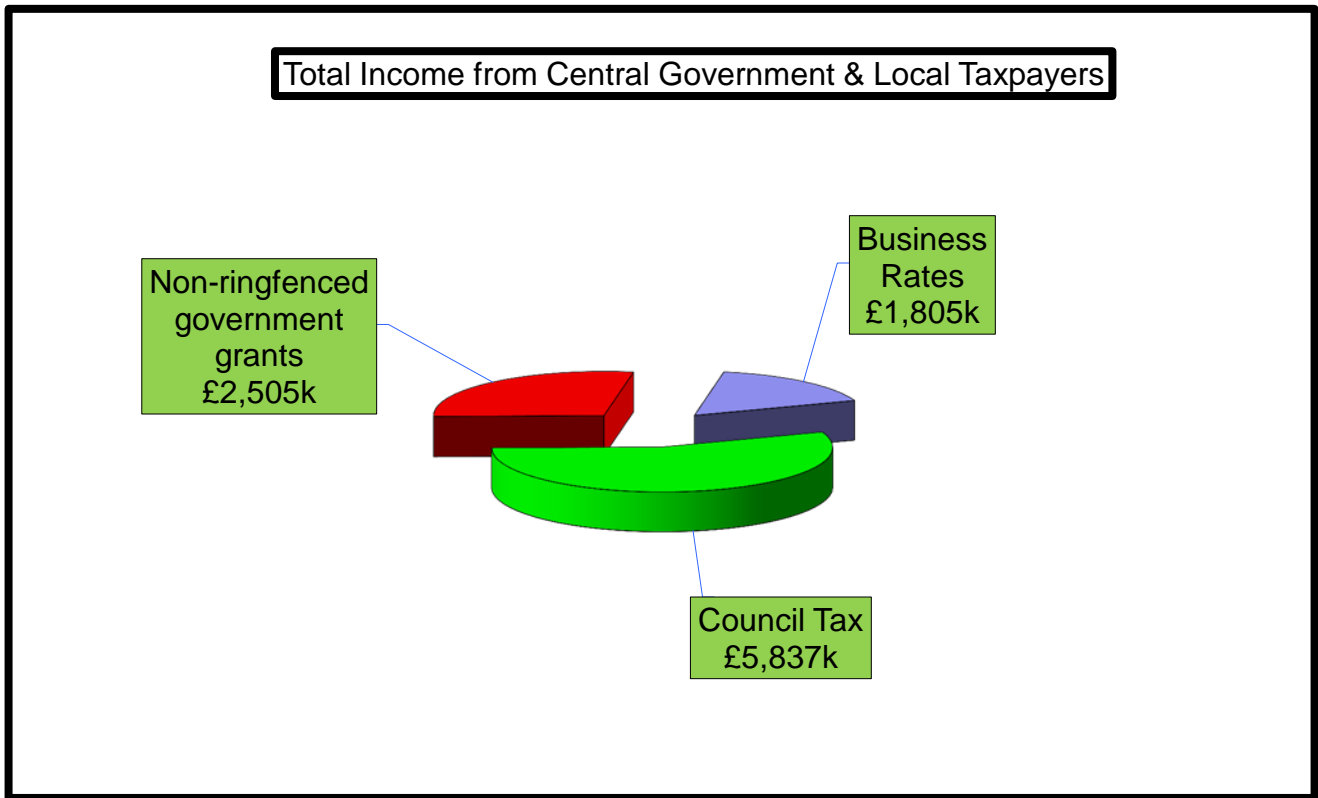
# NARRATIVE REPORT

## SUMMARY OF REVENUE SPEND

### Funding from Local Taxpayers

The Council collected £32.635m of Council Tax relating to 2015/16, this represented 97.76% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.93%, Sussex Police & Crime Commissioner 9.12% and Adur District Council 17.21%.

The Council also collects non-domestic rates from local businesses. In 2013/14 the government introduced a business rate retention scheme which changed how business rates are administered nationally. Of the £19.25m collected, after allowing for exemptions, reliefs and provisions, the Council keeps 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.



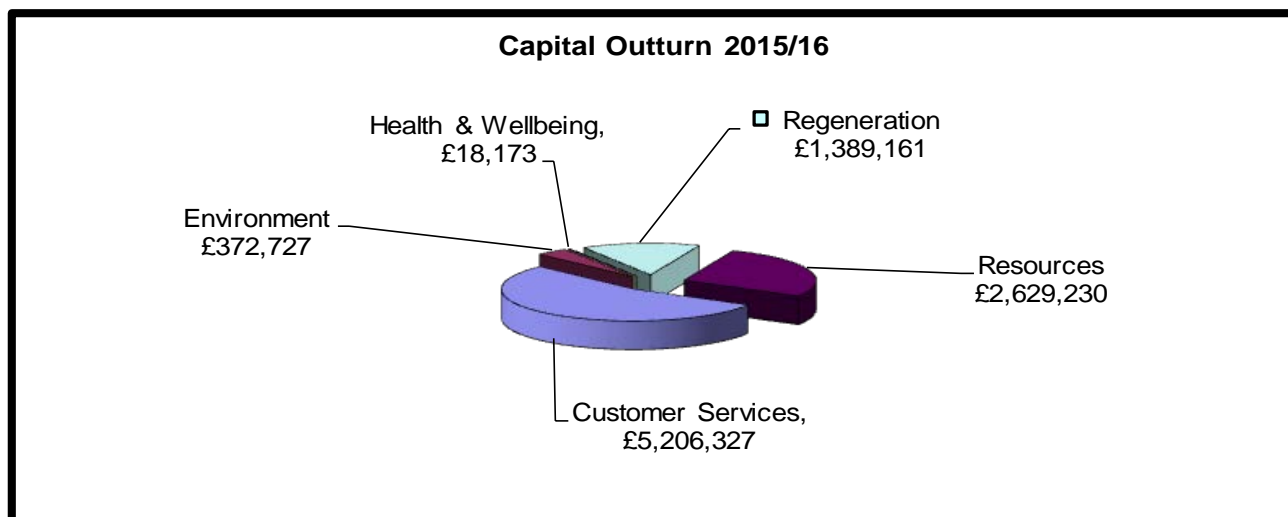
\* Net of budgeted Collection Fund surplus/deficit.

From 2015/16, the Council is participating in a business rate pool with neighbouring Councils. This enables the area to retain £2.1m of business rate income to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

## NARRATIVE REPORT

### SUMMARY OF CAPITAL SPEND

Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme.



The capital investment programme for all Adur Portfolios was originally estimated at £9,411,170. Subsequent approvals and re-profiling of budgets to 2015/16 produced a total current budget of £9,165,150. Actual expenditure in the year totalled £9,615,618, an increase of £450,468 on the current estimate, comprising of slippage of £249,610 and budget brought forward from 2016/17 £765,630 and a net underspend of £65,552. The major factors contributing to the re-profiling and slippage were:

1. Schemes where the Council does not have direct control over the scheme progress. For example where the scheme is managed by another authority, or mandatory grant schemes where the spend is demand led and the Council has no control over when the grants will be paid.
2. Works completed in advance of budget profile.
3. Officer capacity has resulted in some schemes being unable to commence or complete within the financial year.
4. Negotiations required with other interested parties.

The re-profiling of schemes was on-going throughout the year and in total 29 schemes did not complete as planned in 2015/16.

Expenditure in 2015/16 was financed as follows:

	<b>2015/16</b>
	<b>£</b>
Government grants	1,510,278
Other contributions	80,237
Capital Receipts	372,277
Revenue Contributions	4,379,962
Borrowing	3,272,865
<b>TOTAL</b>	<b>9,615,618</b>

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## NARRATIVE REPORT

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### **SUMMARY OF CAPITAL SPEND**

Council's asset values have been increased as a result of the above capital investment. The Council plans to invest £38,416,070 in its capital assets over the next 3 years, £16,878,480 in 2016/17, £11,026,320 in 2017/18 and £10,511,270 in 2018/19. The capital investment will be financed from a mix of funding including capital receipts, capital grants, revenue contributions, use of reserves, specific one-off external contributions and prudential borrowing.

Each Council's current capital programme, acquisitions, asset enhancements, an update on major projects, the capital outturn and internal and external sources of funds available to meet the capital expenditure is explained in more detail in the 13th July 2016 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2015/16". This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

### **BORROWING**

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, counterparties, interest payable and the different types of risks are contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure is summarised in capital spend section of this Narrative Report and more detail is contained in the 13th July 2016 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2015/16". This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

### **NON-FINANCIAL ACHIEVEMENTS IN 2015/16**

Although financial times are challenging for the Council and the sector as a whole, progress has been made across all the 'Wave Catchers'.

A selection of updates on the Councils' commitments is as follows:

#### **Wave Catcher 1: Supporting Wealth Generators**

- **The development of Specific Place Plans for Adur and Worthing** as part of a countywide Growth Plan are now at an advanced stage.
- **Local Growth Fund round 3 submissions** have now been prepared for 9 key development projects across Adur and Worthing and business cases are under preparation to highlight the economic impact of regeneration schemes such as Union Place.
- An **annual events calendar** is well underway, successful summer events in 2016, included the Wildlife Concert (subsequently winning a national award for best new festival) and the Street Velodrome in Worthing.

#### **Wave Catcher 2: Cultivating Enterprising Communities**

- The Councils' work in **Think Family Neighbourhoods** (TFNs) is regarded as an exemplar across West Sussex.

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## NARRATIVE REPORT

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### **NON-FINANCIAL ACHIEVEMENTS IN 2015/16**

#### **Wave Catcher 2: Cultivating Enterprising Communities**

- The Councils continue to develop the **V-Enterprise Programme** (matching volunteering needs and skills). This has resulted in some significant activity within local schools and communities to improve local green spaces.
- The Councils secured £100,000 DCLG funding to work in partnership with major national charity The Conservation Volunteers (TCV). The project “Growing Communities” is progressing well, accelerating community involvement in and control over Council owned green spaces (and foreshore).

#### **Wave Catcher 3: Becoming Adaptive Councils (..... and waxing the board)**

- Good progress has been made on the digital agenda with the introduction of a range of new technologies that will allow for rapid redesign and digitisation of Council services over the next 3 years.
- The savings target of £200,000 of revenue from the Digital Programme has been achieved and our innovative approach has received a national award from the industry body SOCITM.
- New systems have been implemented to support corporate performance management Trello is being used to simplify processes and make information more available and accessible to all. The new data tool (Tableau) is currently being developed which allows us to present large data sets in useful visual format as well as supporting “drill down” into important issues.
- The Shoreham Centre rebuild has been completed and the opening for various users and the community is being progressed.

The full list of commitments which can be accessed via the Trello link (<https://trello.com/b/PqFkkv3q/surfsupmonitoringreport> ) in the Chief Executive’s six-monthly update reports, as at June 2016, is as follows.

### **SUMMARY**

This is a challenging time for Local Government. The Council has faced a considerable reduction in central Government funding and has a strong desire to limit the increases to Council Tax.

The overall under spend is most welcome at this time to help the Councils manage the financial climate which they are currently grappling with, to build capacity to manage service reductions over the next year and fund future service developments.

The outturn position will inform the development of the 2017/18 budget. The intention is to build in recurring under spends into the 2017/18 budget where possible and so avoid the need for unnecessary service reductions.

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## **NARRATIVE REPORT**

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### ***FURTHER INFORMATION***

Further information on Adur District Council's accounts is available from the Section 151 Chief Financial Officer based at the Town Hall, Chapel Road, Worthing, or by accessing the joint Adur and Worthing Councils website, [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

Information on joint policies and plans for the Adur Worthing partnership, and especially their joint Key Priorities are obtainable by accessing the joint Adur and Worthing Councils' website, [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)

### ***ACKNOWLEDGEMENTS***

The production of the Statement of Accounts is not possible without the dedication and hard work of staff across the Council, particularly within the Finance Department. I would like to thank all colleagues endeavours during the financial year.



Sarah Gobey, Chief Financial Officer, BSc (Hons) CPFA

### ***EXPLANATION OF ACCOUNTING STATEMENTS***

The Accounts and Audit Regulations 2015 require that the Council produces a Statement of Accounts for each financial year.

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code), and the Update to the 2015/16 Code, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by the International Financial Reporting Standards (IFRS) and are in respect of the financial year ended 31 March 2016.

Changes to the CIPFA Code of Practice for 2015/16 and the Update To the Code, relevant to this authority include:-

- 2015 Accounts and Audit Regulations and the requirement to publish a Narrative Statement
- Introduction of the concept of current value in respect of the measurement of operational property, plant and equipment assets following the adoption of IFRS 13 and also reflects the changed measurement requirements for assets classified as surplus assets.
- the adoption of IFRS 13 Fair Value Measurement
- The revised requirements for heritage assets following the introduction of FRS 102, the Financial Reporting Standard applicable in the UK

The significant Accounting Policies are included as Note 1 to these accounts.

In accordance with Regulation 6 (4) of the 2015 Accounts and Audit Regulations, the Annual Governance Statement must be approved in advance of the approval of the Statement of Accounts. Once the Statement of Accounts has been approved, the already approved Governance Statement will be published at the end of this document.

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## NARRATIVE REPORT

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### ***EXPLANATION OF ACCOUNTING STATEMENTS***

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

**Page No:**

#### **Statement of Responsibilities**

**18**

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of the Council's accounts. This statement confirms that the accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the given financial year.

#### **Movement in Reserves Statement**

**19-20**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and "unusable reserves".

#### **Comprehensive Income and Expenditure Statement**

**21**

This statement provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).

#### **The Balance Sheet**

**22**

This statement summarises the Council's assets and liabilities as at 31st March 2016 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' Reserves.

#### **The Cash Flow Statement**

**23**

This statement summarises the flows of cash and cash equivalents of the Council that have taken place over the financial year.

#### **Notes to the Accounts**

**24-113**

#### **Housing Revenue Account (HRA)**

**114-120**

The HRA accounting statements comprise of the Comprehensive Income and Expenditure Statement and the Statement of Movement on the HRA balance. The former reports the economic cost in the year of providing housing services in accordance with generally accepted accounting practices. The latter reconciles the reported surplus or deficit in the year with the HRA balance at the end of the year. The HRA is a ring-fenced account subject to statutory regulation under Schedule 4 of The Local Government and Housing Act 1989. The HRA is accounted for separately from other funds of the Council so that rents cannot be subsidised from council tax (or vice versa).



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## **NARRATIVE REPORT**

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### ***EXPLANATION OF ACCOUNTING STATEMENTS***

**Page No:**  
**121-124**

#### **Collection Fund**

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and Non-Domestic Rates and accounts for their distribution to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund. This financial year the local government finance regime has been revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. The Adur share is 40% with the remainder paid to the precepting bodies - West Sussex County Council (10%) and Department of Communities and Local Government (50%).

### ***MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2015/16:***

#### **Post-employment benefits**

All employees of the Council have the option to become members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme is funded and provides defined benefits to members (retirement lump sums and pensions), earned by employees as they worked for the Council. The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund and comply fully with the requirements of IAS19.

To comply with these relevant accounting standards, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year. Therefore the cost of post-employment (retirement) benefits shown in Note 48 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have reduced by £7.8m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from an increase to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the profession judgement of the Actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 48.

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## **NARRATIVE REPORT**

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### ***MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2015/16:***

#### **Provisions, contingencies and material events**

This council has provided for contingencies and these are laid out in Note 49. In 2015/16 the Council identified a new contingent liability relating to a claim for mandatory business rate relief by the local NHS trust.

As Note 5 confirms, there are no material income or expenditure items to disclose in 2015/16. Note 6 to the 2015/16 accounts confirms that there have been no material events after the balance sheet date. The provisions made in 2015/16 are laid out in Note 23.

#### ***CHANGES TO ACCOUNTING POLICIES***

The accounting policies are laid out within Note 1 of the Accounts. These policies have been updated to reflect the changes in the 2015/16 Code of Practice Guidance Notes, for the adoption of IFRS 13 *Fair Value Measurement*.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2016

#### ***The Council's Responsibilities:***

- (a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2015/16 that officer was the Chief Financial Officer
- (b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- (c) To approve the Statement of Accounts by 30<sup>th</sup> September, 2016.

#### ***The Chief Financial and Section 151 Officer's Responsibilities:***

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts which is required to give "true and fair" view of the financial position of the Council.

In preparing the statement of accounts the Chief Financial Officer to select accounting policies and apply them consistently, make judgements and estimates that are reasonable, and ensure that the Statement of Accounts complies with the Code of Practice on Local Authority Accounting.

The Chief Financial Officer also has to keep proper accounting records which are up to date and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March, 2016 and its income and expenditure for the year ended on that date.



**SARAH GOBEY**  
Chief Financial Officer

Dated: 27<sup>th</sup> September, 2016

#### ***Certificate of Approval by Joint Governance Committee***

I confirm that these Accounts were approved by the Joint Governance and Audit Committee of Adur District Council and Worthing Borough Council on 27<sup>th</sup> September, 2016.

**GEORGE BARTON**  
Chairman, Joint Governance Committee

Dated: 27<sup>th</sup> September, 2016

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## **MOVEMENT IN RESERVES STATEMENT**

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This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves', such as the revaluation of non-current assets. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Councils.

**See Movement of Reserves Statement on next page.**

Single Entity (England and Wales)	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserves	Major Repairs Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31st March 2015	859	3,080	2,171	937	2,035	3,022	2,557	14,661	62,905	77,566
<b>Movement in Reserves during 2015/16</b>										
Surplus or (deficit) on provision of services	(854)		(40)					(894)	-	(894)
Other Comprehensive Expenditure & Income	2							2	10,100	10,102
<b>Total Comprehensive Expenditure Income</b>	<b>(852)</b>	<b>-</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(892)</b>	<b>10,100</b>	<b>9,208</b>
Adjustments between accounting and funding basis under Regs. (Note 7)	(1,011)	-	682		1,534	(1,259)	1,727	1,673	(1,673)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,863)</b>	<b>-</b>	<b>642</b>	<b>-</b>	<b>1,534</b>	<b>(1,259)</b>	<b>1,727</b>	<b>781</b>	<b>8,427</b>	<b>9,208</b>
Transfers to/from Earmarked Reserves (Note 8)	1,544	(1,544)	(636)	636	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(319)</b>	<b>(1,544)</b>	<b>6</b>	<b>636</b>	<b>1,534</b>	<b>(1,259)</b>	<b>1,727</b>	<b>781</b>	<b>8,427</b>	<b>9,208</b>
<b>Balance at 31st March 2015 c/fwd</b>	<b>540</b>	<b>1,536</b>	<b>2,177</b>	<b>1,573</b>	<b>3,569</b>	<b>1,763</b>	<b>4,284</b>	<b>15,442</b>	<b>71,332</b>	<b>86,774</b>
<b>Movement in Reserves during 2015/16</b>										
Surplus or (deficit) on provision of services	(8,321)	-	(2,251)	-	-	-	-	(10,572)	-	(10,572)
Other Comprehensive Expenditure & Income	6							6	35,471	35,477
<b>Total Comprehensive Expenditure and Income</b>	<b>(8,315)</b>	<b>-</b>	<b>(2,251)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,566)</b>	<b>35,471</b>	<b>24,905</b>
Adjustments between accounting basis and funding basis under regulations Note 7	7,657	-	2,495	-	(41)	(1,763)	(1,461)	6,887	(6,887)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(658)</b>	<b>-</b>	<b>244</b>	<b>-</b>	<b>(41)</b>	<b>(1,763)</b>	<b>(1,461)</b>	<b>(3,679)</b>	<b>28,584</b>	<b>24,905</b>
Contribution to Major Repairs Reserve			-					-	-	-
Transfers to/from Earmarked Reserves (Note 8)	525	(525)	(347)	347	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(133)</b>	<b>(525)</b>	<b>(103)</b>	<b>347</b>	<b>(41)</b>	<b>(1,763)</b>	<b>(1,461)</b>	<b>(3,679)</b>	<b>28,584</b>	<b>24,905</b>
<b>Balance at 31st March 2016 c/ fwd</b>	<b>407</b>	<b>1,011</b>	<b>2,074</b>	<b>1,920</b>	<b>3,528</b>	<b>-</b>	<b>2,823</b>	<b>11,763</b>	<b>99,916</b>	<b>111,679</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

	2015/16	2015/16		2015/16	2014/15	2014/15	2014/15
	Gross Expenditure	Gross Income	Note	Net Expenditure	Gross Expenditure	Gross Income	Net Income/Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
<b>NET EXPENDITURE ON SERVICES</b>							
Central Services to the Public	1,534	(520)		1,014	1,569	(500)	1,069
Cultural and Related Services	8,021	(720)		7,301	1,670	(258)	1,412
Environmental & Regulatory Services	4,111	(1,398)		2,713	4,375	(1,275)	3,100
Planning Services	2,841	(1,240)		1,601	2,737	(1,054)	1,683
Highways and Transport Services	574	(468)		106	508	(458)	50
Other Housing Services	23,202	(22,055)		1,147	23,511	(22,543)	968
Adult Social Care	266	(270)		(4)	150	(271)	(121)
Corporate & Democratic Core	2,218	(374)		1,844	2,720	(448)	2,272
Non-Distributed Costs	1,485	(277)		1,208	1,410	(276)	1,134
<b>Net Cost of General Fund Services</b>	<b>44,252</b>	<b>(27,322)</b>		<b>16,930</b>	<b>38,650</b>	<b>(27,083)</b>	<b>11,567</b>
Housing Revenue Account	9,359	(13,400)		(4,041)	8,768	(13,203)	(4,435)
<b>Net Cost of Services</b>	<b>53,611</b>	<b>(40,722)</b>		<b>12,889</b>	<b>47,418</b>	<b>(40,286)</b>	<b>7,132</b>
Other Operating Expenditure			9	3,498			1,635
Financing and Investment Income and Expenditure			10	4,106			4,661
Taxation and non-specific grant income			*11	(9,921)			(12,534)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>10,572</b>			<b>894</b>
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			25	(27,013)			(10,540)
Remeasurements of the net defined pension benefit liability			48	(8,458)			440
Other				(6)			(2)
<b>Other Comprehensive Income and Expenditure</b>				<b>(35,477)</b>			<b>(10,102)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(24,905)</b>			<b>(9,208)</b>

\*Includes DEFRA/Environment Agency (Coast Protection) grants of £1.4m. For further information see note 39

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Adur District Council. The net assets of Adur District Council (assets less liabilities) are matched by the reserves held by the Committee.

	See Note No:	As at 31st March 2016	Restated As at 31st March 2015
		£'000	£'000
<b>Long Term Assets:</b>			
Property, Plant & Equipment	12	203,373	174,063
Heritage Assets	13	224	224
Investment Property	14	384	8,477
Intangible Assets	15	233	229
Long Term Investments/Available for sale financial assets	16	2,080	2,080
Long Term Debtors	19	169	198
<b>Total Long Term Assets</b>		<b>206,463</b>	<b>185,271</b>
<b>Current Assets:</b>			
Short Term Investments	16	11,061	13,083
Assets Held For Sale		228	107
Inventories	17	99	100
Short Term Debtors	19	6,479	3,002
Cash & Cash Equivalents	20	(1,747)	4,262
<b>Total Current Assets</b>		<b>16,120</b>	<b>20,554</b>
<b>Current Liabilities:</b>			
Short Term Borrowing	16	(2,050)	(2,049)
Short Term Creditors	22	(6,137)	(5,308)
Provisions	23	(993)	(766)
Grants Received in Advance Revenue	39	(691)	(405)
<b>Total Current Liabilities</b>		<b>(9,871)</b>	<b>(8,528)</b>
<b>Long Term Liabilities:</b>			
Long Term Borrowing	16	(72,985)	(74,703)
Other Long Term Liabilities	47	(28,048)	(35,820)
<b>Total Long Term Liabilities</b>		<b>(101,033)</b>	<b>(110,523)</b>
<b>Net Assets</b>		<b>111,679</b>	<b>86,774</b>
<b>Financed By Reserves:</b>			
Usable Reserves	8 & 24	(11,763)	(15,442)
Unusable Reserve	25	(99,916)	(71,332)
<b>Total Reserves</b>		<b>(111,679)</b>	<b>(86,774)</b>

There is a disclosure error within the 2014/15 accounts, where an element of cash was disclosed as a creditor. A number of statements have been restated to correct this.

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	See Note No:	2015/16	Restated 2014/15
		£'000	£'000
Net (surplus) or deficit on provision of services	26	(10,572)	(894)
Adjustments to net surplus or deficit on the provision of services for non cash movements	26	11,925	8,208
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(669)	(4,131)
<b>Net cash flows from Operating Activities</b>	<b>26</b>	<b>684</b>	<b>3,183</b>
Investing Activities	27	(5,995)	1,106
Financing Activities	28	(698)	(2,466)
<b>Net increase or decrease in cash and cash equivalents</b>		<b>(6,009)</b>	<b>1,823</b>
Cash and cash equivalents at the beginning of the reporting period		4,262	2,439
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20</b>	<b>(1,747)</b>	<b>4,262</b>



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **STATEMENT OF ACCOUNTING POLICIES 2015/16**

##### **General**

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) / The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom - 2015/16 Accounts, which is based on International Financial Reporting Standards (IFRS).

As outlined in the Narrative Report, there are not many changes to the CIPFA Code of Practice for 2015/16, which affect this Council.

The concepts and principles of International Accounting Standards Board Conceptual Framework for Financial Reporting (2010) have been applied and are outlined below.

The Statement of Accounts has been prepared with the overriding requirement that it is a 'true and fair' representation of the financial position, performance and cash flows of the Council.

The Council has endeavoured to ensure that within the restrictive definitions of the regulations the following objectives have been met:-

- To provide financial information about the reporting authority that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to it
- To provide information about the authority's financial performance, financial position and cash flows that is useful to a wide range of users for assessing the stewardship of the authority's management and for making economic decisions
- To meet the common needs of most users focusing on the ability of the users to make economic decisions, the needs of public accountability and the stewardship of the authority's resources

##### **Accruals**

The non-cash effects of transactions have been reflected in the statements for the financial year in which they occur, not when any cash is received or paid. The current de minimis is £1,000.

##### **Tax Income (Council Tax, Non-Domestic Rates (NDR) And Rates)**

The Council is a billing authority and follows the principles in IPSAS 23 Revenue from Non Exchange transactions (Taxes and Transfers) in respect of accounting for tax income collected except where adaptations to fit the public sector are detailed in the Code.

Retained Business Rate income, Top Up income and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **STATEMENT OF ACCOUNTING POLICIES 2015/16**

##### **Tax Income (Council Tax, Non-Domestic Rates (NDR) And Rates)**

NDR, Top Up Income and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Revenue relating to such things as council tax, general rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

#### **UNDERLYING ASSUMPTION TO THE STATEMENT OF ACCOUNTS**

##### **Going Concern**

The accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.

#### **FUNDAMENTAL QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS**

##### **Relevance and faithful representation**

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions. It is intended to be complete, neutral and free from error.

##### **Materiality**

An item is considered to be material where its omission or mis-statement could influence the decisions or assessments of users of the financial statements presented in the accounts. Materiality, therefore, is subjective and depends on the nature or size of the omission or mis-statement judged in the surrounding circumstances.

The Council has therefore exercised its professional judgement in considering the size and nature of any transaction, or set of transactions, brought into the financial statements. In so doing, the Council does not set fixed monetary limits or rules for materiality, but has taken a view upon what would provide a proper understanding of the Council's overall financial position. Where appropriate, such a view has been reached in consultation with the Council's auditors.

#### **ENHANCED QUALITATIVE CHARACTERISTICS**

##### **Comparability**

A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **ENHANCED QUALITATIVE CHARACTERISTICS**

##### **Verifiability**

A faithful representation of the economic position.

##### **Timeliness**

The financial statements provide information to decision makers in time to be capable of influencing their decisions.

##### **Understandability**

Classifying, characterising and presenting information that is clear and concise. The financial statements are prepared for users who have a reasonable knowledge of business and economic activities.

The elements directly related to the measurements of the financial position in the Balance Sheet are assets, liabilities and reserves. The elements directly related to the measurement of the financial performance in the Comprehensive Income and Expenditure Statement are income and expenses. The Cash Flow Statement reflects elements in both the Comprehensive Income and Expenditure Statement and the Balance Sheet.

In assessing whether an item meets the definition of an asset, liability or reserve, consideration has been given to its underlying substance and economic reality and not merely its legal form.

##### **Primacy of Legislative Requirements**

The Council operates through the power of statute. Where legislation prescribes the express treatment of transactions, then the accounting concepts outlined above will be over-ruled.

#### **INCOME AND EXPENDITURE**

##### **Revenue Recognition**

Revenue recognition has been accounted for in accordance with IAS 18. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **COSTS OF SUPPORT SERVICES**

The CIPFA Service Reporting Code of Practice (SeRCOP) requires the costs of support services to be charged on a fair and transparent basis. The allocation bases used for the main costs are outlined below. The majority of services are allocated out on a time allocation basis with the exception of the following:

## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **COSTS OF SUPPORT SERVICES**

<b>Admin Buildings</b>	Headcount
<b>Human Resources inc. training</b>	Headcount
<b>Payroll</b>	Headcount
<b>ICT</b>	Headcount
<b>Customer Services</b>	Number of calls multiplied by length of time per call
<b>Cashiers</b>	Number of transactions
<b>Exchequer Services</b>	Number of transactions
<b>Insurance - Employees</b>	Headcount
<b>Insurance - Premises</b>	Premises Valuation
<b>Insurance - Vehicles</b>	No of Vehicles

#### **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **VALUE ADDED TAX**

VAT is included in the Comprehensive Income and Expenditure Account only to the extent that it is irrecoverable

#### **GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **GRANTS AND CONTRIBUTIONS**

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The de minimis for grants and contributions to be subject to this accounting treatment is £5,000.

#### **LEASES**

IAS 17 requires leases to be classified between finance leases and operating leases. IAS 17 defines a lease as “a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership”.

The core tests which collectively or individually may provide evidence of finance leases are:

- the lease transfers ownership of the asset from the lessor (supplier) to the lessee (the user) by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value;
- the lease term is for the major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **LEASES**

##### **The Council as Lessee – Finance Leases:**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a corresponding liability on the balance sheet for the obligation to pay the lessor (asset provider) the amounts due in respect of the capital cost of acquiring the asset. This is because the transaction is considered to be the same as if the Council had purchased the asset and financed it through taking out a loan. The lease payments from lessee to lessor are therefore apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, which is applied to write down the lease liability held on the balance sheet, and
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

However, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses, and revaluation gains and losses are therefore reversed by way of a revenue contribution in the General Fund Balance via an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### **The Council as Lessor – Finance Leases:**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **LEASES**

##### **Lease rentals receivable are apportioned between:**

- a charge for the acquisition of the interest in the property, which is applied to write down the lease debtor (together with any premiums received), and
- finance income (that is credited to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

##### **The Council as Lessee – Operating Lease:**

Under an operating lease the property so acquired is not required to be recognised as an asset in the Council's balance sheet, and the payments due under the lease will be a charge to revenue.

These payments are in effect rentals and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

##### **The Council as Lessor – Operating Lease:**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet of the Council. Rental income is credited to revenue within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

#### **INTANGIBLE ASSETS**

The following criteria need to be met before an asset is classified as an intangible asset:

1. The asset must be identifiable.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **INTANGIBLE ASSETS**

2. The asset must lack physical substance.
3. The asset is controlled by the Authority and benefit from future economic benefits. Intangible assets are measured at cost.
4. Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. The Council has no internally generated assets. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

#### **NON CURRENT ASSETS**

##### **Expenditure and Valuation principles**

Expenditure on the acquisition, creation or enhancement of non-current assets is required to be capitalised on an accruals basis in the Balance Sheet, provided that the non-current asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets and operating leases which is charged directly to service revenue accounts.

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the International Financial Reporting Standards (IFRS) code. The surpluses arising on the revaluation of property, plant and equipment are credited to the Revaluation Reserve. The exception to this is where previous revaluation losses have been debited to the Comprehensive Income and Expenditure Account. Where this has occurred the surplus on revaluation is credited to the Comprehensive Income and Expenditure Account up to the value of the previous revaluation loss, less the value of depreciation that would have been charged had there been no revaluation loss. Surpluses arising on the revaluation of investment properties are credited to the Comprehensive Income and Expenditure Account. The Revaluation Reserve only includes gains since its inception from 1<sup>st</sup> April, 2007, prior gains being incorporated in the Capital Adjustment Account. The Council applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- Property, Plant and Equipment assets are initially valued at cost and included in the balance sheet at current value. Where there is no open market value, assets are included in the balance sheet at depreciated replacement cost. Community assets and infrastructure assets are stated at depreciated historic cost value. Assets under construction are stated at cost. Donated assets are revalued at fair value.
- Investment properties, are included in the balance sheet at fair value and need to meet the criteria of property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Assets held for sale are included in the balance sheet if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Expenditure and Valuation principles**

- Assets reclassified as Held for Sale when the following criteria are met:
  - i) The asset is available for sale in its present condition subject only to terms that are customary for sales of such assets (or disposal groups).
  - ii) The sale must be highly probable.
  - iii) The appropriate level of management must be committed to a plan to sell the asset (or disposal group).
  - iv) An active programme to locate a buyer and complete the sale must have been initiated.
  - v) The asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to the current value.
  - vi) The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification except where the sale is likely to proceed to a sale without significant changes to the plan of sale, or that significant changes to the plan will be made or that the plan will be withdrawn.

For 2015/16 the Council's values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and £10,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

##### **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability, or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest,

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Fair Value Measurement**

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – unobservable inputs for the asset or liability.

##### **Disposals**

Assets are disposed of in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

##### **Charges to Revenue for non-current Assets**

Service revenue accounts, central support services, and trading accounts are charged with a depreciation charge, profit or loss on disposal and any impairment loss for all non-current assets used in the provision of services. (An impairment loss is only charged to revenue, if there is no balance on the Revaluation Reserve.) The depreciation charge is credited out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement on the General Fund Balance, so that there is no impact on the amount required to be raised from local taxation for the provision of Council services.

For the Housing Revenue Account, the Council has adopted the transitional arrangement which allows a credit transfer from the HRA to the Major Repairs Reserve for council housing depreciation equal to the value of a "notional" major repairs allowance (£2.3m). This reduces the impact of depreciation on the bottom line of the HRA. This transitional arrangement is for 5 years and 2012/13 was the first year.

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset.

The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

<b>Buildings</b>	1-60 years except when impairment has occurred.
<b>Vehicles</b>	7-10 years
<b>Equipment</b>	from over 1 to 25 years
<b>Intangible Assets, Software</b>	from over 1 to 7 years
<b>Infrastructure Assets</b>	25 years
<b>Community Assets</b>	Held in perpetuity
<b>Assets (Finance Leases)</b>	Up to 10 years

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Impairment**

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and were there to be reason to believe that the value had reduced materially in the period due to impairment, the valuation would be adjusted accordingly. Further information is supplied in Note 44.

##### **Depreciation**

Depreciation is charged to service revenue accounts for most non-current assets:

- newly acquired assets are depreciated on asset values at 1st April in the year following their confirmation as fully operational assets, except where the acquisition is material when depreciation is calculated at the date of acquisition. Assets in the course of construction are not depreciated until they are brought into use
- assets disposed of are depreciated in the year of disposal
- depreciation is calculated using the straight-line method over the useful life of the asset, based on asset values at 1<sup>st</sup> April except where there are material acquisitions or disposals in any year where depreciation is calculated at date of acquisition or disposal.
- assets acquired under Finance Leases are depreciated over the asset life, or the lease term if shorter.
- assets held for sale, investment properties, assets under construction and community assets are not depreciated.

##### **Componentisation of Assets**

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost, the components are depreciated separately. The Council uses the straight line method of depreciation over the useful life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets are acquired, enhanced or revalued from 1 April 2010 onwards, and not retrospectively of this date. When a component is replaced or restored, the carrying amount of the old component is de-recognised by indexing the cost of the replacement back to the estimated inception date and adjusting for subsequent depreciation and impairment. When replaced components are written out, this does not result in a loss on either asset values or asset sales.

For Property, Plant and Equipment the accounting policy is to componentise all land and property assets valued at £50,000 or more in total where there has been a revaluation or enhancement since 1<sup>st</sup> April 2010. The following component categories are used:

Land

Main building structures

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Componentisation of Assets**

Replaceable building structures

Services

External works

Any Revaluation Reserve balances associated with componentised assets are attributed firstly to land and then to the main building structures, as it is considered unlikely that component replacements will give rise to revaluation gains and losses independently of the structure of a building. The exception would be if the Revaluation Reserve balance exceeded the valuation of the land and main building structure, when the remaining balance would be attributed to the other categories.

#### **HERITAGE ASSETS**

Heritage Assets were introduced in 2011/12 following the adoption of FRS 30.

##### **Definition of Heritage Assets**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is defined as an intangible asset with cultural, environmental or historical significance.

##### **Recognition of Heritage Assets**

The Council recognises heritage assets when the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Council does not recognise the asset on the Balance Sheet. Assets which are not recognised in the Balance Sheet are included in a separate Disclosure Note.

##### **Valuation of Heritage Assets**

The Council's heritage assets are normally measured at valuation except where it is not possible to establish a valuation; for example if there is no market for a particular heritage asset or where it is not possible to provide a reliable estimate of the replacement cost of the asset due to the lack of comparative information. The unique nature of many heritage assets makes reliable valuation complex. Therefore where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available the asset is carried at historical cost (less any accumulated depreciation, amortisation and impairment losses).

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **HERITAGE ASSETS**

##### **Valuation of Heritage Assets**

Valuations may be made by any method that is appropriate and relevant and include:

- (i) Insurance valuations based on current estimations of market values which are updated annually.
- (ii) External valuations
- (iii) Valuations by reference to recent auctions for similar assets.
- (iv) Valuations by reference to antique and other industry journals and reference materials

Valuations are reviewed with sufficient regularity to ensure they remain current.

##### **Depreciation, Amortisation and Impairment of Heritage Assets**

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation on intangible assets is considered on an individual asset basis. Assets are reviewed for impairment where an asset has suffered physical deterioration or breakage, or where doubts arise as to the authenticity of the heritage asset.

##### **Accounting for Heritage Assets**

Heritage assets are accounted for in the same way as property, plant and equipment and intangible assets.

#### **INVESTMENT PROPERTIES**

Investment Properties are property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both rather than for:

- a) Use in the production or supply of goods or services or for administration purposes, or
- b) Sale in the ordinary course of operations.

#### **CAPITALISATION OF BORROWING COSTS**

IAS 23 requires borrowing costs, such as interest payments and other financing charges, to be capitalised in respect of assets that take a substantial period of time to get ready for use or sale. Capitalisation of borrowing costs is required to continue until the point at which the related assets become operational or are sold.

However, the Code of Practice allows borrowing costs to be charged to revenue expenditure as they are incurred. The Council's policy is to apply the discretion permitted under the Code to expense borrowing costs as they are incurred. Accordingly, borrowing costs expensed are disclosed within Interest Payable in the Comprehensive Income and Expenditure Statement.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Capital expenditure, such as improvement grants for which no non-current assets exist is classified as Revenue Expenditure Funded from Capital Under Statute. Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **WORK IN PROGRESS**

Any rechargeable works are shown at the actual cost incurred (excluding overheads allocation) at 31st March.

#### **INVENTORIES**

These include waste bins, cleaning materials, vehicle spares and fuel

This Council has accounted for inventories in accordance with IAS2 and IPSAS 12, which includes public sector interpretations of measurement which the Code has adopted.

#### **PROVISIONS**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit but where the timing is uncertain. Provisions are charges to the Comprehensive Income and Expenditure account when the Council becomes aware of the obligation based on best estimate of the likely settlement. When payments are eventually made they are charged to revenue and funded from the provision set up in the Balance Sheet.

#### **Non Domestic Rates Appeals**

A provision is made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The amount provided for is based on advice received from an external consultant and is assessed on the likely change to rateable value, as adjusted by locally assessed success rates.

#### **DEBTORS AND CREDITORS**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. Sums due to or payable by the Council at the end of each financial year are brought into account (irrespective of whether cash has been received or payment has been made).

Where actual costs are not available, accruals for debtors and creditors are made on a best-estimate basis.

## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **DEBTORS AND CREDITORS**

At the end of each financial year an estimate is made of doubtful debts – amounts due to the Council, but unlikely to be received. The total value of these amounts are provided as a provision for bad debt and deducted from the debtors balance in the Balance Sheet.

#### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

Financial Instruments are broadly defined in the Code of Practice as contracts that give rise to a financial asset in one entity and a financial liability in another entity.

FINANCIAL LIABILITY	FINANCIAL ASSET
<p><b>A financial liability is an obligation to transfer economic benefits controlled by the authority that is represented by:</b></p> <ul style="list-style-type: none"> <li>- a contractual obligation to deliver cash (or another financial asset) to another entity.</li> <li>- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.</li> </ul>	<p><b>A financial asset is a right to future economic benefits controlled by the authority that is represented by:</b></p> <ul style="list-style-type: none"> <li>- cash</li> <li>- a contractual right to receive cash (or another financial asset) from another entity.</li> <li>- available for sale assets; assets that have a quoted market price and/or do not have fixed or determinable payments.</li> <li>- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.</li> </ul>

The Council recognises financial instruments in the accounts at the point when contractual obligations are made in regard to exchange of goods and services, rather than when receipts or payments pass from one party to another.

The accounting treatment of any particular financial instrument (i.e. how its carrying value for the Balance Sheet is measured, and gains and losses recognised) depends on its classification on initial recognition.

The Council's financial assets fall under the category of loans and receivables and include trade debtors (receivables), cash and bank deposits, and investments, while its financial liabilities fall within the category of amortised cost and include all operational trade creditors (payables), and external borrowing. Both classes of financial instruments have been accounted for at amortised cost taken as the carrying amount on initial recognition (i.e. the transaction price), or (as in the case of investments and borrowing), principal plus accrued interest.

The Code also requires that each class of financial assets and financial liabilities be disclosed at "fair value" in a way that permits it to be compared with the carrying amount in the statement of accounts. Comparisons of fair value with the carrying amounts are shown where required within the Notes to Core Financial Statements. The Code specifies that all financial instruments should be recognised on the basis of fair value adjusted for transaction costs except where the transaction costs are immaterial. Consequently, in practice, transaction costs are charged directly to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.



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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

In making such disclosures, fair value is taken as meaning the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms-length transaction.

##### **Soft Loans**

The Code requires specific accounting requirements in respect of “soft loans”, being loans made to or from third parties at preferential rates of interest below market rates. The Code requires the fair value of soft loans to be estimated as the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

The Council issues soft loans to employees in respect of car loans, cycle loans and professional loans and is in receipt of interest free loans to finance capital expenditure on energy efficiency projects. No adjustment in respect of these loans is made to the accounts to reflect the requirements of the Code on the grounds that the adjustment would be immaterial or impractical.

#### **INVESTMENTS**

Investments comprise cash deposits placed with financial institutions for fixed term or notice periods, and are shown on the balance sheet at amortised cost, being the value of principal and accrued interest outstanding at the balance sheet date.

#### **DEBT REDEMPTION**

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 (SI 2008/414), as amended by SI 2012 No. 265) place a duty on local authorities to make a prudent provision for debt redemption.

The provisions are made each year from the General Fund and Housing Revenue Accounts, which is then held in the Capital Adjustment Account (CAA). The accumulated provision held in the CAA is used to repay the principal amounts borrowed to finance capital investment.

In accordance with statutory guidance and the Council’s Statement for Minimum Revenue Provisions (MRP) an amount is charged annually to revenue and set aside for repayment of debt. The provision is made over the estimated life of the asset for which the borrowing is undertaken

#### **INTERNAL INTEREST**

A contribution is made to some Reserve Account balances based upon the average rate of return on the Council’s investments for the year.

#### **CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are defined as “short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value”. Accordingly, the investments that may fall within the definition are principally held for short-term cash management purposes, not for obtaining a significant return on investment.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **CASH AND CASH EQUIVALENTS**

Paragraph 7 of International Accounting Standard (IAS) 7 suggests that for short term investments to fall within the definition of cash equivalents they be no longer than 3 months duration, as any longer period would increase the risk of a change in value of the investments. For the purpose of classifying cash equivalents within Financial Instruments (Note 16), the Council's accounting policy is to categorise all fixed term deposits as investments, not cash equivalents (irrespective of the duration of the investments). This is because in practice, such deposits would not satisfy the requirement to be readily convertible to cash and would incur a penalty (loss in value) for early redemption. Therefore, in practice the Council's policy restricts the composition of cash and cash equivalents to notes and coin, current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours' notice.

#### **EXCEPTIONAL ITEMS**

Where exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **RESERVES**

The Council sets aside specific amounts as reserves to meet future spending need or to cover contingencies.

Reserves are created by appropriating amounts out of the General Fund and Housing Revenue Account Balances. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service within the Income and Expenditure Statements.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Pension Costs**

The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund, which provides Council employees with defined benefits relating to pay and service. This accounting treatment complies fully with the requirements of IAS 19 and presentational revisions reflect the 2015/16 Code changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19.

Employees of the Council are members of a pension scheme:

- The Local Government Pensions Scheme, administered by West Sussex County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on bonds.
- The assets of West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value which is assessed at the bid value as required by IAS19.
- The change in the net pensions liability is derived from two components:
  - Present Value of the defined benefit obligation which represents the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. This is calculated from several factors including:
    - The current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - The interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Pension Costs**

- The past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Contributions by members made into the West Sussex County Council pension fund;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - Estimate of benefits paid to pensioners.
- Fair value of plan assets which is calculated from several factors including:
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Contributions paid to the West Sussex County Council pension fund by members and the employer – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - Estimate of benefits paid to pensioners.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

##### **Termination Benefits**

Termination benefits, such as redundancy payments, are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept a voluntary redundancy offer in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits

The Code requires that a liability for a termination benefit is recognised at the earlier of the following dates:

- when the authority can no longer withdraw the offer of those benefits, and
- when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS 37 (see Module 8, section B) and involves the payment of termination benefits.
- Redundancy costs are recognised in the year in which the decision is made.
- A contribution is made to some Reserve Account balances based upon the average rate of return on the Council's investments for the year.

##### **Current Employee Benefits and Accumulated Absences**

The Council reviews the cost of accumulated absences as required by the IFRS code of practice. The review reveals that the level of this is not material and therefore has chosen not to accrue these costs.

##### **EVENTS AFTER THE REPORTING PERIOD**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

##### **Adjusting Events**

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EVENTS AFTER THE REPORTING PERIOD**

##### **Non-adjusting Events**

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

#### **CONTINGENT LIABILITIES**

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts unless perceived as being remote.

#### **CAPITAL RECEIPTS**

Capital receipts are income received from the sale of land or other capital assets above £10,000, a proportion of which may be used to finance capital expenditure.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government [*England only*].

The usable portions of capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure and/or to repay debt.

#### **INVESTMENT PROPERTIES**

Investment Properties are property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

### **NOTE 2: ACCOUNTING STANDARDS ISSUED, BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2016/17 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

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## **NOTES TO THE ACCOUNTS**

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### ***NOTE 2: ACCOUNTING STANDARDS ISSUED, BUT HAVE NOT YET BEEN ADOPTED***

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

In addition there are a number of minor amendments to International Financial Reporting Standards, and changes in format to the accounts, but these are not expected to have any material impact on the Council's 2015/16 Statement of Accounts.

The other minor amendments, which are not expected to have material effect on the Council's Statement of Accounts are as follows:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Annual Improvements to IFRSs 2012 – 2014 Cycle

### ***NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES***

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

## NOTES TO THE ACCOUNTS

**NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

**NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates contained within these accounts. As these items are re-assessed each year, they are subject to annual review and are updated within each year's accounts for the latest information.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If the useful life of assets fell by one year there would be an increase in the depreciation charged in the C.I.E.S. and H.R.A.</p> <p>There would also be a corresponding decrease in the carrying amount of the assets.</p> <p>Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.</p>



## NOTES TO THE ACCOUNTS

### **NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2015/16 the Council's actuaries advised that the net pensions liability has decreased by a net £7.77m. £0.69m increased as a result of estimates being corrected as a result of experience and a decrease of £8.46m attributable to updating of the assumptions.</p>
<b>Arrears</b>	<p>At March 2016 the Council had a net balance of debtors due (excluding government departments) of £7.16m. A review of significant balances suggested that an impairment for doubtful debt of £1.73m was appropriate</p>	<p>Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.</p>
<b>Non-Domestic Rate Appeals Provision</b>	<p>At March 2016 the Council had made a provision of £1,730k for the impact of appeals on business rate income. The provision is based on the appeals lodged with the Valuation Office which is then reviewed by an external consultant to establish the likely impact of the appeals on the business rate income.</p>	<p>The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level appeals.</p>

### **NOTE 5: MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material income and expense items to disclose that are not reported in the Comprehensive Income and Expenditure Statement.



## NOTES TO THE ACCOUNTS

### **NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31<sup>st</sup> March 2016 and the date when the Statement of Accounts is authorised for issue, 27<sup>th</sup> September 2016.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2015/16 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expen. Statement</b>						
Charges for depreciation and impairment of non current assets (Note 12 and 25)	(1,448)	(4,036)				5,484
Revaluation losses on Property Plant and Equipment (Note 25)	(3,445)	(2,323)				5,768
Movements in the market value of investment Properties (Note 14)	10	-				(10)
Amortisation of intangible assets (Note 15 and 25)	(47)	-				47
Capital grants and contributions applied (Note 25)	349					(349)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2015/16 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>		-				-
Revenue Expenditure funded from capital under statute (Note 25)	(537)	-				537
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 25)	(2,888)	(571)				3,459
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				-		
Statutory and voluntary provision for the financing of capital investment (Note 25)	708	1,727				(2,435)
Capital expenditure charged against the General Fund and HRA balances	103	245				(348)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>					-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (Note 25)	170				(170)	-
Repayment of Capital Grant	(390)				390	-
Application of grants to capital financing transferred to the Capital Adjustment Account (Note 25)					1,241	(1,241)
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	921	(928)			-

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2015/16 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 41)			372			(372)
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 9)		(599)	599			-
Transfer from <b>Deferred Capital Receipts Reserve</b> upon receipt of cash			(2)			2
<b>Adjustments involving the Major Repairs Reserve</b>		-				-
Reversal of Major Repairs Allowance credited to the HRA (Note 5)	-	2,269		(2,269)		-
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)				4,032		(4,032)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	1	-				(1)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 48)	(3,131)	(128)				3,259
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 48)	2,574					(2,574)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2015/16 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and NDR income credited to the CI&ES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	307					(307)
<b>TOTAL ADJUSTMENTS 2015/16</b>	<b>(7,657)</b>	<b>(2,495)</b>	<b>41</b>	<b>1,763</b>	<b>1,461</b>	<b>6,887</b>

2014/15 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Act:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non current assets (Note 12 and 25)	(1,304)	(3,694)				4,998
Revaluation losses on property plant and equipment	234	121				(355)
Movements in the market value of investment properties	509	(15)				(494)
Amortisation of intangible assets	(30)	(6)				36
Capital grants and contributions applied	429					(429)
Movement in the Donated Assets Account		0				

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2014/15 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Revenue Expenditure funded from capital under statute	(899)	0				899
HRA - Self financing						0
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(48)	(2,749)				2,797
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	851	1,717				(2,568)
Capital expenditure charged against the General Fund & HRA	488	289				(777)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,882				(1,882)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts					155	(155)
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	1,806	(1,813)			-

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2014/15 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure			0			0
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	(279)	279			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(1)		-			1
<b>Adjustments involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA (Note 5)		2,201		(2,201)		-
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)				3,460		(3,460)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements.	(1)	7				(6)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 25)	(3,860)	(378)				4,238
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 25)	2,210	298				(2,508)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2014/15 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Collection Fund Adjustment Account:</b>  Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	544					(544)
<b>TOTAL ADJUSTMENTS 2014/15</b>	<b>1,011</b>	<b>(682)</b>	<b>(1,534)</b>	<b>1,259</b>	<b>(1,727)</b>	<b>1,673</b>

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

The Council holds a number of specific reserves. Movements during the year were as follows:

Movement in Earmarked Reserves	Balance at 01.04.14	Decrease 2014/15	Increase 2014/15	Balance at 31.03.15	Decrease 2015/16	Increase 2015/16	Balance at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Revenue Reserves</b>							
Capacity Issues Fund *	1,766	(1,326)	173	613	(532)	41	122
Insurance Fund	160	(4)	30	186	(34)	30	182
New Technology Fund	22	-	-	22	-	-	22
Partnership Development Fund *	52	(52)	-	-	-	-	-
Special & Other Emergency	350	(63)	-	287	(201)	-	86
Local Plan	140	(69)	-	71	(27)	-	44
Health and Safety	33	-	-	33	-	-	33
Investment Property Maintenance Fund	68	-	-	68	(27)	-	41
Building Maintenance Fund	151	(151)	-	-	-	-	-
Performance Reward Grant Fund *	26	(26)	-	-	-	-	-
Election Reserve	10	(2)	-	8	-	-	8
Vehicle Repair & Renewal Reserve *	29	(29)	-	-	-	-	-
Grants & Contributions	259	(31)	20	248	(7)	232	473
Others under £10,000 *	14	(14)	-	-	-	-	-
<b>Total General Fund</b>	<b>3,080</b>	<b>(1,767)</b>	<b>223</b>	<b>1,536</b>	<b>(828)</b>	<b>303</b>	<b>1,011</b>
<b>Housing Revenue Account</b>							
New Development & Acquisition Reserve	871	(280)	616	1,207	(245)	592	1,554
Discretionary Assistance Fund	50	-	50	100	-	16	116
Business Improvement Reserve	-	-	250	250	-	-	250
Others (all under £10,000)	16	-	-	16	(16)	-	-
<b>Total Housing Revenue Account</b>	<b>937</b>	<b>(280)</b>	<b>916</b>	<b>1,573</b>	<b>(261)</b>	<b>608</b>	<b>1,920</b>
<b>Total Earmarked Reserves</b>	<b>4,017</b>	<b>(2,047)</b>	<b>1,139</b>	<b>3,109</b>	<b>(1,089)</b>	<b>911</b>	<b>2,931</b>

\* These small Reserves have been consolidated into the Capacity Issues Reserve.



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## NOTES TO THE ACCOUNTS

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### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

<b>RESERVE</b>	<b>PURPOSE OF RESERVE</b>
<b>Performance Reward Grant Fund</b>	Balance of underspent grant earmarked for spending on projects to achieve agreed Local Area Agreement outcomes. In 2015-16 the balance has been consolidated into the Capacity Issues Reserve.
<b>Special and Other Emergency Expenditure Reserve</b>	This will be used to cover future risks, including legal costs, liabilities arising on contractor bankruptcy etc.
<b>Local Plan Reserve</b>	Reserve to fund the ongoing requirements to complete the Adur Local Plan.
<b>Capacity Issues Fund</b>	To cushion the impact of the recession and fund one-off initiatives for the community.
<b>Insurance Fund</b>	To offset costs of insurance excesses.
<b>New Technology</b>	To fund additional IT equipment.
<b>Partnership Development Fund</b>	To fund initial set up costs of the partnership. In 2015-16 the balance has been consolidated into the Capacity Issues Reserve.
<b>Health and Safety</b>	To offset unexpected costs arising from Health and Safety legislation.
<b>Investment Property Maintenance Fund</b>	Fund to offset future maintenance costs of investment property.
<b>Building Maintenance Fund</b>	Fund to offset future maintenance costs of the Council's operational buildings.
<b>Elections</b>	To replace and update election equipment that previously had been funded by government.
<b>Vehicle Repairs and Renewals</b>	To smooth out the impact of future vehicle maintenance costs of the Adur and Worthing Council services fleet. In 2015-16 the balance has been consolidated into the Capacity Issues Reserve.

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

RESERVE	PURPOSE OF RESERVE
<b>Grants and Contributions</b>	To comply with changes in accounting policy required by the Code of Practice. The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.
<b>Others</b>	All other reserves held (under £10,000). In 2015-16 the balance has been consolidated into the Capacity Issues Reserve.
<b>Housing Revenue Account</b>	A ring fenced reserve for Housing Revenue Account surplus.
<b>Housing Revenue New Homes</b>	Earmarked reserve specifically for new development and refurbishment of council housing.
<b>Major Repairs Reserves</b>	To fund major repairs for Council housing.
<b>Business Improvement Reserve</b>	A new reserve to fund new digital technologies and business transformation to generate efficiencies in the Adur Homes service.

### **NOTE 9: OTHER OPERATING EXPENDITURE**

Other Operating Expenditure	2015/16	2014/15
	<b>£'000</b>	<b>£'000</b>
Parish Council Precepts	365	365
De-recognition of Assets	2,884	1,826
Payments to the Government Housing Capital Receipts Pool	599	279
(Gains)/losses on the disposal of non-current assets	(350)	(835)
<b>TOTAL</b>	<b>3,498</b>	<b>1,635</b>

## NOTES TO THE ACCOUNTS

### **NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Financing and Investment Income and Expenditure	2015/16	2014/15
	<b>£'000</b>	<b>£'000</b>
Interest payable & similar charges	3,105	3,225
Pensions interest cost & expected return on pensions assets	1,226	2,376
Interest receivable & similar income	(103)	(183)
Income and expenditure in relation to investment properties	(18)	(44)
Changes in fair value of investment properties	(10)	(494)
Other investment income (Trading Operations Note 31)	(94)	(219)
<b>TOTAL</b>	<b>4,106</b>	<b>4,661</b>

### **NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME**

Taxation and Non-Specific Grant Income	2015/16	2014/15
	<b>£'000</b>	<b>£'000</b>
Council Tax Income	(5,893)	(5,822)
Non Domestic Rates income and expenditure	(1,725)	(1,767)
Non-ringfenced Government Grants	(2,505)	(2,971)
Capital Grants and Contributions	(188)	(1,974)
Repayment of Capital Grants	390	-
<b>TOTAL</b>	<b>(9,921)</b>	<b>(12,534)</b>

## NOTES TO THE ACCOUNTS

### NOTE 12: PROPERTY, PLANT AND EQUIPMENT

#### OPERATIONAL ASSETS

Movements in 2015/2016	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2015</b>	147,045	18,957	5,867	4,331	1,764	22	2,047	180,033
Additions	4,637	2,613	270	1,408	-	-	108	9,036
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	18,124	7,929	4	2	-	656	-	26,715
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,822)	(6,256)	-	-	-	(421)	-	(10,499)
Derecognition - Other	(2,455)	(481)	(406)	(22)	-	(22)	-	(3,386)
Assets reclassified (to)/from Held for Sale	(691)	-	-	-	-	-	-	(691)
Assets reclassified (to)/from Investment Properties	-	8,103	-	-	-	-	-	8,103
Reclassifications between asset classes, including transfers to intangible assets	39	(951)	-	348	-	2,425	(1,869)	(8)
<b>At 31 March 2016</b>	<b>162,877</b>	<b>29,914</b>	<b>5,735</b>	<b>6,067</b>	<b>1,764</b>	<b>2,660</b>	<b>286</b>	<b>209,303</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	-	(732)	(3,340)	(1,890)	-	(9)	-	(5,971)
Depreciation charge	(3,954)	(752)	(637)	(138)	-	(3)	-	(5,484)
Depreciation written out to the Revaluation Reserve	60	174	-	-	-	62	-	296
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,792	517	-	-	-	421	-	4,730
Derecognition - Other	102	-	377	8	-	12	-	499
Reclassifications between asset classes	-	483	-	-	-	(483)	-	-
<b>At 31 March 2016</b>	<b>-</b>	<b>(310)</b>	<b>(3,600)</b>	<b>(2,020)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,930)</b>
<b>Net Book Value at 31 Mar 2016</b>	<b>162,877</b>	<b>29,604</b>	<b>2,135</b>	<b>4,047</b>	<b>1,764</b>	<b>2,660</b>	<b>286</b>	<b>203,373</b>
<b>At 31 March 2015</b>	<b>147,045</b>	<b>18,225</b>	<b>2,527</b>	<b>2,441</b>	<b>1,764</b>	<b>13</b>	<b>2,047</b>	<b>174,062</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **OPERATIONAL ASSETS**

Share of above assets used in the provision of the joint services

Movements in 2015/2016	Vehicles, Furniture and Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2015	5,086	22	3	5,111
New assets transferred from Adur District Council	4	-	-	4
Additions	229	-	41	270
Derecognition - Other	(371)	(22)	-	(393)
<b>At 31 March 2016</b>	<b>4,948</b>	<b>-</b>	<b>44</b>	<b>4,992</b>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2015	(2,969)	(10)	-	(2,979)
Depreciation charge	(575)	(2)	-	(577)
Derecognition - Other	342	12	-	354
<b>At 31 March 2016</b>	<b>(3,202)</b>	<b>-</b>	<b>-</b>	<b>(3,202)</b>
<b>Net Book Value at 31 March 2016</b>	<b>1,746</b>	<b>-</b>	<b>44</b>	<b>1,790</b>
<b>Net Book Value at 31 March 2015</b>	<b>2,117</b>	<b>12</b>	<b>3</b>	<b>2,132</b>

## NOTES TO THE ACCOUNTS

### NOTE 12: PROPERTY, PLANT AND EQUIPMENT

#### COMPARATIVE MOVEMENTS 2014/15

Movements in 2014/2015	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipmen	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						-		-
<b>At 1 April 2014</b>	138,889	20,757	5,623	4,238	1,764	22	360	171,653
Additions	3,664	85	553	143	-	-	1,699	6,144
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,635	(251)	-	4	-	-	-	10,388
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,415)	(1,583)	-	-	-	-	-	(4,998)
Derecognition - Other	(1,966)	(54)	(309)	(58)	-	-	(5)	(2,392)
Assets reclassified (to)/from Held for Sale	(762)	-	-	-	-	-	-	(762)
Reclassifications between asset classes, including transfers to intangible assets	-	3	-	4	-	-	(7)	-
<b>At 31 March 2015</b>	<b>147,045</b>	<b>18,957</b>	<b>5,867</b>	<b>4,331</b>	<b>1,764</b>	<b>22</b>	<b>2,047</b>	<b>180,033</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	-	(2,017)	(3,075)	(1,816)	-	(7)	-	(6,915)
Depreciation charge	(3,631)	(659)	(573)	(132)	-	(2)	-	(4,997)
Depreciation written out to the Revaluation Reserve	18	122	-	-	-	-	-	140
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,537	1,816	-	-	-	-	-	5,353
Derecognition - Other	77	6	308	58	-	-	-	449
<b>At 31 March 2015</b>	<b>1</b>	<b>(732)</b>	<b>(3,340)</b>	<b>(1,890)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(5,970)</b>
<b>Net Book Value at 31 March 2015</b>	<b>147,046</b>	<b>18,225</b>	<b>2,527</b>	<b>2,441</b>	<b>1,764</b>	<b>13</b>	<b>2,047</b>	<b>174,063</b>
<b>At 31 March 2014</b>	<b>138,889</b>	<b>18,740</b>	<b>2,548</b>	<b>2,422</b>	<b>1,764</b>	<b>15</b>	<b>360</b>	<b>164,738</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **COMPARATIVE MOVEMENTS 2014/15**

Share of above assets used in the provision of the joint services

Movements in 2014/2015	Vehicles, Furniture and Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2014	4,818	22	3	4,843
Additions	400	-	-	400
Derecognition - Other	(132)	-	-	(132)
<b>At 31 March 2015</b>	<b>5,086</b>	<b>22</b>	<b>3</b>	<b>5,111</b>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2014	(2,581)	(7)	-	(2,588)
Depreciation charge	(520)	(3)	-	(523)
Derecognition - Other	132	-	-	132
<b>At 31 March 2015</b>	<b>(2,969)</b>	<b>(10)</b>	<b>-</b>	<b>(2,979)</b>
<b>Net Book Value at 31 March 2015</b>	<b>2,117</b>	<b>12</b>	<b>3</b>	<b>2,132</b>
<b>Net Book Value at 31 March 2014</b>	<b>2,237</b>	<b>15</b>	<b>3</b>	<b>2,255</b>

#### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 15 – 60 years
- Other Land and Buildings: 1 – 60 years
- Vehicles, Plant, Furniture and Equipment: 1 – 25 years
- Infrastructure: 25 years

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **CAPITAL COMMITMENTS**

At 31 March 2016 the Council has entered into one significant contract for the construction or enhancement of property in 2016/17 estimated to cost £98,800. Significant commitments at 31 March 2015 were £3,093,497. The significant commitment at 31 March 2016 is:

- Fishersgate Recreation Ground play area improvements £98,800.

#### **REVALUATIONS**

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations were carried out by external valuers, Wilks Head and Eve, GSE Harbord MA MRICS IRRV (Hons). Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets, and for vehicles, plant and equipment. Assets under construction are valued at cost.

The significant assumptions applied in estimating the current values are:

- Operational Assets - Properties valued will continue to be in the occupation of the Local Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruktion	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	-	-	2,135	4,047	1,764	-	286	8,232
<b>Valued at current value as at:</b>								
31st March 2016	162,877	29,133	-	-	-	2,660	-	194,670
31st March 2015	-	471	-	-	-	-	-	471
<b>Total Cost or Valuation</b>	<b>162,877</b>	<b>29,604</b>	<b>2,135</b>	<b>4,047</b>	<b>1,764</b>	<b>2,660</b>	<b>286</b>	<b>203,373</b>



## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **NON-OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (SURPLUS ASSETS)**

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£'000	£'000	£'000	£'000
Offices	-	2,661	-	2,661
<b>TOTAL</b>	-	2,661	-	2,661

There were no material surplus assets at 31 March 2015.

#### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during the year.

#### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

##### ***Significant Observable Inputs – Level 2***

The fair value for office assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

##### ***Significant Unobservable Inputs – Level 3***

There are no land or property assets within the Authority's surplus asset portfolio which are classed at Level 3 in the fair value hierarchy.

#### **Highest and Best Use of Surplus Assets**

In estimating the fair value of the authority's surplus assets, the highest and best use of the properties is their current use.

#### **Valuation Process for Surplus Assets**

The authority carries out a rolling valuation programme which ensures all surplus assets are revalued at least every 5 years and are reviewed for significant increases/decreases at the reporting date. All valuations are carried out by external valuers, Wilks, Head and Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Department and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## NOTES TO THE ACCOUNTS

### **NOTE 13: HERITAGE ASSETS**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Movements in 2015/2016	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b> At 1 April 2015	11	28	185	224
<b>At 31 March 2016</b>	11	28	185	224
<b>At 31 March 2015</b>	11	28	185	224

### **COMPARATIVE MOVEMENTS 2014/15**

Movements in 2014/2015	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b> At 1 April 2014	11	28	185	224
<b>At 31 March 2015</b>	11	28	185	224

#### **Civic Regalia**

The Council's Civic Regalia is reported in the Balance Sheet at insurance valuation. The insurance valuation is reviewed annually.

#### **Fine Art/Furniture**

This collection consists of various 19th Century paintings which have been donated to the Council and 2 carved oak chairs. These assets are stored or displayed in the Council's administration buildings and are reported in the Balance Sheet at insurance valuation, which is updated annually.

#### **Monuments**

The war memorial at The Green, Southwick is reported in the Balance Sheet at historical cost as it is not practical to provide a valuation at a cost which is commensurate to users of the financial statements

## NOTES TO THE ACCOUNTS

### **NOTE 14: INVESTMENT PROPERTIES**

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Rental income from investment property	(465)	(485)
Direct operating expenses arising from investment property	447	442
<b>Net (gain)/loss</b>	<b>(18)</b>	<b>(43)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment properties or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year</b>	8,477	7,983
<b>Net gains/losses from fair value adjustments:</b>		
General Fund	10	479
Housing Revenue Account	-	15
<b>Transfers:</b>		
<b>From Property, Plant and Equipment</b>		
General Fund	(7,492)	-
Housing Revenue Account	(611)	-
<b>Balance at end of the year</b>	<b>384</b>	<b>8,477</b>

The Council has undertaken an extensive review of its investment properties in 2015/2016. The review identified that the majority of its investment properties were not just being held for rental income or capital appreciation, but were being held to maintain economic benefits or to preserve the service provided by the property. Properties with a total value of £8,102,530 were reclassified as operational properties at 1<sup>st</sup> April, 2015.

### **Fair Value Measurement of Investment Property**

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 31 March 2015 are as follows:

## NOTES TO THE ACCOUNTS

### NOTE 14: INVESTMENT PROPERTIES

#### Fair Value Measurement of Investment Property

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£'000	£'000	£'000	£'000
Land	-	384	-	384
<b>TOTAL</b>	-	384	-	384

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2015
	£'000	£'000	£'000	£'000
Land	-	374	-	374
<b>TOTAL</b>	-	374	-	374

#### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

#### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

**Significant Observable Inputs – Level 2** - The fair value for land assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Significant Unobservable Inputs – Level 3** - There are no land or property assets within the Authority's asset portfolio which are classed at Level 3 in the fair value hierarchy.

#### Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

#### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

## NOTES TO THE ACCOUNTS

### **NOTE 14: INVESTMENT PROPERTIES**

#### **Valuation Process for Investment Properties**

The fair value of the authority's investment property is measured annually at 1<sup>st</sup> April each year and reviewed for significant increases/decreases at the reporting date. All valuations are carried out by external valuers, Wilks, Head and Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Department and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

### **NOTE 15: INTANGIBLE ASSETS**

The Council has no internally generated assets and accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

The useful lives assigned to the software licences are between 1 and 7 years and the carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £47,480 charged to revenue in 2015/2016 was charged £41,900 to the General Fund and £5,580 to the Housing Revenue Account.

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year:</b>		
Gross carrying amounts	373	337
Accumulated amortisation	(144)	(171)
<b>Net carrying amount at start of year</b>	<b>229</b>	<b>166</b>
<b>Additions:</b>		
New assets recognised in the Revaluation Reserve	-	11
Purchases	44	90
Reclassification from Property, Plant and Equipment	8	-
<b>Disposals</b>	-	(65)
<b>Amortisation for the period</b>	(48)	(36)
<b>Amortisation written off on disposal</b>	-	63
<b>Net carrying amount at end of year</b>	<b>233</b>	<b>229</b>
<b>Comprising:</b>		
Gross carrying amounts	425	373
Accumulated amortisation	(192)	(144)
	<b>233</b>	<b>229</b>

## NOTES TO THE ACCOUNTS

### **NOTE 15: INTANGIBLE ASSETS**

Share of above assets used in the provision of the joint services

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year:</b>		
Gross carrying amounts	312	238
Accumulated amortisation	(124)	(94)
<b>Net carrying amount at start of year</b>	<b>188</b>	<b>144</b>
<b>Additions:</b>		
New assets recognised in the Revaluation Reserve	-	11
Purchases	19	63
<b>Amortisation for the period</b>	<b>(40)</b>	<b>(30)</b>
<b>Net carrying amount at end of year</b>	<b>167</b>	<b>188</b>
<b>Comprising:</b>		
Gross carrying amounts	331	312
Accumulated amortisation	(164)	(124)
	<b>167</b>	<b>188</b>

### **NOTE 16: FINANCIAL INSTRUMENTS**

A financial instrument is defined as any contract which gives rise to a financial asset in one entity and a financial liability in another. This definition therefore covers both assets and liabilities within the Council's Balance Sheet and includes items such as investments, long term and short term borrowing, trade debtors (receivables) and trade creditors (payables). The Code of Practice requires the Council to make a range of disclosures in respect of financial instruments, which follow in the tables below.

Financial liabilities and assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, that is the outstanding principal, plus accrued interest. Interest in the Comprehensive Income and Expenditure Statement is the amount payable or receivable for the year according to the agreement.

Financial assets are classified into two types:

**Loans and receivables** – assets that have fixed or determinable payments, but are not quoted in an active market.

**Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

	Long Term		Current		Total	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b> - Financial Liabilities at Amortised Cost	(72,985)	(74,703)	(2,050)	(2,049)	(75,035)	(76,752)
<b>Creditors</b> - Financial Liabilities	-	-	(874)	(1,318)	(874)	(1,318)
<b>Investments</b>						
Available-for-sale financial assets	50	50	-	-	50	50
Loans and Receivables	2,030	2,030	11,061	13,083	13,091	15,113
<b>TOTAL INVESTMENTS</b>	2,080	2,080	11,061	13,083	13,141	15,163
<b>Debtors</b>						
Loans and Receivables	169	198	919	827	1,088	1,025
Cash & Cash Equivalents	-	-	73	5,793	73	5,793
<b>TOTAL DEBTORS</b>	169	198	992	6,620	1,161	6,818

The borrowing on the balance sheet is analysed below by maturity structure:

	31-Mar-16	31-Mar-15
	£'000s	£'000s
<b>An analysis of loan debt by maturity is:</b>		
Maturing within one year	2,050	2,049
	2,050	2,049
Maturing in 1-2 years	1,711	1,718
Maturing in 2-5 years	5,126	5,129
Maturing in 5-10 years	10,046	9,545
Maturing in more than 10 years	56,102	58,311
	72,985	74,703
<b>TOTAL</b>	<b>75,035</b>	<b>76,752</b>

£17,939,810 of the loans can be called for early repayment on specified dates. However, due to the low risk that the lenders will exercise this option, they have been disclosed at the maturity dates.

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

The composition of borrowings and investments by counterparty at the balance sheet date are further analysed below:

	Long Term		Current		TOTAL	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>BORROWING:</b>						
Public Works L'n B'd	(54,609)	(56,316)	(1,979)	(1,979)	(56,588)	(58,295)
<b>Public W'ks L'n Board</b>	<b>(54,609)</b>	<b>(56,316)</b>	<b>(1,979)</b>	<b>(1,979)</b>	<b>(56,588)</b>	<b>(58,295)</b>
Barclays Capital	(11,123)	(11,124)	(59)	(56)	(11,182)	(11,180)
FMS Wertmanagement	(7,250)	(7,250)	(2)	(2)	(7,252)	(7,252)
Salix Finance Ltd	(3)	(13)	(10)	(12)	(13)	(25)
Other Local Authorities	-	-	-	-	-	-
<b>Other Comm.lenders</b>	<b>(18,376)</b>	<b>(18,387)</b>	<b>(71)</b>	<b>(70)</b>	<b>(18,447)</b>	<b>(18,457)</b>
<b>TOTAL BORROWING</b>	<b>(72,985)</b>	<b>(74,703)</b>	<b>(2,050)</b>	<b>(2,049)</b>	<b>(75,035)</b>	<b>(76,752)</b>
<b>INVESTMENTS</b>						
Bank of Scotland	-	-	-	1,009	-	1,009
Barclays	-	-	4,023	2,016	4,023	2,016
Santander Corp Banking	-	-	2,012	2,014	2,012	2,014
Skipton Bld.Society	-	-	-	2,005	-	2,005
Stirling Council	-	-	1,001	-	1,001	-
Leeds Bld.Society	-	-	-	1,005	-	1,005
Lloyds TSB	-	-	2,011	2,015	2,011	2,015
Nationwide Bldg Soc.	-	-	2,002	3,007	2,002	3,007
Local Capital Finance	50	50	-	-	50	50
West Sussex Credit Union	25	25	-	-	25	25
Kingston Upon Hull Council	2,000	2,000	12	12	2,012	2,012
War bonds	5	5	-	-	5	5
<b>TOTAL INVESTMENTS</b>	<b>2,080</b>	<b>2,080</b>	<b>11,061</b>	<b>13,083</b>	<b>13,141</b>	<b>15,163</b>
<b>NET TOTAL INVEST'S/ (LIABILITIES)</b>	<b>(70,905)</b>	<b>(72,623)</b>	<b>9,011</b>	<b>11,034</b>	<b>(61,894)</b>	<b>(61,589)</b>



## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	FINANCIAL LIABILITIES Measured at Amortised Cost		FINANCIAL ASSETS Loans and Receivables		TOTAL	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	(3,105)	(3,179)	-	-	(3,105)	(3,179)
<b>Interest Payable and Similar Charges</b>	(3,105)	(3,179)	-	-	(3,105)	(3,179)
Interest Income	-	-	173	180	173	180
Decrease/(Increase) in Impairment	-	-	(53)	29	(53)	29
<b>Interest Income and Similar Income</b>	-	-	120	209	120	209
<b>Net Gain/(Loss) in Yr</b>	<b>(3,105)</b>	<b>(3,179)</b>	<b>120</b>	<b>209</b>	<b>(2,985)</b>	<b>(2,970)</b>

The losses and gains in impairment relate solely to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies. There was no movement in the value of the available for sale asset, which is a £50,000 bond held with the Municipal Bonds Agency Local Capital Finance.

#### **Fair Values – Financial Liabilities**

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

The fair value of the reported carrying amounts at 31<sup>st</sup> March 2016 is based upon professional evaluation by the Council's treasury management advisers.

The borrowing valuations use the net present value approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used for market loans is equal to the rate pertaining at 31<sup>st</sup> March, 2016 in relation to the same instrument from a comparable lender. The fair value includes accrued interest in the calculation to provide a comparison with the carrying value in the Balance Sheet. For loans from the PWLB the fair values have been calculated using a discount rate equivalent to the new borrowing rate in force on the last working day of the financial year. No early repayment or impairment is recognised.

The fair value of Trade and other Payables is taken to be the invoiced amount and differs from the amounts shown in Note 22 and the Balance Sheet on account of the exclusion of statutory creditors that fall outside the definition of Financial Instruments because they are not trade related. The fair values for Financial Liabilities, comprising debt, and trade payables are compared with the carrying amounts as follows:

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

#### Fair Values – Financial Liabilities

	31st March 2016		31st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Borrowing PWLB	(56,588)	(68,467)	(58,295)	(69,384)
Other Loans	(18,447)	(28,255)	(18,457)	(27,377)
<b>Total Borrowing</b>	<b>(75,035)</b>	<b>(96,722)</b>	<b>(76,752)</b>	<b>(96,761)</b>
Trade and Other Payables	(874)	(874)	(1,318)	(1,318)
	<b>(75,909)</b>	<b>(97,596)</b>	<b>(78,070)</b>	<b>(98,079)</b>

The fair value of debt is greater than the carrying amount because the Council's portfolio is at interest rates higher than the rates available for equivalent debt at 31<sup>st</sup> March, 2016. This means that if the Council had repaid these loans at the Balance Sheet date it would have paid a premium over and above the carrying value. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2016) arising from a commitment to pay interest to lenders above current market rates.

The Authority has used a transfer value of financial liabilities. We have also calculated an exit price fair value of £113.81m, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

#### Fair Values – Loans and Receivables

	31st March 2016		31st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments	13,141	13,120	15,158	15,124
Trade Receivables	1,088	1,088	827	828
Cash & Cash Equivalents	73	73	5,793	5,793
<b>Loans and Receivables</b>	<b>14,302</b>	<b>14,281</b>	<b>21,778</b>	<b>21,745</b>

The fair value for investments is lower than the carrying amount because the portfolio of investments at the 31<sup>st</sup> March includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2016) attributable to the commitment to receive interest below current market rates.

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## NOTES TO THE ACCOUNTS

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### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Fair Values – Loans and Receivables**

The disclosure for Loans and Receivables includes Trade Receivables (on trade debtors). The carrying amount for Trade Receivables differs from the total value of Debtors shown in Note 19 and the Balance Sheet on account of the exclusion of statutory debtors that fall outside the definition of Financial Instruments because they do not constitute trade debts.

The Council does not hold any unquoted equity investments or financial assets at fair value through profit and loss.

#### **Nature and Extent of Risks Arising From Financial Instruments**

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay the amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.

Market risk – the possibility the Council might suffer financial loss as a result of changes in interest rates

The Council's treasury management activities are carried out by a central team under policies approved by the Council as part of its annual treasury management strategy. This provides a written framework for overall risk management of its treasury management actions, which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

#### **Credit Risk**

Credit risk arises from investments with banks and building societies as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by Capita Treasury Solutions Limited. This service uses the credit ratings from Fitch, Moody's and Standard and Poor's combined with other market information. The Council limits lending to £4m for individual institutions rated A- or above. The Council will also invest in the 5 largest building societies. The limit for the Nationwide is £4m and £2m for the other building societies; whilst these institutions are generally unrated, they operate in a highly regulated environment and so are acceptable counterparties for the Council.

The Council has not incurred any loss or default from any of its investments and is not aware of any loss being suffered on cash deposits by any other Council using similar investment criteria. However the prevailing financial climate since the banking crises of 2008 is a salient reminder that the investment of the Council's funds is not entirely without risk. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31<sup>st</sup> March, 2016 that this is likely to crystallise

Trade and rental debts are usually payable immediately when due. Generally therefore, all amounts outstanding, (apart from those amounts raised as accruals at 31<sup>st</sup> March, 2016 as part of the final accounts process) are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and Note 19.

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Credit Risk**

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability adjusted for current market conditions. The historical default rates for trade debtors is based upon the Council's provisions for bad debt and equates to 46.17% of all trade debt. However, the bad debt provision for 2015/16 as a percentage of debtors is 55.65%. Considering current market conditions and expectations for the future the Historical Default rate has been adjusted from 46.17% to 55.65% to gauge the likely maximum exposure to default and uncollectability.

Credit Risk Exposure	Carrying Amount at 31-Mar-16	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-16	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-16	Estimated Maximum Exposure at 31-Mar-15
	£'000	%	%	£'000	£'000
Deposit with Banks and Financial Institutions	13,061	0.00%	0.033%	4	11
Customers	1,088	46.17%	55.65%	606	414
	<b>14,149</b>			<b>610</b>	<b>425</b>

#### **Liquidity Risk**

The Council manages its liquidity position through its risk management procedures: the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed, as required by the CIPFA Code of Practice.

As the Council has ready access to borrowings either directly from the Public Works Loans Board or financial markets via brokers, there is no material risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council may be forced to refinance a significant proportion of its borrowings at a time of rising (and therefore unfavourable) interest rates. To minimise the impact of such an event the Council's strategy limits the amount of debts subject to variable rates of interest to 50% of the portfolio, albeit all the Council's debt was at fixed rates of interest at the Balance Sheet date.

#### **Market Risk**

The Council is exposed to market risk by way of interest rate movements in its investments as at March 31<sup>st</sup> 2016 and on its borrowings. To manage this risk the Council generally invests and borrows at fixed rates in accordance with its Prudential Limits. Its investments are generally for a period up to 1 year. Borrowings comprise long term fixed rate loans from the Public Works Loans Board, financial markets, and LOBO loans from commercial lenders at variable rates.

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Market Risk**

Movements in interest rates may have a complex impact on the Council, for example if interest rates were to rise this would enable the Council to invest at higher rates as previous investments mature so increasing the income credited to the Comprehensive Income and Expenditure Statement. However some of the commercial lenders might wish to exercise their option to increase the interest charged on the Council's variable/temporary borrowings, at which point the Council would have to either accept the higher interest rate or replace its loans at a higher interest rate. In either case the result would be an increase in the interest costs. Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a range of strategies for limiting interest rate risk. The policy is to minimise the amount of variable rate borrowing and to make fixed rate deposits and investments over a range of maturities ensuring that the Council's exposure to short term market fluctuations is minimised.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	30
Impact on Surplus or Deficit on the Provision of Services	30
Share of overall impact credited to the HRA	17
Decrease in fair value of fixed rate investment assets	90
Impact on Other Comprehensive Income and Expenditure	90
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	13,684

#### **Price Risk**

The Authority does not generally invest in equity shares or marketable bonds, but does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The investment is disclosed in the Council's Balance Sheet at the original cost of £50,000.

#### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## NOTES TO THE ACCOUNTS

### **NOTE 17: INVENTORIES**

Adur District Council holds inventories (stock) mainly for the use of providing internal services; this is not considered a significant part of the overall assets held by the Council and is deemed not material.

	2015/16	2014/15
	£'000s	£'000s
Adur balance outstanding at start of year	45	27
Movement net of purchases/issues	(7)	18
Adur Inventories	38	45
Adur District Council share of the inventories from the Joint Strategic Committee (approximately 40%)	61	55
Overall balance at year end	99	100

### **NOTE 18: CONSTRUCTION CONTRACTS**

The Council has not entered into any significant construction contracts to undertake work for a third party.

### **NOTE 19: DEBTORS**

	31-Mar-16	31-Mar-15
	£'000s	£'000s
<b>Amounts falling due in one year net of bad debt impairment provision:</b>		
Central Government Bodies	3,473	713
Other Local Authorities	863	198
NHS Bodies	7	1
*Other Entities and Individuals	2,136	2,090
	6,479	3,002
<b>* Of which £1.1m relates to net Housing Benefit overpayment arrears</b>		

The past due amounts for customers can be analysed as follows.

Overall Aged Debt Analysis	31-Mar-16	31-Mar-15
	£'000	£'000
Under 1 year	6,265	2,745
1 - 2 years	110	65
2 - 3 years	31	39
Over 3 years	148	153
	6,554	3,002

## NOTES TO THE ACCOUNTS

### **NOTE 19: DEBTORS**

#### **Long Term Debtors**

Long term debtors disclosed in the balance sheet comprise of:

Long Term Debtors	31-Mar-16	31-Mar-15
	£'000s	£'000s
Private sector house purchase	-	-
Council house purchase	2	3
Car loans	167	195
<b>TOTAL</b>	<b>169</b>	<b>198</b>

### **NOTE 20: CASH AND CASH EQUIVALENTS**

The Council holds Cash and Cash Equivalents for the purpose of meeting short term commitments.

	31-Mar-16	Restated 31/03/2015
	£'000	£'000
<b>The balance is made up of the following elements:</b>		
Cash held/(overdrawn) by the Council	(2,235)	(750)
Bank Current Accounts	488	5,012
<b>Total Cash &amp; Cash Equivalents</b>	<b>(1,747)</b>	<b>4,262</b>

### **NOTE 21: ASSETS HELD FOR SALE**

	Current 2015/16	Current 2014/15	Non Current 2015/16	Non Current 2014/15
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year 1st April 2015</b>	107	316	-	-
<b>Assets newly classified as held for sale:</b> From Property, Plant and Equipment	691	762	-	-
<b>Assets sold:</b>	(571)	(971)	-	-
<b>Balance outstanding at year-end</b>	<b>227</b>	<b>107</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ACCOUNTS

### **NOTE 21: ASSETS HELD FOR SALE**

The Authority recognised the following assets as held for sale during 2015/2016.

- 12 Council Dwellings under 'Right to Buy' Regulations.
- 10 sales of 'Right to Buy' Council dwellings completed in 2015/2016.
- 4 sales of "Right to Buy" Council dwellings completed early in 2016/2017.

### **NOTE 22: CREDITORS**

	31-Mar-16	Restated 31/03/2015
	£'000s	£'000s
Central Government Bodies	4,062	3,021
Other Local Authorities	924	957
Public Corporations and Trading Funds	-	12
Other Entities and Individuals	1,151	1,318
<b>TOTAL</b>	<b>6,137</b>	<b>5,308</b>

### **NOTE 23: PROVISIONS**

The table below identifies the movements in the year in the amounts set aside for provisions. Below the table is a brief description of the nature of each provision and any information on likely timings and uncertainties surrounding its use.

	Balance at 31-Mar-15	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused Amounts Reversed in 2014/15	Balance at 31-Mar-16
	£'000	£'000	£'000	£'000	£'000
Land Charges Provision	40		(31)	-	9
Housing Benefits	61		(61)	-	-
Courtfields Major works	249	18		-	267
Insurance Provision	25	-	-	-	25
Business Rates Appeals	391	301	-		692
	<b>766</b>	<b>319</b>	<b>(92)</b>	<b>-</b>	<b>993</b>



## NOTES TO THE ACCOUNTS

### **NOTE 23: PROVISIONS**

#### **Land Charges Provision:**

The Council is involved in litigation, concerning fees charged since 2005, for property searches. Local authorities have charged for property searches, but private search companies have now complained that the fees set are incompatible with the Environmental Information Regulations 2004.

These regulations provide that environmental information should be made available for personal inspection at no charge. Numerous private property search companies have now issued and/or threatened claims against authorities for charges levied from 1<sup>st</sup> January 2005 onwards. In March 2011, central government provided £40,000 to each authority to cover potential claims for refunds. Several claims have now been made, leaving just interest and costs outstanding.

#### **Courtfields Major Works:**

Reserve is a provision for the cost of works that the Council is obliged to undertake at Courtfields, which has been increased by £18,337. No major works are currently programmed for the properties but it is highly likely that some major works will need to be undertaken in the next few years.

#### **Business Rates Appeals:**

A provision has been made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The gross provision is £1,729,544, Adur Council's share is £691,818, being 40% of the total.

### **NOTE 24: USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement page 19 and 20.

### **NOTE 25: UNUSABLE RESERVES**

31st March 2015	UNUSABLE RESERVES	31st March 2016
<b>£'000s</b>		<b>£'000s</b>
(37,333)	Revaluation Reserve	(63,994)
(69,856)	Capital Adjustment Account	(63,700)
433	Financial Instruments Adjustment Account	433
(4)	Deferred Capital Receipts Reserve	(2)
35,820	Pension Reserve	28,047
(392)	Collections Fund Adjustment Account	(700)
<b>(71,332)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(99,916)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>Revaluation Reserve</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(37,333)	(27,060)
Upward revaluation of assets	(28,699)	(11,247)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,686	707
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(64,346)</b>	<b>(37,600)</b>
Difference between fair value depreciation and historical cost depreciation	205	76
Accumulated gains on assets sold	147	191
<b>Amount written off to Capital Adjustment Account</b>	<b>352</b>	<b>267</b>
<b>Balance at 31 March</b>	<b>(63,994)</b>	<b>(37,333)</b>

#### **Capital Adjustment Account**

The Capital Adjustment Account reflects the difference between the cost of long term assets consumed and the capital financing assets set aside to pay for them. It is written down by capital expenditure which does not result in the creation of a long term asset and the depreciated historical cost of assets when sold.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**See table on next page.**

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

Capital Adjustment Account	2015/16	2014/15
<b>Balance at 1 April</b>	<b>£'000 (69,856)</b>	<b>£'000 (70,082)</b>
<b>Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	5,484	4,998
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	5,768	(355)
Amortisation of intangible assets	47	36
Revenue expenditure funded from capital under statute 2015/2016	537	894
Revenue expenditure funded from capital under statute 2014/2015	-	5
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,459	2,797
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>15,295</b>	<b>8,375</b>
Adjusting amounts written out of the Revaluation Reserve	(352)	(267)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(372)	-
Use of the Major Repairs Reserve to finance new capital expenditure	(4,032)	(3,460)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(349)	(429)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,241)	(154)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,435)	(2,568)
Capital expenditure charged against the General Fund and HRA balances	(348)	(777)
	<b>(9,129)</b>	<b>(7,655)</b>
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(10)	(494)
<b>Balance at 31 March</b>	<b>(63,700)</b>	<b>(69,856)</b>

### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid on discounts received on the early redemption of loans.

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Pension Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>Pensions Reserve</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	35,820	33,650
Remeasurements of the net defined benefit liability / (asset)	(8,458)	440
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	3,259	4,238
Employer's pension contributions and direct payments to pensioners payable in the year	(2,574)	(2,508)
<b>Balance at 31 March</b>	<b>28,047</b>	<b>35,820</b>

### **NOTE 26: CASH FLOW - OPERATING ACTIVITIES**

	<b>Net 2015/16</b>	<b>Net 2014/15</b>
	<b>£'000</b>	<b>£'000</b>
The cash flows for operating activities include the following items:		
Interest received	103	100
Interest paid	(3,106)	(3,252)
Dividends received	-	-
<b>Total</b>	<b>(3,003)</b>	<b>(3,152)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 26: CASH FLOW - OPERATING ACTIVITIES**

#### Cash Flow – Net Cash Flow From Operating Activities

	Net 2015/16	Restated Net 2014/15
	£'000 (10,572)	£'000 (894)
<b>Net Surplus or (Deficit) on the Provision of Services</b>		
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	5,485	4,998
Impairment and downward valuations	5,698	(355)
Amortisation	48	36
Increase/(Decrease) in Creditors	(122)	(722)
(Increase)/Decrease in Debtors	(3,547)	152
(Increase)/Decrease in Inventories	1	(19)
Pension Liability	685	1,730
Contributions to/(from) Provisions	227	85
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	3,458	2,797
Movement in Investment property values	(9)	(494)
	<b>11,924</b>	<b>8,208</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Net capital Grants credited to surplus or deficit on the provision of services	260	(2,312)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(928)	(1,819)
	<b>(668)</b>	<b>(4,131)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>684</b>	<b>3,183</b>

## NOTES TO THE ACCOUNTS

### **NOTE 27: CASH FLOW - INVESTING ACTIVITIES**

	Net 2015/16	Restated Net 2014/15
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(9,082)	(6,144)
Purchase of short-term and long-term investments	-	-
Other payments for investing activities	(390)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	930	1,816
Proceeds from short-term and long-term investments	2,000	3,060
Other receipts from investing activities	547	2,374
<b>Net cash flows from investing activities</b>	<b>(5,995)</b>	<b>1,106</b>

### **NOTE 28: CASH FLOW - FINANCING ACTIVITIES**

	Net 2015/16	Net 2014/15
	£'000	£'000
Cash receipts of short- and long-term borrowing	-	282
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayments of short- and long-term borrowing	(1,718)	(2,504)
Other payments for financing activities	1,020	(244)
<b>Net cash flows from financing activities</b>	<b>(698)</b>	<b>(2,466)</b>

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure except for depreciation;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year 2015/16 is as follows:

2015/2016	Employee Expenses	Other Expenses	Support Services incl. Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure Variances
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Member Portfolio</b>							
Environment	-	1,383	2,576	492	4,451	(1,517)	2,934
Customer Services	-	22,195	321	291	22,807	(21,644)	1,163
Regeneration	150	994	1,985	-	3,129	(1,265)	1,864
Resources	1,428	1,291	988	210	3,917	(1,290)	2,627
Health, Safety & Wellbeing Leader	146	467	978	50	1,641	(555)	1,086
	224	88	463	3	778	(149)	629
<b>Net Portfolio Expenditure</b>	1,948	26,418	7,311	1,046	36,723	(26,420)	10,303
<b>Housing Revenue Account</b>	2,912	6,243	1,463	2,269	12,887	(13,479)	(592)
<b>Net Cost of Services</b>	4,860	32,661	8,774	3,315	49,610	(39,899)	9,711
Credit back notional capital charges				(1,497)	(1,497)		(1,497)
Minimum Revenue Provision		718			718		718
Other grants					-	(152)	(152)
Revenue cont'n to capital					-		-
<b>Spend 2015/16</b>	4,860	33,379	8,774	1,818	48,831	(40,051)	8,780

### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000
Cost of services in service analysis	8,780
Add services not included in main analysis	-
Add amounts not reported to management	4,575
Remove amounts reported to management not included in comprehensive Income and Expenditure Statement	(2,783)
<b>Net Cost of Services in Comprehensive Income &amp; Exp'ture St'ment</b>	<b>10,572</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2015/16	Service Analysis	Services not in Analysis	Not reported to manage- ment	Not included in Income & Expend- iture	Allocation of Re-charges	Net Cost of Services
Fees, charges & other service income	(39,948)	-	-	-	-	(39,948)
Interest & investment income	(103)	-	-	-	-	(103)
Income from council tax & NDR	-	-	(7,618)	-	-	(7,618)
Gov't grants & contributions	-	-	(1,895)	-	-	(1,895)
<b>Total Income</b>	<b>(40,051)</b>	<b>-</b>	<b>(9,513)</b>	<b>-</b>	<b>-</b>	<b>(49,564)</b>
Employee expenses	4,860	-	(541)	-	-	4,319
Other service expenses	30,274	-	-	(2,783)	-	27,491
Support Service recharges	8,774	-	-	-	-	8,774
Depreciation, amortisation and impairment	1,818	-	5,531	-	-	7,349
Interest Payments	3,105	-	1,226	-	-	4,331
Precepts & Levies	-	-	365	-	-	365
Payments to Housing Capital Receipts Pool	-	-	599	-	-	599
Gain/ Loss on Disposal of Fixed Assets	-	-	(928)	-	-	(928)
Other	-	-	7,836	-	-	7,836
<b>Total operating expenses</b>	<b>48,831</b>	<b>-</b>	<b>14,088</b>	<b>(2,783)</b>	<b>-</b>	<b>60,136</b>
<b>Surplus or deficit on the provision of services</b>	<b>8,780</b>	<b>-</b>	<b>4,575</b>	<b>(2,783)</b>	<b>-</b>	<b>10,572</b>



## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The income and expenditure of the Council's principal portfolios recorded in the budget reports for 2014/15 year is as follows:

2014/2015	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
Member Portfolio	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment		1,471	2,610	465	4,546	(1,435)	3,111
Improved Customer Services		22,638	370	302	23,310	(22,196)	1,114
Regeneration	140	967	1,800		2,907	(1,064)	1,843
Resources	2,150	2,082	1,753	151	6,136	(2,532)	3,604
Health, Safety & Wellbeing	133	456	901	41	1,531	(559)	972
Leader	249	113	293	3	658	(106)	552
<b>Net Portfolio Expenditure</b>	<b>2,672</b>	<b>27,727</b>	<b>7,727</b>	<b>962</b>	<b>39,088</b>	<b>(27,892)</b>	<b>11,196</b>
<b>Housing Revenue Account</b>	<b>1,332</b>	<b>7,885</b>	<b>1,421</b>	<b>2,198</b>	<b>12,836</b>	<b>(13,269)</b>	<b>(433)</b>
<b>Net Cost of Services</b>	<b>4,004</b>	<b>35,612</b>	<b>9,148</b>	<b>3,160</b>	<b>51,924</b>	<b>(41,161)</b>	<b>10,763</b>
Credit back notional capital				(1,334)	(1,334)		(1,334)
Minimum Revenue Provision		851			851		851
Other grants					-	(21)	(21)
Revenue contribution to capital					-		-
<b>Spend 2014/15</b>	<b>4,004</b>	<b>36,463</b>	<b>9,148</b>	<b>1,826</b>	<b>51,441</b>	<b>(41,182)</b>	<b>10,259</b>

### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000
Cost of Services in service analysis	10,259
Add services not included in main analysis	-
Add amounts not reported to management	(6,012)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(3,351)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>896</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement for 2014/15.

Reconciliation to Subjective Analysis 2014/15	Service Analysis	Services not in Analysis	Not reported to management	Not included in Income & Expenditure	Allocation of Re-charges	Net Cost of Services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(40,999)	-	-	-	-	(40,999)
Interest & investment income	(183)	-	-	-	-	(183)
Income from council tax	-	-	(7,950)	-	-	(7,950)
Government grants and contributions	-	-	(4,945)	-	-	(4,945)
<b>Total Income</b>	<b>(41,182)</b>	<b>-</b>	<b>(12,895)</b>	<b>-</b>	<b>-</b>	<b>(54,077)</b>
Employee expenses	4,004	-	1,730	-	-	5,734
Other service expenses	33,238	-	-	(3,351)	-	29,887
Support Service recharges	9,148	-	(43)	-	-	9,105
Depreciation, amortisation and impairment	1,826	-	5,034	-	-	6,860
Interest Payments	3,225	-	-	-	-	3,225
Precepts & Levies	-	-	365	-	-	365
Payments to Housing Capital Receipts Pool	-	-	279	-	-	279
Gain or Loss on Disposal of Fixed Assets	-	-	(1,813)	-	-	(1,813)
Other	-	-	1,331	-	-	1,331
<b>Total operating expenses</b>	<b>51,441</b>	<b>-</b>	<b>6,883</b>	<b>(3,351)</b>	<b>-</b>	<b>54,973</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,259</b>	<b>-</b>	<b>(6,012)</b>	<b>(3,351)</b>	<b>-</b>	<b>896</b>

## NOTES TO THE ACCOUNTS

### **NOTE 30: ACQUIRED AND DISCONTINUED OPERATIONS**

There have been no acquired or discontinued operations during 2015/16.

### **NOTE 31: TRADING OPERATIONS**

The former Direct Service Organisations are designated as trading accounts and a summary of their trading results is shown below, together with other services treated as trading services. The Council operates 3 trading accounts as shown below:

	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure	2014/15 Net Expenditure
	£'000	£'000	£'000	£'000
Building Maintenance	-	-	-	(244)
Trade Refuse	431	(524)	(94)	25
	<b>431</b>	<b>(524)</b>	<b>(94)</b>	<b>(219)</b>

The trading account is consolidated within the Comprehensive Income and Expenditure Statement under other operating expenditure.

Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The service charges a commercial rate and is in direct competition with other service providers. Surpluses are shared and credited back to the Council.

A Building Maintenance service is provided to maintain the Council tenant properties in conjunction with the Council's surveyors department. In past years, the Unit used to bid for Council works in direct competition with other service providers. However, from 2015/16 the service now only provides services to housing tenants on a cost recovery basis.

### **NOTE 32: AGENCY SERVICES**

Adur District Council have entered into an Agency Agreement with West Sussex County Council to improve the Parking Enforcement for the District. In 2015/16 income collected was £125,117 (2014/15 £128,444) and expenditure was £171,736 (2014/15 £167,312). West Sussex County Council contributes £50,000 towards this contract, with the balance being funded by Adur District Council.

The Council also has Agency Agreements with other Local Authorities for Treasury Management, Revenue and Benefits and Insurance Provision to provide Value for Money, relying on expertise within particular authorities. These Agency Agreements are deemed by Adur Council to be immaterial

## NOTES TO THE ACCOUNTS

### **NOTE 33: ROAD CHARGING**

Adur District Council does not have any responsibilities regarding road charging.

### **NOTE 34: JOINT BUDGETS**

All Services (except for Revenue and Benefits) that can operate as a shared service have now moved across to the Joint Strategic Committee. The Joint Strategic Committee accounts are proportionately consolidated into the Council's financial statements.

	<b>Gross Expenditure 2015/16</b>	<b>Gross Income 2015/16</b>	<b>Net Expenditure 2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>NET EXPENDITURE ON SERVICES</b>			
Central Services to the Public	1,044	(14)	1,030
Cultural & Related Services	2,936	(920)	2,016
Environmental & Regulatory Services	8,514	(2,333)	6,181
Planning Services	5,141	(1,432)	3,709
Highways & Transport Services	680	-	680
Housing Services	726	(71)	655
Corporate & Democratic Core	334	-	334
Non-Distributed Costs	42	-	42
<b>Net Cost Of General Fund Services</b>	<b>19,417</b>	<b>(4,770)</b>	<b>14,647</b>
Holding Accounts	9,506	(217)	<b>9,289</b>
<b>NET COST OF SERVICES</b>	<b>28,923</b>	<b>(4,987)</b>	23,936
Other Operating Expenditure			73
Financing and Investment income and expenditure			469
Taxation and non-specific grant income			(568)
<b>Funded by:</b>			
Adur District Council			(8,646)
Worthing Borough Council			(12,587)
<b>(Surplus) or deficit on provision of services</b>			<b>2,677</b>
Remeasurement of the net refined pension benefit liability			9,908
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>9,908</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>12,585</b>

Adur District Council is also part of the CenSus Joint Committee partnership, a collaborative arrangement with Mid Sussex District Council and Horsham District Council for the delivery of Revenues and Benefits services. Mid Sussex is the lead Council for this partnership.

## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

Adur District Council and Worthing Borough Council are part of the CenSus Joint Committee partnership with Horsham District Council and Mid Sussex District Council for the delivery of ICT Services. Horsham is the lead Council for this partnership.

#### **Memorandum Accounts for Census year ending 31<sup>st</sup> March 2016**

Income and Expenditure Accounts:

Census Revenues & Benefits	Mid Sussex District Council	Horsham District Council	Adur District Council	TOTAL
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Expenditure</u></b>				
Salary costs	2,842	1	-	2,843
Transport costs	63		-	63
Supplies and Services	739	46	5	790
<b>Total Expenditure</b>	<b>3,644</b>	<b>47</b>	<b>5</b>	<b>3,696</b>
<b><u>Income</u></b>				
Grant Income	(49)	(52)	(30)	(131)
Fees and charges	(330)	(267)	(135)	(732)
Miscellaneous Income	(14)	(13)	(13)	(40)
<b>Total Income</b>	<b>(393)</b>	<b>(332)</b>	<b>(178)</b>	<b>(903)</b>
Net Expenditure incurred by each council	3,251	(285)	(173)	2,793
<b>Proportional Share of Costs</b>	<b>1,021</b>	<b>977</b>	<b>795</b>	<b>2,793</b>

Census ICT	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Operating Expenditure for CenSus ICT Services incurred by each Council</b>	82	2,594	135	-	2,811
<b>Proportional Share of Costs</b>	<b>809</b>	<b>682</b>	<b>528</b>	<b>792</b>	<b>2,811</b>

## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

Census Balance sheet as at 31st March 2016				
	Revenues and Benefits	ICT	2015/16	2014/15
	£	£	£	£
<b>Current Assets</b>				
Debtors	546	-	546	560
Payment in Advance	194	230	424	403
<b>Total Assets</b>	<b>740</b>	<b>230</b>	<b>970</b>	<b>963</b>
<b>Current Liabilities</b>				
Creditors	(59)	(69)	(128)	(192)
Receipts in Advance	(16)	-	(16)	-
Notional Cash	(665)	(161)	(826)	(771)
<b>Total Liabilities</b>	<b>(740)</b>	<b>(230)</b>	<b>(970)</b>	<b>(963)</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funded by:</b>				
Useable reserves	-	-	-	-
<b>Total Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Census partnership Balance Sheet has not been consolidated into the Council's Balance Sheet as the Council's share of the balance sheet is not deemed to be material.

### **NOTE 35: MEMBERS' ALLOWANCES**

The total allowances paid to Members were as follows:

2015/16	2014/15
£	£
169,998	161,634

## NOTES TO THE ACCOUNTS

### **NOTE 36 OFFICERS' REMUNERATION**

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. Below is the remuneration note that appears in the accounts of the Joint Committee. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

The numbers of employees (including the Senior Officers who are also listed individually in the later tables) whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:-

Remuneration Bands	Number of Employees	
	2015/16	2014/15
£50,000 to £54,999*	8	4
£55,000 to £59,999*	5	4
£60,000 to £64,999*	5	10
£65,000 to £69,999	6	2
£70,000 to £74,999	4	6
£75,000 to £79,999	-	4
£80,000 to £84,999	-	1
£85,000 to £89,999	1	-
£90,000 to £94,999	-	1
£95,000 to £99,999	3	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	2
£110,000 to £114,999	-	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	-	1
£130,000 to £134,999	-	-
£135,000 to £139,999	-	1
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	-	-
£155,000 to £159,999	-	1
	<b>33</b>	<b>37</b>

\* These include redundancy, efficiency of service and settlement payments relating to 2015/16 & 2014/15. Please see the exit packages table at the end of this note and Note 46 termination benefits for a breakdown of these payments.

For the purpose of this note remuneration means all amounts paid to or receivable by an employee during the year.

#### **Remuneration Disclosures for Senior Officers whose salary is £150,000 or more per year**

Note 1: There were no staff whose salary was more than £150,000 in 2015/16 and one member of staff in 2014/15.

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## NOTES TO THE ACCOUNTS

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### **NOTE 36 OFFICERS' REMUNERATION**

**Remuneration Disclosures for Senior Officers whose salary is less than £150,000 but equal to more than £50,000 per year**

**Note 2:** The Chief Executive, Directors and Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing Borough Council as part of a formally agreed partnership arrangement where costs are shared and included in the support service allocations to the authorities.

There were no bonuses paid to these staff in either 2015/16 or 2014/15.



Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Chief Executive</b>								
2015/16	115,473	-	-	115,473	22,655	138,128	69,064	69,064
2014/15	104,283	1,429	-	105,712	19,501	125,213	62,607	62,606
<b>Director for Customer Services</b>								
2015/16	97,319	-	-	97,319	19,089	116,408	69,845	46,563
2014/15	71,831	415	-	72,246	13,462	85,708	51,425	34,283
<b>Director for Communities</b>								
2015/16	93,729	-	-	93,729	18,486	112,215	56,108	56,107
2014/15	92,307	-180	-	92,127	17,290	109,417	54,709	54,708
<b>Director for Digital &amp; Resources</b>								
2015/16	93,840	-	-	93,840	18,486	112,326	67,396	44,930
2014/15	83,403	153	-	83,556	15,625	99,181	59,509	39,672
<b>Director for the Economy</b>								
2015/16	73,738	-	-	73,738	14,526	88,264	63,550	24,714
2014/15	79,219	776	-	79,995	14,844	94,839	47,420	47,419
<b>Head of Growth</b>								
2015/16	71,640	-	-	71,640	14,100	85,740	52,301	33,439
2014/15	71,575	197	-	71,772	13,385	85,157	51,094	34,063
<b>Head of Wellbeing</b>								
2015/16	69,401	-	-	69,401	13,769	83,170	49,902	33,268
2014/15	59,803	612	-	60,415	11,297	71,712	43,027	28,685

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Head of Finance</b>								
2015/16	71,575	-	-	71,575	14,100	85,675	51,405	34,270
2014/15	71,575	310	-	71,885	13,385	85,270	51,162	34,108
<b>Head of Business and Technical Services</b>								
2015/16	64,790	-	-	64,790	12,624	77,414	46,448	30,966
2014/15	64,815	-	-	64,815	12,191	77,006	46,204	30,802
<b>Head of Legal</b>								
2015/16	65,323	-	-	65,323	13,012	78,335	38,917	39,418
2014/15	58,360	-	-	58,360	11,111	69,471	34,513	34,958
<b>Head of Environment</b>								
2015/16	69,239	-	-	69,239	13,396	82,635	49,581	33,054
2014/15	71,575	310	-	71,885	13,385	85,270	56,278	28,992
<b>Head of Digital &amp; Design</b>								
2015/16	66,233	-	-	66,233	8,102	74,335	44,601	29,734
2014/15	-	-	-	-	-	-	-	-
start date 24/08/2015								
<b>Head of Housing</b>								
2015/16	69,458	-	-	69,458	13,683	83,141	0	83,141
2014/15	-	-	-	-	-	-	-	-
<b>Head of Culture</b>								
2015/16	70,328	-	-	70,328	13,855	84,183	75,765	8,418
2014/15	-	-	-	-	-	-	-	-

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Head of Waste Management &amp; Cleansing Services</b>								
2015/16	59,782	-	-	59,782	11,771	71,553	43,146	28,407
2014/15	-	-	-	-	-	-	-	-
<b>Executive Head for Technical Services</b>								
2015/16	-	-	56,000	56,000	0	56,000	33,600	22,400
2014/15	-	-	-	-	-	-	-	-
<b>Human Resources Manager</b>								
2015/16	12,724	-	38,106	50,830	640	51,470	30,882	20,588
2014/15	-	-	-	-	-	-	-	-
<b>Executive Head of Corporate &amp; Cultural Services</b>								
2015/16	-	-	-	-	-	-	-	-
2014/15	22,917	0	57,672	80,589	0	80,589	40,295	40,294
<b>Head of Productivity and Innovation:</b>								
Kevin Masters								
2015/16	-	-	-	-	-	-	-	-
2014/15	76,205	-	82,418	158,623	10,902	169,525	101,715	67,810
In 2015/16 essential user car allowances were included within the salary, fees and allowances whereas for 2014/15 they were shown separately as an expense allowance								

## NOTES TO THE ACCOUNTS

### **NOTE 36 OFFICERS' REMUNERATION**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0 - £20,000	1	3	7	20	8	23	94,579	222,699
£20,000 - £40,000	-	2	9	10	9	12	291,031	334,730
£40,000 - £60,000	-	-	2	2	2	2	79,933	90,462
£60,000 - £80,000	-	-	2	-	2	-	129,337	-
£80,000 - £100,000	-	-	1	-	1	-	82,418	-
£100,000 - £150,000	-	-	-	-	-	-	0	-
Total cost included in bandings	1	5	21	32	22	37	677,298	647,891
Add: Amounts provided for in CIES not included above	0	0	0	0	0	0	0	0
Total cost included in CIES	1	5	21	32	22	37	677,298	647,891
These redundancy costs are shared between Adur & Worthing Council's in proportion to the service allocation. The total cost of £647,891 in the table above includes <b>£282,125</b> for exit packages that have been charged to the Adur's Comprehensive Income and Expenditure Statement in the current year.								

### **NOTE 37: EXTERNAL AUDIT COSTS**

The Council incurred the following fees (all payable to Ernst and Young) relating to external audit.

	2015/16	2014/15
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	53	63
Fees payable to external auditors for the certification of grant claims and returns for the year	46	30
Proportionate share of Adur and Worthing Joint Committee	-	11
	99	104
Less: Refund from the Audit Commission		(5)
<b>TOTAL</b>	<b>99</b>	<b>99</b>

## NOTES TO THE ACCOUNTS

### **NOTE 38: SCHOOLS**

Adur District Council does not have any responsibilities regarding schools.

### **NOTE 39: GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Credited to Taxation and Non specific Grant Income</b>		
Non Domestic Rates	-	1,270
Section 31 Grant	363	407
Revenue Support	1,348	1,835
Others (Council tax)	5	1
Council Tax Freeze Grant	63	63
Council Tax Transistion Grant	17	67
New Homes Bonus Scheme	657	570
New Burdens Grant	52	27
	<b>2,505</b>	<b>4,240</b>
<b>Capital Grants &amp; Donations - Non Specific</b>		
S106 Other Contributions	111	684
Sompting Parish Council	5	
Shoreham Airport Authority		3
Veolia	21	
West Sussex County Council	2	
Worthing Borough Council	9	18
	<b>148</b>	<b>705</b>
<b>Total non-specific grant income</b>	<b>2,653</b>	<b>4,945</b>
<b>Capital Grants &amp; Donations - Specific</b>		
DEFRA/Environment Agency (Coast Protection)	59	1,406
CLG Disabled Facilities Grant	293	238
DCLG Pocket Parks Grant	20	
Home and Communities agencies		79
	<b>372</b>	<b>1,723</b>

## NOTES TO THE ACCOUNTS

### NOTE 39: GRANT INCOME

	2015/16	2014/15
	£'000s	£'000s
<b>Credited to Services - General Fund Grants</b>		
DeFRA Coast Protection	-	207
CLG Disabled Facilities Grants	-	238
Homes and Communities Agency	-	79
Shoreham Port Authority	-	3
Worthing Borough Council	-	18
WSCC - Local Assistance Network Grant	12	-
DCLG - Right to Move Grant	3	-
DCLG - Smoke and CO2 Alarms	1	-
DCLG - Lettings Agents Redress Scheme	1	-
Eastbourne Borough Council - Rough Sleepers Grant	10	-
Local Government Association - Going Local	8	-
Cabinet Office - IER s31 grant	21	-
WSCC Contribution to AVA	19	-
DWP - Single Fraud Investigatory Service	2	-
DWP - LA IT payment	6	-
DWP - Fraud and Error Reduction Incentive Scheme	7	-
DWP - New Burden Real Time Info Bulk Data Matching	6	-
DWP - s31 Grant Housing Benefit Backdating Reduction	1	-
DWP - FERIS Data Maintenance Fund	10	-
DWP - New Burden Welfare Reforms	9	-
DCLG - Growth Point for Shoreham Harbour	145	-
Grants recognised in the Joint Committee	603	-
	<b>864</b>	<b>545</b>
<b>TOTAL</b>	<b>3,889</b>	<b>7,213</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the end of the year are as follows:

## NOTES TO THE ACCOUNTS

### **NOTE 39: GRANT INCOME**

	2015/16	2014/15
	£'000s	£'000s
<b>Revenue Grants Receipts in Advance</b>		
Decentralisation & Neighbourhood Plan Shoreham Beach	-	10
Open Data Incentive	-	7
Think Family Neighbourhoods	-	17
Neighbourhood Working		27
Section 106 Planning Agreement	-	2
DCLG - Eco-Town Shoreham Harbour	-	
Pollution Monitoring DEFRA	-	9
Tesco - Public Art contribution	-	10
DCLG - Eco-Town Shoreham Harbour	103	-
DCLG - Coastal Revival Fund	50	-
DCLG - Growth Point for Shoreham Harbour	244	-
DCLG Pocket Parks Grant	10	-
Grants recognised in the Joint Committee	284	323
<b>TOTAL</b>	<b>691</b>	<b>405</b>

### **NOTE 40: RELATED PARTIES**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 39.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 35. During 2015/16 there were no related party transactions declared by Councillors. In 2015/16 all contracts were entered into in full compliance with the Council's standing orders. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

There were no related party transaction declared by officers in 2015/16.

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## NOTES TO THE ACCOUNTS

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### ***NOTE 40: RELATED PARTIES***

#### **Other Public Bodies**

The Council has a partnership arrangement with Worthing Borough Council for the sharing of a joint officer structure.

Adur also has a partnership arrangement with Horsham District Council, Mid Sussex District Council and Worthing Borough Council for the delivery of ICT services and Revenues and Benefits services.

Transactions and balances relating to these partnerships are summarised in Note 34.

#### **Entities Controlled or Significantly Influenced by the Council**

The Council has a 30 year agreement with Impulse Leisure Trust to manage two leisure centres and one community swimming pool.

Payment of a subsidy of £180,000 was made to Impulse Leisure Trust in 2015/16. The value of this receipt is material to the Leisure Centre Trust.

### ***NOTE 41: CAPITAL EXPENDITURE AND CAPITAL FINANCING***

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.



## NOTES TO THE ACCOUNTS

### **NOTE 41: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2015/16	2014/15
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	75,985	76,283
<b>Capital Investment</b>		
Property, Plant and Equipment	9,035	6,146
Intangible Assets	44	90
Revenue Expenditure Funded from Capital Under Statute	537	894
Share Capital	-	75
<b>Sources of Finance</b>		
Capital receipts	(372)	-
Government grants and other contributions	(1,591)	(698)
Sums set aside from revenue:		
Direct revenue contributions	(72)	(71)
MRP/loans fund principal	(2,435)	(2,568)
Revenue funding	(4,309)	(4,166)
<b>Closing Capital Financing Requirement</b>	<b>76,822</b>	<b>75,985</b>
<b>Explanation of movements in year</b>		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	837	(298)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>837</b>	<b>(298)</b>

### **NOTE 42: LEASES**

#### **Finance Leases – Lessee**

At 31<sup>st</sup> March, 2016 the Council did not have any finance leases under IAS17.

#### **Operating Leases – Lessee**

The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-16	31-Mar-15
	£'000	£'000
Not later than one year	6	10
Later than one year and not later than five years	9	14
Later than five years	3	-
	18	24

## NOTES TO THE ACCOUNTS

### **NOTE 42: LEASES**

#### **Operating Leases - Lessor**

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-16	31-Mar-15
	£'000	£'000
Not later than one year	368	497
Later than one year and not later than five years	1,029	1,040
Later than five years	2,986	3,108
	4,383	4,645

#### **Operating Leases**

The Authority is the lessee of a number of properties which it sublets to tenants of Adur Homes. The non-cancellable rentals due for lessor and lessee rents cannot be quantified with certainty, but are deemed not to be material and therefore excluded from the tables above.

### **NOTE 43: PFI AND SIMILAR CONTRACTS**

Adur District Council does not have any PFI or similar contracts.

### **NOTE 44: IMPAIRMENT LOSSES**

There were no impairment losses in 2015/16.

### **NOTE 45: CAPITALISATION OF BORROWING COSTS**

Adur District Council has not capitalised any borrowing costs.



## NOTES TO THE ACCOUNTS

### NOTE 48: DEFINED BENEFIT PENSION PLANS

#### Transactions Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Joint Comm'tee 2015/16	Adur 2015/16	Total 2015/16	2014/15
	£'000s	£'000s	£'000s	£'000s
<b>Cost of services</b>				
Current service cost	(1,670)	(459)	(2,129)	(1,830)
Past service cost	(14)	-	(14)	-
(gain)/loss from settlements	-	-	-	(32)
<b>Financing &amp; Investment Income &amp;</b>				
Net Interest cost	(188)	(928)	(1,116)	(2,376)
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>(1,872)</b>	<b>(1,387)</b>	<b>(3,259)</b>	<b>(4,238)</b>
<b>Other post employment benefit charged to the CI&amp;E Statement</b>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(336)	(515)	(851)	6,535
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	2,111
Actuarial gains and losses arising on changes in financial assumptions	4,298	3,259	7,557	(9,896)
Other (if applicable)	2	1,750	1,752	810
<b>Total remeasurements recognised in the other comprehensive income</b>	<b>3,964</b>	<b>4,494</b>	<b>8,458</b>	<b>(440)</b>
<b>Total post-employment benefits charged to the CI&amp;E statement</b>	<b>2,092</b>	<b>3,107</b>	<b>5,199</b>	<b>(4,678)</b>

## NOTES TO THE ACCOUNTS

### NOTE 48: DEFINED BENEFIT PENSION PLANS

#### Transactions Relating to Post-employment Benefits

Movement in Reserves Statement	Joint Comm'tee 2015/16	Adur 2015/16	2015/16	Restated 2014/15
	£'000s	£'000s	£'000s	£'000s
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(1,872)	(1,387)	(3,259)	(4,238)
<b>Actual amounts charged against the General Fund balance for pensions in the year:</b>				
Employer's contributions payable to the scheme	1,119	1,289	2,408	2,344
Retirement benefits payable to pensioners	-	166	166	164

#### Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme	
	2015/16 £'000s	2014/15 £'000s
Present value of the defined benefit obligation	(77,309)	(82,698)
Fair value of plan assets	51,453	52,280
<b>Sub-total</b>	<b>(25,856)</b>	<b>(30,418)</b>
Consolidation from Joint Committee	(2,192)	(5,402)
<b>Net liability arising from defined benefit obligation</b>	<b>(28,048)</b>	<b>(35,820)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme	
	2015/16 £'000s	2014/15 £'000s
Opening fair value of scheme assets	52,280	47,160
Interest income	1,591	1,894
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(515)	5,111
Contributions from employer	1,455	1,413
Contributions from employees into the scheme	94	89
Benefits paid	(3,452)	(3,387)
<b>Closing fair value of scheme assets</b>	<b>51,453</b>	<b>52,280</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Pension Assets and Liabilities**

<b>Reconciliation of present value of the scheme liabilities (defined benefit obligation)</b>	<b>Funded Liabilities: LGPS</b>	
	<b>2015/16 £'000s</b>	<b>2014/15 £'000s</b>
Opening Balance at 1 April	(82,698)	(77,783)
Current service cost	(459)	(381)
Interest cost	(2,519)	(3,128)
Contributions from scheme members	(94)	(89)
<b>Remeasurement (gains) &amp; losses:</b>		
Actuarial gains / losses arising from changes in demographic assumptions	-	-
Actuarial gains / losses arising from changes in financial assumptions	3,259	(5,514)
Other experience	1,750	810
Past service cost	-	-
Losses/(Gains) on curtailment	-	-
Liabilities assumed on a entity combinations	-	-
Benefits paid	3,452	3,387
Liabilities extinguished on settlements	-	-
<b>Closing balance at 31 March</b>	<b>(77,309)</b>	<b>(82,698)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Pension Assets and Liabilities**

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair value of scheme assets	
	2015/16 £'000s	2014/15 £'000s
Cash and cash equivalents	1,060.8	2,318.3
<b>Equity instruments:</b>		
Consumer	8,405.1	7,877.8
Manufacturing	1,758.7	4,588.8
Energy and Utilities	1,779.7	2,326.6
Financial Institutions	8,335.0	8,210.3
Health and Care	3,321.2	3,477.8
Information Technology	6,647.1	6,736.6
Other	4,503.8	1,833.5
<b>Sub-total equity</b>	<b>34,750.6</b>	<b>35,051.4</b>
<b>Debt Securities:</b>		
UK Government	895.8	1,066.4
Bonds	7,230.0	7,195.6
Equities	-	-
<b>Property:</b>		
UK Property	4,642.7	3,387.8
Overseas Property	5.6	-
<b>Sub-total property</b>	<b>4,648.3</b>	<b>3,387.8</b>
Private equity	-	-
Other investment funds	394.6	384.7
Derivatives	-	-
<b>Total assets</b>	<b>48,980.1</b>	<b>49,404.2</b>

Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	Fair value of scheme assets	
	2015/16 £'000s	2014/15 £'000s
<b>Private Equity:</b>		
All	2,472.9	2,846.9
Overseas property	-	28.9
<b>Total assets</b>	<b>2,472.9</b>	<b>2,875.8</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Basis for Estimating Assets and Liabilities:**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March, 2016.

The significant assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2015/16</b>	<b>2014/15</b>
<b>Mortality assumptions</b>		
<i>Longevity at 65 for current pensioners</i>		
Male	24.4	24.4
Female	25.8	25.8
<i>Longevity at 65 for future pensioners</i>		
Male	26.9	26.9
Female	28.5	28.5
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	2.1%	2.1%
Rate for discounting scheme liabilities	3.4%	3.1%

<b>Change in assumptions at 31st March 2016</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount</b>
0.5% decrease in Real Discount Rate	7%	5,635
1 year increase in member life expectancy	3%	2,319
0.5% increase in Salary Increase Rate	0%	376
0.5% increase in the Pension Increase Rate	7%	5,276

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increase or decreases for men and women. In practise, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.



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## NOTES TO THE ACCOUNTS

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### ***NOTE 48: DEFINED BENEFIT PENSION PLANS***

#### **Impact on the Council's Cash Flow:**

The Council anticipates paying £1,290,000 contributions to the scheme in 2016/17.

### ***NOTE 49: CONTINGENT LIABILITIES***

**Pension Guarantees** - The Council entered into a long term contract for the provision of Leisure Services with Impulse Leisure Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However pension rights are not fully covered within TUPE regulations. The Council has provided a guarantee that in the event the Leisure Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

**NHS Trust Business Rates Claims** - NHS Trusts are currently in a legal dispute with the Council regarding mandatory charitable relief on business rates. Previously NHS Trusts were taxed as public sector funded organisations, rather than charities, because they have boards of directors, rather than trustees. NHS Trusts have applied for mandatory charitable relief, which means that they would be eligible for an 80% discount, backdated for six years.

### ***NOTE 50: CONTINGENT ASSETS***

There are no contingent assets for 2015/16.

### ***NOTE 51: NATURE and EXTENT OF RISK***

Please refer to Note 16 for an explanation of the nature and extent of risks arising from financial instruments.

### ***NOTE 52: HERITAGE ASSETS SUMMARY OF TRANSACTIONS***

The Authority has not acquired, had donated or disposed of, any heritage assets in the last 3 years and it is not practicable to provide information prior to this date.

### ***NOTE 53: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET***

The following assets are not reported in the balance sheets because information on the cost or value of these assets is not available due to the lack of comparative information and the unique nature of these assets; the cost of obtaining a valuation would not be commensurate with the benefits to the users of the financial statements.

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## NOTES TO THE ACCOUNTS

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***NOTE 53: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET***

**Buckingham Park House Ruin:** Comprises the remains of an old listed building situated in Buckingham Park valuation has not been obtained due to the unique nature of this asset.

**Buckingham Farm Dovecote:** This is a listed building situated on an open space which old records indicate was transferred to the Council in about 1974. No valuation is available due to the unique nature of the asset.

**War Memorial, adjacent to St. Mary's Church, Shoreham:** The Council does not hold cost information on this monument and the cultural significance of this monument cannot be valued.

***NOTE 54: TRUST FUNDS***

The Council acts as a trustee for two Charities; Adur Recreational Ground (271495) and The Green (290683). In both cases the land was gifted to the Council to maintain, and any income generated is offset against this maintenance.

## HOUSING REVENUE ACCOUNT (HRA) COMPREHENSIVE INCOME AND EXPENDITURE

	Note	2015/16 Net Expenditure		2014/15 Net Expenditure	
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Dwelling rents		(12,386)		(12,108)	
Non-dwelling rents		(508)		(503)	
Charges for services and facilities		(503)		(577)	
Contributions towards expenditure		(3)		(15)	
<b>Total Income</b>			<b>(13,400)</b>		<b>(13,203)</b>
<b>EXPENDITURE</b>					
Repairs and maintenance		3,226		2,613	
Supervision and management		2,061		2,619	
Rents, rates, taxes and other charges		56		70	
Depreciation	5&9	4,035		3,700	
Revaluation and impairment of non-current assets	10	(30)		(121)	
Movement in the allowance for bad debts		11		(113)	
<b>Total Expenditure</b>			<b>9,359</b>		<b>8,768</b>
<b>Net (Income) / Cost of HRA Services as included in the whole authority CI&amp;E Statement</b>			<b>(4,041)</b>		<b>(4,435)</b>
HRA services share of Corporate and Democratic Core			520		582
HRA share of other amounts included in the whole authority Cost Of Services but not allocated to specific services					
<b>Net (Income) / Cost of HRA Services</b>			<b>(3,521)</b>		<b>(3,853)</b>
<b>HRA share of the operating income and expenditure included in the CI&amp;E Statement</b>					
(Gain) or loss on sale of HRA non-current assets	1	249		(556)	
Derecognition of assets	1	2,353		1,778	
Revaluation of investment properties		-		15	
Interest payable and similar charges		2,357		2,416	
HRA Interest and Investment income		(47)		(49)	
Net interest on the net defined benefit liability (asset)		860		289	
Capital grants and contributions receivable		-		-	
			5,772		3,893
<b>Deficit / (surplus) for the year on HRA Services</b>			<b>2,251</b>		<b>40</b>

## HOUSING REVENUE ACCOUNT (HRA)

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement above shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost.

### STATEMENT OF MOVEMENT ON THE HRA BALANCE

The increase or decrease in the HRA Balance in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement, as follows:

Statement of Movement on the HRA Balance	2015/16	2014/15
	£'000s	£'000s
Balance on the HRA at the end of the previous reporting period	(2,177)	(2,171)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	2,251	40
Adjustments between accounting basis and funding basis under statute	(2,485)	(682)
Net Increase or (Decrease) before transfers to reserves	(234)	(642)
<b><i>Net transfers (to) or from Earmarked Reserves</i></b>		
Transfer from the Housing Repairs Account working balance		-
Transfer to Major Repairs Reserve	-	-
Contribution to New Development & Acquisition Reserve	337	336
Transfer to HRA Discretionary Assistance Fund	-	50
Transfer to HRA Business Improvement Reserve	-	250
<b>Balance on the HRA at the end of the current reporting period</b>	<b>(2,074)</b>	<b>(2,177)</b>

The Statement of Movement on the HRA Balance reconciles the reported surplus or deficit for the year shown on the Comprehensive Income and Expenditure Statement with the HRA balance at the end of the year, and is calculated in accordance with the Local Government and Housing Act 1989.

Part of the reconciliation includes adjustments between accounting basis and funding basis under statute to ensure that the HRA balance is determined in accordance with proper practices. These adjustments are disclosed in Note 1.

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 1: STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT**

	2015/16	2014/15
	£'000s	£'000s
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA statement for the year.</b>		
Gain or loss on sale of HRA non-current assets	(249)	556
Derecognition off assets	(2,353)	(1,778)
HRA share of contributions to or from the Pensions Reserve	(128)	(80)
Transfers to/(from) Capital Adjustment Account	(4,006)	(3,594)
Voluntary Provision for Repayment of Debt	1,727	1,717
Transfers to/(from) Major Repair Reserve	2,269	2,201
	<b>(2,740)</b>	<b>(978)</b>
<b>Amounts not included in the Income and Expenditure Account, but required by statute to be included when determining the Movement on the Housing Revenue Account for the year</b>		
Amortisation of Premiums	-	7
Capital expenditure funded by the HRA	255	289
<b>Net additional amount required to be debited or (credited) to the Housing Revenue Account balance for the year.</b>	<b>(2,485)</b>	<b>(682)</b>

### **NOTE 2: NUMBER OF TYPES OF DWELLING IN THE HOUSING STOCK**

	31st March 2016	31st March 2015
	Number	Number
Houses	1,013	1,018
Bungalows	169	169
Flats	1,427	1,430
<b>TOTAL DWELLINGS</b>	<b>2,609</b>	<b>2,617</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

**NOTE 3: TOTAL BALANCE SHEET VALUE OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HRA**

	31st March 2016	31st March 2015
	£'000s	£'000s
Council Dwellings	162,876	147,045
Other Land and Buildings	4,758	4,159
Investment Properties	-	611
Assets held for Sale	227	107
<b>TOTAL BALANCE SHEET VALUE OF LAND, HOUSES AND OTHER PROPERTY</b>	<b>167,861</b>	<b>151,922</b>

**NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA AT 1<sup>ST</sup> APRIL**

	2015/16	2014/15
	£'000s	£'000s
<b>VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA AT 1<sup>ST</sup> APRIL</b>	459,517	434,027

The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost of providing council housing at less than market rents.

**NOTE 5: MOVEMENTS ON THE MAJOR REPAIRS RESERVE**

	2015/16	2014/15
	£'000s	£'000s
Balance at 1st April	1,765	3,023
Adjustment for prior year roundings	(2)	-
Share of HRA Surplus transferred to Major Repairs Reserve	-	-
Capital expenditure funded from Major Repairs Reserve	(4,032)	(3,460)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	4,035	3,700
Transfer from the MRR to abate the depreciation charge to the value of the Notional Major Repairs Allowance	(1,766)	(1,498)
<b>Balance of Major Repairs Reserve at 31 March</b>	<b>-</b>	<b>1,765</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 5: MOVEMENTS ON THE MAJOR REPAIRS RESERVE**

The Major Repairs Reserve is a cash backed usable reserve that reflects unused Major Repairs Allowance obtained under the pre 2012/13 former subsidy system, plus provisions from revenue from 2012/13 onwards when the HRA self-financing regime was introduced. Since 2012/13 the Council is required to make an annual provision from revenue of an amount equivalent to the depreciation charge for all HRA assets. The total resources are applied to fund new capital expenditure or repay debt, as well as an abatement to the HRA Income and Expenditure Statement for depreciation charges which exceed the permitted Major Repairs Allowance which previously applied. This abatement is for a transitional period of five years from the financial year 2012/13.

### **NOTE 6: HRA DISCRETIONARY ASSISTANCE FUND**

The Discretionary Assistance Fund is a new fund established in 2013/14 for the main purposes of providing temporary financial assistance to tenants who may require support that is not otherwise available. The primary purpose is intended for home improvements or repairs that are the responsibility of the tenant, although other purposes may be considered when mutually beneficial.

Discretionary Assistance Fund	2015/16	2014/15
	£'000s	£'000s
Balance at 1st April	100	50
Transfer of Share of HRA Surplus	-	50
Expenditure in the year	-	-
<b>BALANCE AT 31ST MARCH</b>	<b>100</b>	<b>100</b>

### **NOTE 7: CAPITAL EXPENDITURE AND FINANCING WITHIN THE HRA**

	2015/16	2014/15
	£'000s	£'000s
<b>EXPENDITURE</b>		
Council Dwellings	4,641	3,723
Other Properties	-	5
Equipment (Including Intangible Assets)	10	21
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,651</b>	<b>3,749</b>
<b>FINANCING</b>		
HRA usable Capital Receipts	364	-
HRA Revenue Contributions to capital	255	289
Major Repairs Reserve	4,032	3,460
<b>TOTAL CAPITAL EXPENDITURE FINANCED</b>	<b>4,651</b>	<b>3,749</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 8: CAPITAL RECEIPTS**

	2015/16	2014/15
	£'000s	£'000s
<b>Capital Receipts from the disposal of HRA property</b>		
Sale of Council Dwellings	920	1,806
Mortgage Receipts received from previous years sale of Council Dwellings	2	1
	<b>922</b>	<b>1,807</b>
Retained for capital investment	321	1,528
Paid to central government	599	279
	<b>920</b>	<b>1,807</b>

### **NOTE 9: DEPRECIATION FOR THE LAND, HOUSES, OTHER PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS WITHIN THE HRA IN YEAR**

	2015/16	2014/15
	£'000s	£'000s
Council Dwellings	3,954	3,631
Other Land and Buildings	74	62
Investment Properties	-	-
Equipment	1	1
Intangible Assets	6	6
<b>TOTAL DEPRECIATION IN YEAR</b>	<b>4,035</b>	<b>3,700</b>

### **NOTE 10: REVALUATIONS**

In 2015/16 the revaluation of the Housing Revenue Account dwellings by external valuers at 1.4.15 resulted in an increase in the Authorities housing stock valuation by £5,041,037. At 31.3.16 the external valuers advised that residential properties had risen by 7.5% during the financial year and this further increase has been reflected in the Authorities HRA. Revaluations of Council Dwellings in 2015/16 totalled £18,155,334; £18,184,931 was included in the HRA revaluation reserve and a downward revaluation of £29,597 was included in the HRA income and expenditure account. HRA Investment Properties were reclassified as other land and property within the HRA and revaluations in 2015/16 for HRA other land and property totalled £62,673. £3,532 was added to the Revaluation Reserve and £59,141 was included in the HRA income and expenditure.

### **NOTE 11: HRA SHARE OF CONTRIBUTIONS TO OR FROM THE PENSION RESERVE**

Under the provisions of IAS19, £860,000 has been debited to the Housing Revenue Account in respect of the portion/share of contributions allocated to the Pension Reserve.



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## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

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**NOTE 12: RENT ARREARS**

	31st March 2016	31st March 2015
	£'000s	£'000s
Net arrears as at 31st March	788	489
Bad Debt provision for uncollectable debts	357	225

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## **COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

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These accounts represent the transactions of the Collection Fund which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been realised. Administration costs are borne by the General Fund.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

COLLECTION FUND - COUNCIL TAX AND BUSINESS RATES								
	2015/16			2014/15				
	Bus- ness Rates	Council Tax	TOTAL	Bus- ness Rates	Adj	Restated Business Rates	Council Tax	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME (A)</b>								
Council Tax Receivable		32,635	32,635				32,150	32,150
Business Rates Receivable	19,248	-	19,248	17,783		17,783	-	17,783
	<b>19,248</b>	<b>32,635</b>	<b>51,883</b>	<b>17,783</b>	-	<b>17,783</b>	<b>32,150</b>	<b>49,933</b>
<b>Contrib'n Towards Previous Year Deficit (B)</b>								
Central Government	59	-	59	-	-	-	-	-
Adur District Council	47	-	47	-	-	-	-	-
West Sussex County Council	12	-	12	-	-	-	-	-
Sussex Police and Crime	-	-	-	-	-	-	-	-
	<b>118</b>	-	<b>118</b>	-	-	-	-	-
<b>TOTAL INCOME (C) = (A+B)</b>	<b>19,366</b>	<b>32,635</b>	<b>52,001</b>	<b>17,783</b>	-	<b>17,783</b>	<b>32,150</b>	<b>49,933</b>
<b>EXPENDITURE (D)</b>								
<b>Contrib'n From Previous Year Surplus</b>								
Central Government		-	-	86		86	-	86
Adur District Council		156	156	68		68	60	128
West Sussex County Council		666	666	17		17	239	256
Sx Police & Crime Commissioner	-	81	81	-		-	28	28
	-	<b>903</b>	<b>903</b>	<b>171</b>	-	<b>171</b>	<b>327</b>	<b>498</b>
<b>Precepts, Demands &amp; Shares (E)</b>								
Central Government	8,706	-	8,706	8,459		8,459	-	8,459
Adur District Council:	6,965	-	6,965				-	
Adur DC (Excl. Parish Precept)		5,473	5,473	6,768		6,768	5,349	12,117
Lancing Parish Council	-	282	282				282	282
Sompting Parish Council	-	83	83				83	83
West Sussex County Council	1,741	23,421	25,162	1,692		1,692	22,888	24,580
Sussex Police and Crime	-	2,901	2,901				2,780	2,780
	<b>17,412</b>	<b>32,160</b>	<b>49,572</b>	<b>16,919</b>	-	<b>16,919</b>	<b>31,382</b>	<b>48,301</b>
<b>Charges to Collection Fund (F)</b>								
<b>Less:</b> Write off of uncollectable amounts	57	40	97	121		121	105	226
<b>Less:</b> Inc / Dec (-) in Bad Debt	50	92	142	25		25	57	82
<b>Less:</b> Inc / Dec (-) in Provision for Appeals	752	-	752	(200)		(200)		(200)
<b>Less:</b> Cost of Collection	85	-	85	86		86	-	86
	<b>944</b>	<b>132</b>	<b>1,076</b>	<b>32</b>	-	<b>32</b>	<b>162</b>	<b>194</b>
<b>TOTAL EXPENDITURE (G) = (D+E+F)</b>	<b>18,356</b>	<b>33,195</b>	<b>51,551</b>	<b>17,122</b>	-	<b>17,122</b>	<b>31,871</b>	<b>48,993</b>
<b>Sur. / Def. (-) arising during the year (C-G)</b>	<b>1,010</b>	<b>(560)</b>	<b>450</b>	<b>661</b>		<b>661</b>	<b>279</b>	<b>940</b>
<b>Surplus / Deficit (-) b/fwd. 01.04.15</b>	<b>770</b>	<b>489</b>	<b>1,259</b>	<b>109</b>		<b>109</b>	<b>210</b>	<b>319</b>
<b>Surplus / Deficit (-) c/fwd. 31.03.16</b>	<b>1,780</b>	<b>(71)</b>	<b>1,709</b>	<b>770</b>		<b>770</b>	<b>489</b>	<b>1,259</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 1: COUNCIL TAX**

Council Tax income is based on the value in 1991 of residential properties, which are classified into eight valuation bands, as below, including a variant on Band A in respect of disabled relief. The total numbers of properties in each band are adjusted and then converted to a Band D equivalent, which when totalled and adjusted for valuation changes and losses on collection forms the Council's tax base.

	No. of Chargeable Dwellings	Less Discounts	Add New Homes Forecast	Net Dwellings	Ratio to Band D	No. of Band D Equivalents
Band A-	7.0	2.3	0.0	4.7	5/9ths	2.7
Band A	2,652.0	1,187.0	3.0	1,467.9	6/9ths	977.9
Band B	4,973.0	1,701.8	8.0	3,279.1	7/9ths	2,550.4
Band C	11,233.0	2,269.2	19.0	8,982.8	8/9ths	7,984.7
Band D	5,999.0	762.5	12.8	5,249.2	9/9ths	5,249.2
Band E	1,873.0	156.6	4.6	1,721.0	11/9ths	2,103.5
Band F	704.0	43.7	1.8	662.2	13/9ths	956.4
Band G	295.0	16.4	0.8	279.4	15/9ths	465.8
Band H	4.0	0.3	0.0	3.8	18/9ths	7.5
	27,740.0	6,139.8	50.0	21,650.1		20,298.1
Add: New Homes						47.5
Less: Adjustments for Losses on Collection, and Void Properties						190.0
						20,155.6

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police and Crime Commissioner and Adur District Council by the Council Tax Base calculated above.

### **NOTE 2: NON-DOMESTIC RATES (NDR)**

From 1 April 2014, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Adur District Council, Worthing Borough Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2015/16 is paid into the West Sussex County Council Pool and use to fund economic regeneration initiatives throughout the County area. Without the Pool, the levy would be paid to DCLG and not retained for the benefit of the residents of West Sussex.

The total amount retained by the Pool in 2015/16 is £2.1m. The retained levy paid into the pool was £432k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEPS (Local Economic Partnerships) and other invest to save initiatives. The levy payment is shown within the Comprehensive Income and Expenditure Statement.

Non-domestic rates (NDR) are collected by the Council from local businesses using a uniform rate supplied by the Government for the Country as a whole which was 48.0p in 2015/16 (47.1p in 2014/15) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £43.3m (£44.16m in 2014/15).

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 3: BAD AND DOUBTFUL DEBTS**

A requirement of £987k and £480k for bad and doubtful debts for Council Tax and National Non Domestic Rates has been provided for in 2015/16 in line with Adur District Council's accounting policy for maintaining the provision.

### **NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF COUNCIL TAX**

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

Apportionment of Balances to Major Preceptors				
	West Sussex County Council	Sussex Police & Crime Commissioner	Adur District Council	TOTAL
	£	£	£	
<b>Demand on Collection Fund 2016/17</b>	24,786,628	3,055,723	5,682,770	<b>33,525,120</b>
Apportionment based on 2016/17	73.93%	9.12%	16.95%	<b>100%</b>
Council Tax Arrears	1,553,031.01	191,466.39	356,066.62	<b>2,100,564.02</b>
Provision for Bad Debts	(729,631.01)	(89,953.02)	(167,284.00)	<b>(986,868.03)</b>
Receipt in Advance	(377,304.53)	(46,516.23)	(86,505.39)	<b>(510,326.15)</b>
(Surplus)/Deficit	52,331.96	6,451.78	11,998.25	<b>70,781.99</b>
<b>Balance as at 31/03/2016</b>	<b>498,427.43</b>	<b>61,448.92</b>	<b>114,275.48</b>	<b>674,151.83</b>

### **NOTE 5: APPORTIONMENT OF BUSINESS RATES BALANCES TO MAJOR PRECEPTORS**

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Adur District Council	TOTAL
	£	£	£	
Business Rates Arrears	294,672.22	58,934.90	235,737.83	<b>589,344.95</b>
Provision for Bad Debts	(240,195.15)	(48,039.02)	(192,156.12)	<b>(480,390.29)</b>
Provision for Appeals	(864,771.93)	(172,954.38)	(691,817.54)	<b>(1,729,543.85)</b>
Receipt in Advance	(22,548.63)	(4,509.73)	(18,038.90)	<b>(45,097.26)</b>
(Surplus)/Deficit	(890,387.56)	(178,077.52)	(712,310.06)	<b>(1,780,775.14)</b>
<b>Balance as at 31/03/2016</b>	<b>(1,723,231.05)</b>	<b>(344,645.75)</b>	<b>(1,378,584.79)</b>	<b>(3,446,461.59)</b>

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# ANNUAL GOVERNANCE STATEMENT

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## ***SCOPE OF RESPONSIBILITY***

Adur District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.adur.gov.uk](http://www.adur.gov.uk) or [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk) or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31<sup>st</sup> March 2016 and up to the date of approval of the statement of accounts.

## ***THE GOVERNANCE FRAMEWORK***

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- reviewing the authority's vision and its implications for the authority's governance arrangements;
- translating the vision into objectives for the authority and its partnerships;

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## ANNUAL GOVERNANCE STATEMENT

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### **THE GOVERNANCE FRAMEWORK**

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money;
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring effective arrangements are in place for the discharge of the monitoring officer function;
- ensuring effective arrangements are in place for the discharge of the head of paid service function;
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistleblowing and for receiving and investigating complaints from the public;
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- enhancing the accountability for service delivery and effectiveness of other public service providers;
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The operation of this authority's governance framework is described in the section below.

# ANNUAL GOVERNANCE STATEMENT

## **THE OPERATION OF THE GOVERNANCE FRAMEWORK**

The governance framework gives Managers/Directors/Members, in a number of ways, the confidence/evidence/ certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

<b>WHAT WE NEED TO DO</b>					
Focusing on the purpose of the Authority; deliver outcomes for the Community and create and implement a vision for the local area.	Working together to achieve a common purpose with clearly defined functions and roles	Promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour	Take informed and transparent decisions which are subject to effective scrutiny and managing risk	Develop the capacity and capability of members and officers to be effective	Engage with local people and other stakeholders to ensure robust public accountability.

<b>HOW WE DO IT</b>					
<ul style="list-style-type: none"> <li>• Organisational goals</li> <li>• Service planning</li> <li>• Performance Management</li> <li>• Strategies</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• The Monitoring Officer</li> <li>• Section 151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Codes of conduct</li> <li>• Financial management and MTFP</li> <li>• Bribery Act 2010 policy guidance</li> <li>• Whistleblowing Policy</li> <li>• HR Policies &amp; procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom of information requests</li> <li>• Complaints procedure</li> <li>• Reports considered by legal and finance experts</li> <li>• Equality impact assessments</li> <li>• Corporate risk register</li> </ul>	<ul style="list-style-type: none"> <li>• Robust interview and selection process</li> <li>• Training and development</li> <li>• Workforce planning</li> <li>• Succession planning</li> <li>• Performance development reviews</li> <li>• Talent management</li> </ul>	<ul style="list-style-type: none"> <li>• Community and engagement policy</li> <li>• Consultations</li> <li>• Terms of reference for partnerships</li> </ul>



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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE**

Joint Governance Committee function and self-assessment;  
Corporate Governance Group; Scrutiny Reviews;  
Review of progress made in addressing issues; Performance monitoring;  
Review of compliance with corporate governance controls;  
Review of accounts; Employee opinion surveys; Internal audits and external audits;  
Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

#### **1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA**

##### ***Joint Corporate Priorities***

The Councils have agreed three priorities which set out its aspirations for the town.

- **Supporting Wealth Generators**
- **Cultivating Enterprising Communities**
- **Becoming an adaptive Council**

Further details of how these priorities will be achieved are included in a programme of work called 'Surf's Up' which can be found on the internet <http://www.adur-worthing.gov.uk/large-files/surfs-up/surfs-up-spreads.pdf>.

##### ***Service planning and performance management***

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £2.4m by 2020/21 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES.**

#### ***The Constitution***

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Worthing borough Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

#### ***The Monitoring Officer***

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

#### ***Section 151 Officer***

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council this is Sarah Gobey, who is also the Chief Financial Officer.

#### ***Codes of conduct***

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

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## ANNUAL GOVERNANCE STATEMENT

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### ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

#### **3. PROMOTING THE VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

##### ***Financial management***

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations were revised in 2013/14 by the s151 Officer so that the Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

##### ***Anti-fraud, bribery and corruption***

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

##### ***Whistleblowing***

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2014) <http://awintranet/media/media.125134.en.pdf> sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **3. PROMOTING THE VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

#### ***Joint Governance Committee***

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

### **4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Transparency***

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 (Fol) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant

Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

#### ***Risk management***

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place.

#### ***Effective scrutiny***

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Complaints***

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Recruitment and induction***

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

#### ***Training and development***

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

#### ***Performance monitoring***

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

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## ANNUAL GOVERNANCE STATEMENT

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### 6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

#### *Engagement and communication*

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Adur District Council has developed a Community and Engagement Policy, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Councils website at [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk). Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and through the citizens panel.

#### *Consultations*

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.

#### *Partnership working*

In addition to the partnership between Adur and Worthing (<http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/>), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

### **REVIEW OF EFFECTIVENESS**

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, the Joint Overview and Scrutiny Committee, the Standards Committee.

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## **ANNUAL GOVERNANCE STATEMENT**

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### ***REVIEW OF EFFECTIVENESS***

- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### ***SIGNIFICANT GOVERNANCE ISSUES***

There are two significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

- i) Procurement and contract management procedures and processes:

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions are being taken to remedy the situation by way of:

- a programme of training on contract standing orders and contract management;
- a major review of contract management; and
- a corporate review of procurement.

- ii) Lack of an ICT Disaster Recovery Plan.

The Council identified this as a key priority following an in-depth review of an IT failure. To address this, the Council has engaged consultants to support the production of a new ICT Disaster Recovery Plan

- iii) Housing Solutions procedures and processes;

The Council identified the need to improve its management of the Housing Solutions Service following an in depth review of processes and procedures by the Legal team and Internal Audit. An internal Corporate Governance Team was convened, chaired by the Chief Executive and actions are being taken to improve the service by way of:

- a programme of training on the legislative framework for the Housing Solutions Team;
- a major review of all processes and procedures;
- a review of the staffing and management of the service.



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## ANNUAL GOVERNANCE STATEMENT

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### ***OTHER ISSUES***

The Governance Action Plan has been updated to deal with any issues brought forward from the 2015 review together with any issues which have been identified during the current review.

The governance requirements in the Statement on the Role of the Chief Financial Officer in Public Services are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive and the Corporate Leadership Team where necessary.

### ***PROPOSED ACTION***

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_

Councillor Neil Parkin  
Leader of the Council  
Adur District Council



Dated:

Signed: \_\_\_\_\_

Alex Bailey  
Chief Executive of  
Adur & Worthing Councils



Dated:



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## **GLOSSARY OF ACCOUNTING TERMS**

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The following is a brief explanation of the technical terms used in this publication:-

<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts. The current year is 2015/16 which means the year commencing 1st April 2015 and ending 31st March 2016. The end of the accounting period is the date at which the balance sheet is drawn up.
<b>ACCRUAL</b>	An amount included in the accounts in respect of income or expenditure for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.
<b>ACTUARIAL ASSUMPTION</b>	An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits.
<b>ACTUARIAL GAINS AND LOSSES</b>	Actuarial gains and losses which may result from: <ul style="list-style-type: none"><li>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</li><li>(b) the effects of changes in actuarial assumptions.</li></ul>
<b>ASSET</b>	A resource that, as a result of a past event, is controlled and expected to give future benefits. It is not necessary to own an asset in order to control it, as assets may be acquired from other providers via credit arrangements such as leasing.
<b>AMORTISED COST</b>	The amount at which the financial asset or financial liability is measured. The measurement reflects the cost or transaction price at initial recognition, adjusted for principal payments and accrued interest at the balance sheet date. The measurement may also be adjusted by any difference between the initial amount and the maturity amount resulting from impairment or uncollectibility by applying the effective interest rate inherent over the term of the financial asset or liability.
<b>BALANCE SHEET</b>	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
<b>CAPITAL CHARGE</b>	A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

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## GLOSSARY OF ACCOUNTING TERMS

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<b>CAPITAL RECEIPTS</b>	The proceeds from the sale of fixed assets.
<b>CASH EQUIVALENTS</b>	Short-term investments that are readily convertible, without penalty, to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>COMMUNITY ASSETS</b>	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
<b>CONSISTENCY</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENT LIABILITY</b>	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
<b>CREDITORS</b>	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
<b>CURRENT ASSETS/LIABILITIES</b>	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
<b>CURRENT SERVICE COST</b>	Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
<b>CURTAILMENT</b>	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
<b>DEBTORS</b>	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
<b>DEFINED BENEFIT SCHEME</b>	This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>DEPRECIATION</b>	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
<b>EXPENDITURE</b>	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<b>FAIR PRESENTATION</b>	International Accounting Standard IAS 1 requirement that financial statements should not be misleading. To a large extent this means obeying the prevalent accounting standards, but the concept of fairness may transcend that, to include an assessment of the overall picture given by the financial statements.
<b>FAIR VALUE</b>	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
<b>FINANCE LEASE</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset from the provider (lessor) to the user (lessee). Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b>IMPAIRMENT OF ASSETS</b>	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
<b>INFRASTRUCTURE ASSETS</b>	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
<b>INTANGIBLE ASSETS</b>	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</b>	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
<b>INVESTMENTS</b>	Current asset investments that are readily disposable by the Council without disrupting its business.
<b>INVESTMENT PROPERTIES</b>	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
<b>LIQUID RESOURCES</b>	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
<b>NET BOOK VALUE</b>	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<b>OPERATING LEASE</b>	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.
<b>POST BALANCE SHEET EVENTS</b>	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
<b>PROVISION</b>	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise are not determined.
<b>PRIOR YEAR ADJUSTMENT</b>	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
<b>PRUDENCE</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.
<b>PUBLIC WORKS LOAN BOARD (PWLB)</b>	The Public Works Loan Board (PWLB) is a statutory body operating within the Debt Management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.
<b>REMUNERATION</b>	Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.
<b>RESERVES</b>	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
<b>TO DEBIT</b>	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
<b>TO CREDIT</b>	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
<b>TRUE AND FAIR VIEW</b>	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
<b>VIREMENT</b>	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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## **GLOSSARY OF ACCOUNTING TERMS**

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### **MAIN CHANGES IN TERMINOLOGY**

<b>UK GAAP (Old Terminology)</b>	<b>IFRS (Revised Terminology)</b>
I and E Account and STRGL	Statement of Comprehensive Income
Fixed (e.g. Fixed Assets)	Non current (e.g. Non Current Assets)
Stocks	Inventories
Tangible fixed assets	Property plant and equipment

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Worthing  
Borough  
Council



***Statement of  
Accounts  
2015/2016***



**WORTHING BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS**

**for the year ended 31st March, 2016**

**C O N T E N T S**

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## **NARRATIVE REPORT**

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### ***INTRODUCTION***

This Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA). It aims to provide information to our residents, Council Members, partners, stakeholders and other interested parties so that they can:

- Understand the financial position of the Council in 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- Be assured that the overall position of the Council is sound and secure.

This is the narrative report to the Statement of Accounts for the year ended 31 March 2016. This is a new requirement which was introduced as part of the 2015 Accounts and Audit Regulations. The narrative report provides information about any key issues which affect the Council and its accounts. It provides a summary of the financial position as at 31<sup>st</sup> March 2016 and is structured as below:

- Introduction To Worthing Borough Council
- Key facts about Worthing Borough Council
- Key information about the Council
- The 2015/16 revenue budget process and medium term financial plan
- Financial Overview of the Council 2015/16
  - \* Revenue spend in 2015/16
  - \* Capital strategy and Capital Programme 2015/16 to 2017/18
- Non-financial achievements of the Council 2015/16
- Summary position

This is followed by an explanation of the Financial Statements

### ***AN INTRODUCTION TO WORTHING BOROUGH COUNCIL***

Worthing Borough Council is one of seven Local Authorities in West Sussex. It lies on the South coast and cover an areas of approximately 32.37km<sup>2</sup> . The council shares its boundaries with Adur District Council to the east, Arun District Council to the west, and Horsham District Council to the north. It is located at the foot of the South Downs at the southern edge of South Downs Nation Park.

## NARRATIVE REPORT

### **KEY FACTS ABOUT WORTHING**

#### **Population:**

Worthing has a population of approximately 107,430 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 19	21.95%	23.69%
20 - 64	55.80%	58.45%
66 - 90+	22.25%	17.86%

There are 3,390 businesses within the area. Business rate income was £31.4m in 2015/16, of which the Council kept £2.1m (6.7%). 10% of the income is paid to the County Council with the remainder being paid to Government.

### **KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL**

Worthing Borough Council is a large complex organisation offering a wide range of services to its residents. Its policies are directed by the Political Leadership and implemented by the Council Leadership Team and Officers of the Council. The following section describes the political and management structures of the Council.

#### **Political Structure in the 2015/16 Municipal Year**

Worthing has 37 Councillors representing 13 wards. In 2015/16 the political make-up of the Council was:

<b>Conservative Party</b>	30 Councillors
<b>Liberal Democrats</b>	4 Councillors
<b>UK Independent Party</b>	2 Councillors
<b>Green</b>	1 Councillor

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of portfolio responsibilities and the delegation of Executive Functions. Scrutiny of the Executive decision for 2015/16, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Daniel Humphreys.

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## NARRATIVE REPORT

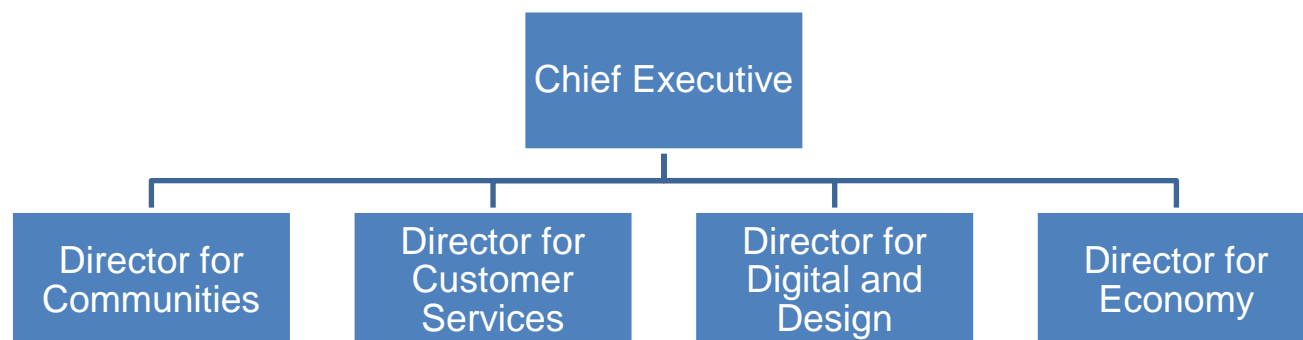
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### **KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL**

#### **Management Structure**

Supporting the work of the Councillors is the organisational structure of the Council headed by the Corporate Leadership Team led by the Chief Executive, Mr Alex Bailey.



#### **Council plans and monitoring commitments**

The joint strategic agenda for Adur and Worthing Councils were set out in “Catching The Wave”, in 2014. The harmonised prioritised outcomes for Adur and Worthing Councils, evolving from this agenda are contained in “*Surf’s Up*” (a 24 month programme of activity approved by the Joint Strategic Committee on 2 December 2014).

*Surf’s Up* contains around 40 different prioritised outcomes (framed as commitments) designed to guide the Councils between 2015 and 2017. These high level priorities are reviewed every six months by Elected Members.

The commitments are divided among the 3 ‘Wave Catchers’ (*Supporting Wealth Generators*, *Cultivating Enterprising Communities* and *Becoming Adaptive Councils and Systems*) and the fourth strand, ‘Waxing the Board’, - contains action points in order to be ‘fit for purpose’ and deliver the Councils’ agenda

The full list of commitments can be found on the following pages within “*Surf’s Up*”.

- **Supporting Wealth Generators** - the full list of commitments made to the Adur and Worthing communities by the directorate for the economy can be seen on page 24 – 29
- **Cultivating Enterprising Communities** - the full list of commitments made to the Adur and Worthing communities by the directorate for communities can be seen on pages 30 – 34
- **Becoming Adaptive Councils** - the full list of commitments made to the Adur and Worthing communities by the directorate for communities can be seen on pages 35 – 38
- **Waxing the Board** The full list of these ‘must do’s’ can be seen on pages 39 – 40

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## NARRATIVE REPORT

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### **KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL**

#### **Council plans and monitoring commitments**

The Councils have developed “realtime” progress tracking against the commitments which can be accessed through the Trello board (<https://trello.com/b/PqFkkv3q/surf-s-up-monitoring-report>). Trello is a free App that the Councils have started to use to move from the “static snapshot” reporting (which rapidly becomes out of date) to something that links to data in real time and to the individuals or teams with accountability for delivery. The Trello board has a column for each of the 3 Wave Catchers and Waxing the Board. Within each of the columns, the commitments are listed, containing activities with progress labels against each activity – green, amber red.

The “Surf’s Up” programme (and commitments) can be found - <http://www.adur-worthing.gov.uk/catching-the-wave-and-surfs-up/>

Surf’s Up monitoring reports to JSC in 2015/16 may be viewed at:

Joint Strategic Committee report 7 July 2015 (6 month progress update)

<http://www.adurworthing.gov.uk/media/media,134733,en.pdf>

Joint Strategic Committee report 5 January 2016 - *The “Surf’s Up” Programme a 12 month update report* - <http://www.adur-worthing.gov.uk/media/media,137711,en.pdf>

#### **Working in partnership**

Government initiatives have placed great emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District and Worthing Borough Councils are part of an innovative partnership arrangement.

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net cost of services of £23.9m. The shared services are managed via a Joint Committee. This Joint Committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:-

- The Joint Strategic Committee has a separate budget.
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled.
- The joint budgets/expenditure are recharged back to Adur and Worthing Councils.

### **THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

#### **Revenue Budget 2015/16**

The budget strategy for 2015/16 was compiled in the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government settlement.

## NARRATIVE REPORT

### ***THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)***

#### **Revenue Budget 2015/16**

In addition to the national context, the Worthing Borough Council budget strategy has taken account of pressures and risks such as:

- inflation, the largest source of cost pressure
- income generated by the Council may be affected by lack of demand;
- withdrawal of funding by partners, potentially losing funding for key priorities;

The Council has a working balance and other earmarked reserves to help mitigate these risks.

Both councils agreed a budget strategy to meet this challenge in 2015/16 through 3 major work streams – major service reviews, efficiency reviews and base budget reviews.

As a result significant savings of £946,000 were identified as part of the 2015/16 budget round and the Council set a balanced budget in February 2015.

#### **Council Tax**

The Council chose again to freeze Council Tax for 2015/16 and take advantage of the Council Tax Freeze Grant offered by Government.

The comparison of the average Band D Council Tax charged in the area is shown below:

<b>Band D Council Tax</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Worthing Borough Council	216.00	216.00	216.00
West Sussex County Council	1,161.99	1,161.99	1,161.99
Sussex Police and Crime Commissioner	138.42	141.12	143.91
	1,516.41	1,519.11	1,521.90

#### **Council Tax base**

The Council Tax base for 2015/16 was 36,564.14 which was an increase on the previous year's number of Band D equivalents of 1,235.4. This in part reflects the Council's support for local house building and economic regeneration.

<b>Band D Council Tax</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Number of Band D equivalent dwellings	35,283.40	35,329.0	36,564.4

## NARRATIVE REPORT

### **THE REVENUE BUDGET 2015/16 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

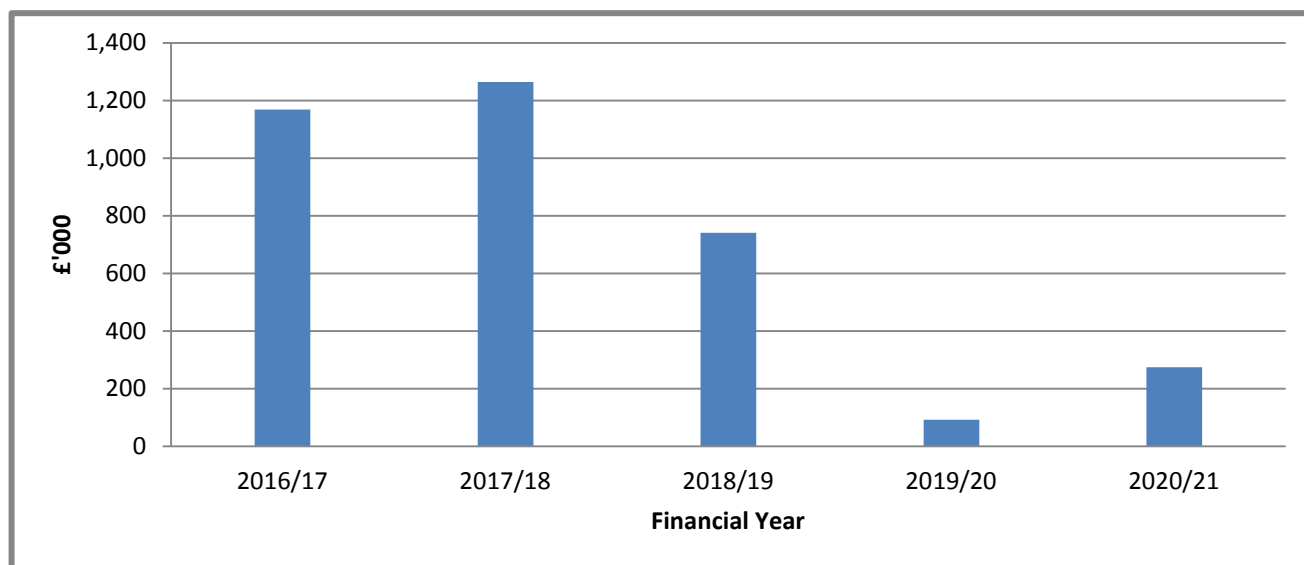
#### **Budget Strategy for 2016/17 to 2019/20**

In preparing the budget strategy for 2016/17 to 2019/20, the aim was to deliver the council's priorities outlined in 'Surf's up'. The forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges, The budget strategy for the forthcoming 2016/17 budget was approved by Council on 23<sup>rd</sup> July 2015 and it set the strategic direction to address the significant challenges not only for 2016/17 but onwards

The fall in government funding included in the forecasts highlighted that the Council needs to:

1. To transform services through the use of digital technology;
2. To invest in new property to generate income for the Council in the future;
3. To expand commercial activity

The Council will need to find significant budget reductions over the five years as follows:



Further details around the most recent forecasts for both councils are contained in the "Outline Forecast 2016/17 To 2020/21 And Budget Strategy", which was reported to 7<sup>th</sup> July 2015 Joint Strategic Committee.

The link for this report is <http://www.adur-worthing.gov.uk/media/media,134736,en.pdf>  
<http://www.adur-worthing.gov.uk/media/media,125629,en.pdf>

#### **Budget monitoring**

Revenue and capital monitoring information is presented to the Executive four times a year. Any areas of concern are the subject to detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

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## **NARRATIVE REPORT**

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### ***FINANCIAL OVERVIEW***

A comprehensive summary of the financial performance of the Partnership authorities – Adur District Council, Worthing Borough Council and the Joint Strategic Committee – is contained in the 13th July 2016 Joint Strategic Committee reports “Joint Revenue Outturn 2015/16” and the “Capital and Projects Outturn for Joint, Adur and Worthing 2016/17”. These are available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

### ***SUMMARY OF REVENUE SPEND***

A more detailed summary of the Council's financial results for 2015/16 is given on the following pages but a brief outline of what we planned to spend and what we actually spent is given below.

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. The current economic recession has impacted on income streams for the Council. In 2015/16 Worthing Borough Council reported an underspend of £180,120 against a budget of £13,843,840.

The major variations are explained in more detail in the 13th July 2016 Joint Strategic Committee reports “Joint Revenue Outturn 2015/16” and the “Capital and Projects Outturn for Joint, Adur and Worthing 2016/17”. This report is freely available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

Overall therefore the Council has had a generally successful year from a financial perspective, maintaining and improving services and delivering on major capital investments whilst containing spend within approved budgets and being able to maintain reserves.

## NARRATIVE REPORT

### **SUMMARY OF REVENUE SPEND**

The most significant items which contributed to the position were as follows:

	<b>£000s</b>
One-off payment for compensation for the use of Council land during the construction of a new wind farm	(511)
Treasury Management -	
Review of MRP policy	(298)
Reduced cost of borrowing due to lower rates of interest	(133)
Increase in income from trade waste	(120)
Increase in income from recycling performance scheme and other waste income	(86)
Development Management - Fall in income due to timing of large scale developments	160
Theatres - Underperformance against budget largely associated with catering South Downs Leisure Trust	119
Increase in pension costs due to actuarial revaluation	170
Costs associated with the delay in the start of the new arrangements	157
Splashpoint swimming pool - Additional maintenance costs due to damage from moisture damage, vandalism and the new service contracts	168
Fall in crematorium income	139
Other changes	55
	<b>(180)</b>

Where such items were identified when the 2015/16 budget was being prepared, an allowance for any impact on future years was built into the budget.

In spite of a difficult year from a financial perspective, the Council has maintained and improved services and delivered on major capital investments whilst containing revenue spend within the approved budgets.



## NARRATIVE REPORT

### SUMMARY OF REVENUE SPEND

How the money was spent and how services were funded

CABINET MEMBER PORTFOLIOS	CURRENT ESTIMATE 2015/16	OUTTURN 2015/16	UNDER/ OVERSPEND
	£000s	£000s	£000s
Leader	884,350	745,246	(139,104)
CM for Environment	3,286,100	3,482,573	196,473
CM for Health & Wellbeing	1,248,335	1,152,435	(95,900)
CM for Customer Services	4,087,745	4,343,209	255,464
CM for Regeneration	2,362,500	2,566,075	203,575
CM for Resources	2,760,560	3,320,902	560,342
Holding Accounts	1,046,560	(1)	(1,046,561)
<b>Total Cabinet Members</b>	<b>15,676,150</b>	<b>15,610,439</b>	<b>(65,711)</b>
Credit Back Depreciation	(2,738,770)	(3,139,367)	(400,597)
Minimum Revenue Provision	1,221,070	930,732	(290,338)
Other grants	-	(399,519)	(399,519)
	<b>14,158,450</b>	<b>13,002,285</b>	<b>(1,156,165)</b>
<b>Transfer to/from reserves:</b>			
Transfer from reserves to fund specific expenditure	(314,970)	661,076	976,046
<b>Net Underspend Transferred to Reserves</b>	-	180,119	180,119
<b>Total Budget requirement before External Support from Government</b>	<b>13,843,480</b>	<b>13,843,480</b>	<b>(0)</b>

Approved Use of Underspends	£'000
Unspent 2015/16 budget approved for use in 2016/17	11
Net overspend transferred to the Capacity Issues Reserve	169
Underspend declared in year	180

### Funding from Central Government Support

The Council's share of Revenue Support Grant is £2.04m for the financial year 2015/16.

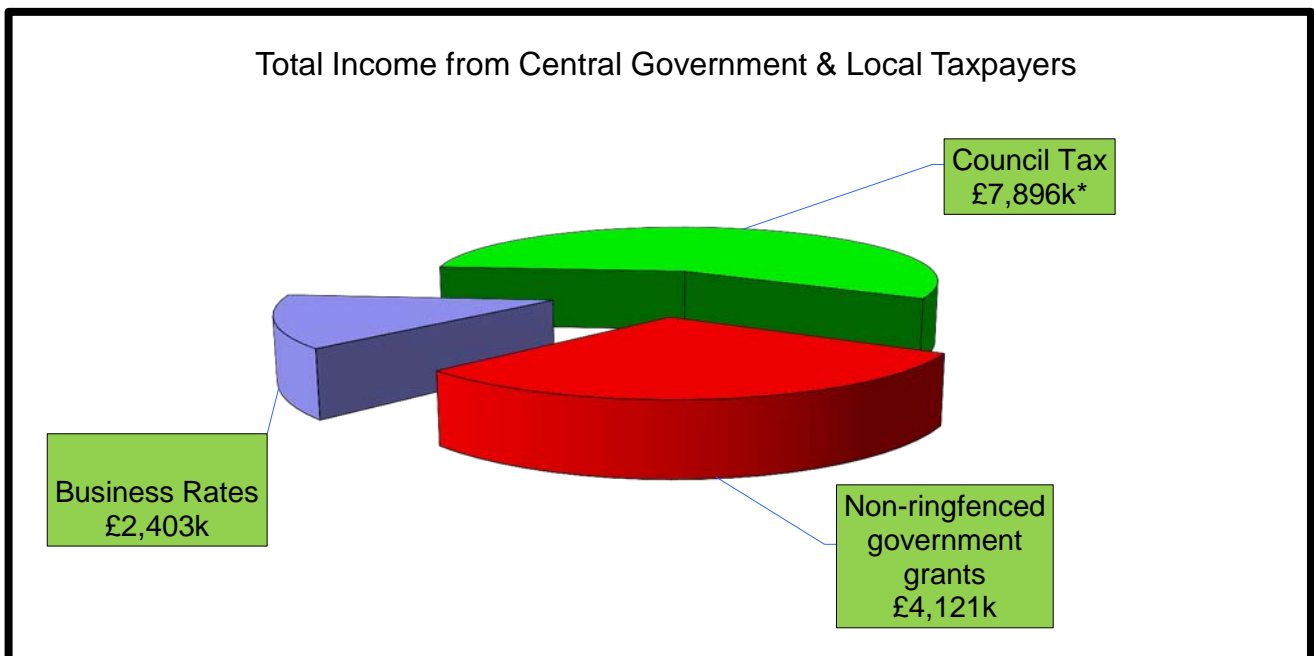
# NARRATIVE REPORT

## SUMMARY OF REVENUE SPEND

### Funding from Local Taxpayers

The Council collected £56.483m of Council Tax relating to 2015/16, this represented 97.29% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £5.2. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.5%, Sussex Police & Crime Commissioner 9.44% and Worthing Borough Council 13.97%.

The Council also collects non-domestic rates from local businesses. In 2013/14 the government introduced a business rate retention scheme which changed how business rates are administered nationally. Of the £31.45m collected, after allowing for exemptions, reliefs and provisions, the Council keeps 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

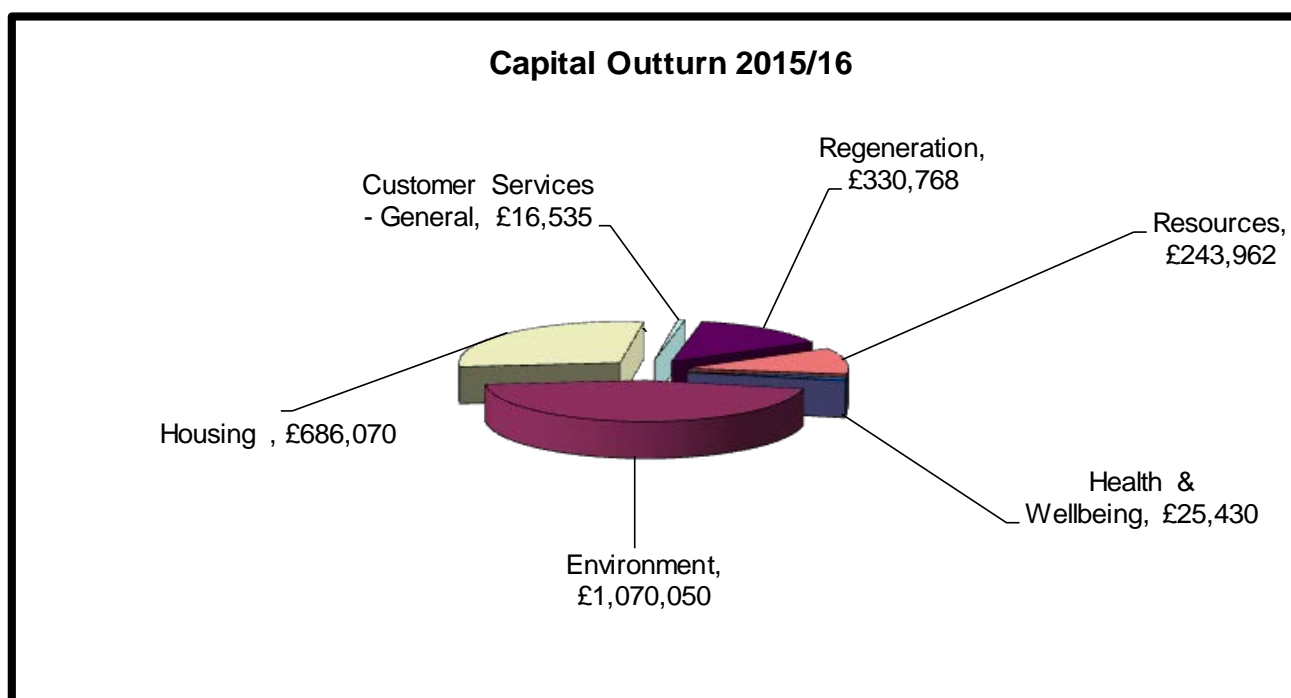


\* Net of budgeted Collection Fund surplus/deficit.

## NARRATIVE REPORT

### SUMMARY OF CAPITAL SPEND

Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme.



The Worthing capital investment programme for all Portfolios was originally estimated at £6,257,040. Subsequent approvals and reprofiling of budgets to 2015/2016 produced a total current budget of £3,045,280. Actual expenditure in the year totalled £2,372,814, a reduction of £672,466 on the revised estimate, comprising of a net slippage of £376,540 and a net underspend of £295,926. The major factors contributing to the reprofiling and slippage were:

1. Schemes where the Council does not have control over the scheme progress i.e. coast protection schemes were the lead officer works for another authority, or mandatory grant schemes where the Council has no control over when the grants will be paid.
2. Additional works or changes being identified after the scheme has commenced which either require additional financial resources or additional time.
3. Officer capacity has resulted in some schemes being unable to commence or complete within the financial year.
4. Works completed in advance of budget profiles.
5. Re-prioritisation of work priorities due to the emergence of new priority schemes.

The reprofiling of schemes has been on-going throughout the year and in total 42 schemes did not complete as planned in 2015/16.

## NARRATIVE REPORT

### **SUMMARY OF CAPITAL SPEND**

Expenditure in 2015/16 was financed as follows:

	2015/16
	£'000
<b>Capital Receipts</b>	590
<b>Grants and Contributions</b>	864
<b>Revenue Contributions</b>	212
<b>Borrowing</b>	706
<b>TOTAL</b>	2,372

The Council's asset values have been increased as a result of the above capital investment. The Council plans to invest £36,754,350 in its capital assets over the next 3 years, £22,379,260 in 2016/17, £7,436,500 in 2017/18 and £6,938,590 in 2018/19. The capital investment will be financed from a mix of funding including capital receipts, capital grants, revenue contributions, use of reserves, specific one-off external contributions and prudential borrowing.

Each Council's current capital programme, acquisitions, asset enhancements, an update on major projects, the capital outturn and internal and external sources of funds available to meet the capital expenditure is explained in more detail in the 13th July 2016 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2015/16". This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

### **BORROWING**

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, counterparties, interest payable and the different types of risks are contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure is summarised in capital spend section of this Narrative Report and more detail is contained in the 13th July 2016 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2015/16". This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

### **NON-FINANCIAL ACHIEVEMENTS IN 2015/16**

Although financial times are challenging for the Council and the sector as a whole, progress has been made across all the 'Wave Catchers'.

A selection of updates on the Councils' commitments is as follows:

#### **Wave Catcher 1: Supporting Wealth Generators**

- **The development of Specific Place Plans for Adur and Worthing** as part of a countywide Growth Plan are now at an advanced stage.

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## NARRATIVE REPORT

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### **NON-FINANCIAL ACHIEVEMENTS IN 2015/16**

- **Local Growth Fund round 3 submissions** have now been prepared for 9 key development projects across Adur and Worthing and business cases are under preparation to highlight the economic impact of regeneration schemes such as Union Place.
- An **annual events calendar** is well underway, successful summer events in 2016, included the Wildlife Concert (subsequently winning a national award for best new festival) and the Street Velodrome in Worthing.

### **Wave Catcher 2: Cultivating Enterprising Communities**

- The Councils' work in **Think Family Neighbourhoods** (TFNs) is regarded as an exemplar across West Sussex.
- The Councils continue to develop the **V-Enterprise Programme** (matching volunteering needs and skills). This has resulted in some significant activity within local schools and communities to improve local green spaces.
- The Councils secured £100,000 DCLG funding to work in partnership with major national charity The Conservation Volunteers (TCV). The project "Growing Communities" is progressing well, accelerating community involvement in and control over Council owned green spaces (and foreshore).

### **Wave Catcher 3: Becoming Adaptive Councils (..... and waxing the board)**

- Good progress has been made on the digital agenda with the introduction of a range of new technologies that will allow for rapid redesign and digitisation of Council services over the next 3 years.
- The savings target of £200,000 of revenue from the Digital Programme has been achieved and our innovative approach has received a national award from the industry body SOCITM.
- New systems have been implemented to support corporate performance management Trello is being used to simplify processes and make information more available and accessible to all. The new data tool (Tableau) is currently being developed which allows us to present large data sets in useful visual format as well as supporting "drill down" into important issues.
- The Shoreham Centre rebuild has been completed and the opening for various users and the community is being progressed.

The full list of commitments which can be accessed via the Trello link (<https://trello.com/b/PqFkkv3q/surfsupmonitoringreport> ) in the Chief Executive's six-monthly update reports, as at June 2016, is as follows.

### **SUMMARY**

This is a challenging time for Local Government. The Council has faced a considerable reduction in central Government funding and has a strong desire to limit the increases to Council Tax.

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## NARRATIVE REPORT

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### **SUMMARY**

The overall under spend is most welcome at this time to help the Councils manage the financial climate which they are currently grappling with, to build capacity to manage service reductions over the next year and fund future service developments.

The outturn position will inform the development of the 2017/18 budget. The intention is to build in recurring under spends into the 2017/18 budget where possible and so avoid the need for unnecessary service reductions.

### **FURTHER INFORMATION**

Further information on Worthing Borough Council's accounts is available from the Section 151 Chief Financial Officer based at the Town Hall, Chapel Road, Worthing, or by accessing the joint Adur and Worthing Councils website, [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

Information on joint policies and plans for the Adur Worthing partnership, and especially their joint Key Priorities are obtainable by accessing the joint Adur and Worthing Councils' website, [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)

### **ACKNOWLEDGEMENTS**

The production of the Statement of Accounts is not possible without exceptional hard work and dedication of staff across the Council, particularly with the Finance Department. I would like to thank all colleagues for their dedication and support during the financial year.



Sarah Gobey, Chief Financial Officer, BSc (Hons) CPFA

### **EXPLANATION OF ACCOUNTING STATEMENTS**

The Accounts and Audit Regulations 2015 require that the Council produces a Statement of Accounts for each financial year.

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code), and the Update to the 2015/16 Code, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by the International Financial Reporting Standards (IFRS) and are in respect of the financial year ended 31 March 2016.

Changes to the CIPFA Code of Practice for 2015/16 and the Update To the Code, relevant to this authority include:-

- 2015 Accounts and Audit Regulations and the requirement to publish a Narrative Statement

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## NARRATIVE REPORT

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### **EXPLANATION OF ACCOUNTING STATEMENTS**

- Introduction of the concept of current value in respect of the measurement of operational property, plant and equipment assets following the adoption of IFRS 13 and also reflects the changed measurement requirements for assets classified as surplus assets.
- the adoption of IFRS 13 Fair Value Measurement
- The revised requirements for heritage assets following the introduction of FRS 102, the Financial Reporting Standard applicable in the UK

The significant Accounting Policies are included as Note 1 to these accounts.

In accordance with Regulation 6 (4) of the 2015 Accounts and Audit Regulations, the Annual Governance Statement must be approved in advance of the approval of the Statement of Accounts. Once the Statement of Accounts has been approved, the already approved Governance Statement will be published at the end of this document.

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

**Page No:**

**Statement of Responsibilities**

**19**

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of the Council's accounts. This statement confirms that the accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the given financial year.

**Movement in Reserves Statement**

**20**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and "unusable reserves".

**Comprehensive Income and Expenditure Statement**

**21**

This statement provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).

**The Balance Sheet**

**22**

This statement summarises the Council's assets and liabilities as at 31st March 2016 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' Reserves.

**The Cash Flow Statement**

**23**

This statement summarises the flows of cash and cash equivalents of the Council that have taken place over the financial year.

**Notes to the Accounts**

**24-114**

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## **NARRATIVE REPORT**

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### ***EXPLANATION OF ACCOUNTING STATEMENTS***

**Page No:**

**115-118**

#### **Collection Fund**

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and Non-Domestic Rates and accounts for their distribution to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund. This financial year the local government finance regime has been revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. The Worthing share is 40% with the remainder paid to the precepting bodies - West Sussex County Council (10%) and Department of Communities and Local Government (50%).

### ***MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2015/16:***

#### **Post-employment benefits**

All employees of the Council have the option to become members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme is funded and provides defined benefits to members (retirement lump sums and pensions), earned by employees as they worked for the Council. The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund and comply fully with the requirements of IAS19.

To comply with these relevant accounting standards, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year. Therefore the cost of post-employment (retirement) benefits shown in Note 48 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have reduced by £10.3m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from an increase to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the profession judgement of the Actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note



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## NARRATIVE REPORT

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### ***MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2015/16:***

#### **Provisions, contingencies and material events**

This council has provided for contingencies and these are laid out in Note 49. In 2015/16 the Council identified a new contingent liability relating to a claim for mandatory business rate relief by the local NHS trusts.

As Note 5 confirms, there are no material income or expenditure items to disclose in 2015/16. Note 6 to the 2015/16 accounts confirms that there have been no material events after the balance sheet date. The provisions made in 2015/16 are laid out in Note 23.

#### ***CHANGES TO ACCOUNTING POLICIES***

The accounting policies are laid out within Note 1 of the Accounts. These policies have been updated to reflect the changes in the 2015/16 Code of Practice Guidance Notes, for the adoption of IFRS 13 *Fair Value Measurement*.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2016

#### ***The Council's Responsibilities:***

- (a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2015/16 that officer was the Chief Financial Officer.
- (b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- (c) To approve the Statement of Accounts by 30<sup>th</sup> September, 2016.

#### ***The Chief Financial Officer and Section 151 Officer's Responsibilities:***

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts which is required to give a "true and fair" view of the financial position of the Council.

In preparing the statement of accounts the Chief Financial Officer is to select accounting policies and apply them consistently, make judgements and estimates that are reasonable, and ensure that the Statement of Accounts complies with the Code of Practice on Local Authority Accounting.

The Chief Financial Officer also has to keep proper accounting records which are up to date and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March, 2016 and its income and expenditure for the year ended on that date.



**SARAH GOBEY**  
Chief Financial Officer

**Dated: 27<sup>th</sup> September, 2016**

#### ***Certificate of Approval by Joint Governance Committee***

I confirm that these Accounts were approved by the Joint Governance Committee of Adur District Council and Worthing Borough Council on 27<sup>th</sup> September 2016

**ELIZABETH SPARKES**  
Chairman, Joint Governance Committee

**Dated: 27<sup>th</sup> September, 2016**

## MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "unusable", which are kept to manage accounting processes (such as the revaluation of non-current assets) reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting. The 'Net increase /decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Single Entity	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31.03.14	844	3,890	4,189	1,297	10,220	29,795	40,015
<b>Movement in Reserves during 2014/15</b>							
Surplus or (deficit) on provision of services	(2,433)	-	-	-	(2,433)	-	(2,433)
Other Comprehensive Expenditure & Income	(30)	-	-	-	(30)	12,534	12,504
<b>Total Comprehensive Expenditure and Income</b>	(2,463)	-	-	-	(2,463)	12,534	10,071
Adjustments between accounting and funding basis under Regs. (Note 7)	856	-	58	92	1,006	(1,006)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(1,607)	-	58	92	(1,457)	11,528	10,071
Transfers to/from Earmarked Res. (Note 8)	1,607	(1,607)	-	-	-	-	-
<b>Increase/Decrease (movement) in Year</b>	-	(1,607)	58	92	(1,457)	11,528	10,071
<b>Balance at 31.03.15 c/fwd</b>	<b>844</b>	<b>2,283</b>	<b>4,247</b>	<b>1,389</b>	<b>8,763</b>	<b>41,323</b>	<b>50,086</b>
<b>Movement in Reserves during 2015/16</b>							
Surplus or (deficit) on provision of services	4,565	-	-	-	4,565	-	4,565
Other Comprehensive Expenditure and Income	11	-	-	-	11	17,198	17,209
<b>Total Comprehensive Expenditure and Income</b>	4,576	-	-	-	4,576	17,198	21,774
Adjustments between accounting basis and funding basis under reg's (Note 7)	(4,679)	-	126	993	(3,560)	3,560	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(103)	-	126	993	1,016	20,758	21,774
Transfers to/from Earmarked Res. (Note 8)	103	(103)	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(0)</b>	<b>(103)</b>	<b>126</b>	<b>993</b>	<b>1,016</b>	<b>20,758</b>	<b>21,774</b>
<b>Balance at 31.03.16 c/ fwd</b>	<b>844</b>	<b>2,180</b>	<b>4,373</b>	<b>2,382</b>	<b>9,779</b>	<b>62,081</b>	<b>71,860</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15	Note
	Gross Expenditure	Gross Income	Net Expenditure	Restated Gross Expenditure	Restated Gross Income	Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>NET EXPENDITURE ON SERVICES</b>							
Central Services to the Public	1,753	(967)	786	1,912	(889)	1,023	
Cultural Services	7,404	(6,441)	963	13,055	(9,642)	3,413	
Environmental & Regulatory Services	6,483	(4,408)	2,075	6,942	(4,139)	2,803	
Planning Services	3,568	(1,536)	2,032	3,373	(1,625)	1,748	
Highways and Transport Services	1,948	(2,388)	(440)	1,587	(2,205)	(618)	
Other Housing Services	41,059	(39,795)	1,264	39,498	(38,120)	1,378	
Corporate & Democratic Core	2,094	(765)	1,329	2,280	(301)	1,979	
Non-Distributed Costs	2,011	-	2,011	2,684	-	2,684	
<b>Net Cost of Services</b>	<b>66,320</b>	<b>(56,300)</b>	<b>10,020</b>	<b>71,331</b>	<b>(56,921)</b>	<b>14,410</b>	
Other operating expenditure			32			149	9
Financing and Investment Income and Expenditure			841			2,284	10
Taxation and non-specific grant income			(15,458)			(14,410)	11
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(4,565)</b>			<b>2,433</b>	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(6,861)			(14,020)	25
Remeasurements of the net defined pension benefit liability			(10,337)			1,486	25
Other			(11)			30	
<b>Other Comprehensive Income and Expenditure</b>			<b>(17,209)</b>			<b>(12,504)</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>(21,774)</b>			<b>(10,071)</b>	

The Council has changed its methodology for the consolidation of its share of the income and expenditure of Joint Strategic Committee into the main accounts of Worthing Borough Council. The income and expenditure of the Joint Strategic Committee are now separately disclosed whereas previously the net expenditure was consolidated into the accounts. Whilst this does not affect the overall position, both income and expenditure have increased to reflect this change in approach. The Council has chosen to restate the 2014/15 position to allow the reader to compare the two financial years.

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Worthing Borough Council. The net assets of Worthing Borough Council (assets less liabilities) are matched by the reserves held by the Council.

	See Note No:	As at 31st March 2016	Restated As at 31st March 2015
		£'000	£'000
<b>Long Term Assets:</b>			
Property, Plant & Equipment	12	100,358	80,172
Heritage Assets	13	11,991	11,715
Investment Properties	14	4,536	15,397
Intangible Assets	15	191	218
Assets Held for Sale	21	4,784	4,784
Long Term Investments/Available for sale fin assets	16	75	75
Long Term Debtors	19	10	10
<b>Total Long Term Assets</b>		<b>121,945</b>	<b>112,371</b>
<b>Current Assets:</b>			
Short Term Investments	16	5,010	6,019
Inventories	17	142	183
Short Term Debtors *	19	9,566	7,675
Cash & Cash Equivalents	20	4,458	3,213
<b>Total Current Assets</b>		<b>19,176</b>	<b>17,090</b>
<b>Current Liabilities:</b>			
Short Term Borrowing	16	(11,934)	(15,354)
Short Term Creditors	22	(11,833)	(12,107)
Provisions	23	(1,063)	(1,193)
Grants Receipts In Advance - Revenue	39	(550)	(731)
Grants Receipts In Advance - Capital		-	
<b>Total Current Liabilities</b>		<b>(25,380)</b>	<b>(29,385)</b>
<b>Long Term Liabilities:</b>			
Long Term Borrowing	16	(7,361)	(2,836)
Other Long Term Liabilities	47	(36,520)	(47,154)
<b>Total Long Term Liabilities</b>		<b>(43,881)</b>	<b>(49,990)</b>
<b>Net Assets</b>		<b>71,860</b>	<b>50,086</b>
<b>Financed By Reserves:</b>			
Usable Reserves	24 & 8	(9,779)	(8,763)
Unusable Reserves	25	(62,081)	(41,323)
<b>Total Reserves</b>		<b>(71,860)</b>	<b>(50,086)</b>

The balance sheet for 2014/15 has been restated to reflect a change in how the balance sheet of the Joint Strategic Committee is consolidated into the accounts of Worthing Borough Council which has resulted in a decrease in cash and cash equivalents and an equivalent increase in the value of debtors.

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	See Note No:	2015/16	2014/15
		£'000	£'000
Net surplus or (deficit) on provision of services	26	4,565	(2,433)
Adjustments to net surplus or deficit on the provision of services for non cash movements	26	(5,650)	5,647
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(1,572)	(2,207)
Net cash flows from Operating Activities	26	(2,657)	1,007
Investing Activities	27	1,746	(3,679)
Financing Activities	28	1,459	4,142
Net increase or decrease in cash and cash equivalents		548	1,470
Cash and cash equivalents at the beginning of the reporting period		3,213	1,743
<b>Cash and cash equivalents at the end of the reporting period</b>	20	3,761	3,213

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **STATEMENT OF ACCOUNTING POLICIES 2015/16**

##### **General**

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) / The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom – 2015/16 Accounts, which is based on International Reporting Standards (IFRS).

As outlined in the Narrative Report, there are no significant changes to the CIPFA Code of Practice for 2015/16 which affect this Council.

The concepts and principles of International Accounting Standards Board Conceptual Framework for Financial Reporting (2010) have been applied and are outlined below.

The Statement of Accounts has been prepared with the overriding requirement that it is a 'true and fair' representation of the financial position, performance and cash flows of the Council.

The Council has endeavoured to ensure that within the restrictive definitions of the regulations the following objectives have been met:-

- To provide financial information about the reporting authority that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to it
- To provide information about the authority's financial performance, financial position and cash flows that is useful to a wide range of users for assessing the stewardship of the authority's management and for making economic decisions
- To meet the common needs of most users focusing on the ability of the users to make economic decisions, the needs of public accountability and the stewardship of the authority's resources

##### **Accruals**

The non-cash effects of transactions have been reflected in the statements for the financial year in which they occur, not when any cash is received or paid. The current de minimis is £1,000.

##### **Tax Income (Council Tax, Non-Domestic Rates (NDR) And Rates)**

The Council is a billing authority and follows the principles in IPSAS 23 Revenue from Non Exchange transactions (Taxes and Transfers) in respect of accounting for tax income collected except where adaptations to fit the public sector are detailed in the Code.

Retained Business Rate income, Top Up income and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **Tax Income (Council Tax, Non-Domestic Rates (NDR) And Rates)**

NDR, Top Up Income and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Revenue relating to such things as council tax, general rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

#### **UNDERLYING ASSUMPTION TO THE STATEMENT OF ACCOUNTS**

##### **Going Concern**

The accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.

#### **FUNDAMENTAL QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS**

##### **Relevance and faithful representation**

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions. It is intended to be complete, neutral and free from error.

##### **Materiality**

An item is considered to be material where its omission or mis-statement could influence the decisions or assessments of users of the financial statements presented in the accounts. Materiality, therefore, is subjective and depends on the nature or size of the omission or mis-statement judged in the surrounding circumstances.

The Council has therefore exercised its professional judgement in considering the size and nature of any transaction, or set of transactions, brought into the financial statements. In so doing, the Council does not set fixed monetary limits or rules for materiality, but has taken a view upon what would provide a proper understanding of the Council's overall financial position. Where appropriate, such a view has been reached in consultation with the Council's auditors.

#### **ENHANCED QUALITATIVE CHARACTERISTICS**

##### **Comparability**

A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years.



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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **ENHANCED QUALITATIVE CHARACTERISTICS**

##### **Verifiability**

A faithful representation of the economic position.

##### **Timeliness**

The financial statements provide information to decision makers in time to be capable of influencing their decisions.

##### **Understandability**

Classifying, characterising and presenting information that is clear and concise. The financial statements are prepared for users who have a reasonable knowledge of business and economic activities.

##### **Elements of financial statements**

The elements directly related to the measurements of financial position in the Balance Sheet are assets, liabilities and reserves. The elements directly related to the measurement of the financial performance in the Comprehensive Income and Expenditure Statement are income and expenses.

The elements directly related to the measurements of the financial position in the Balance Sheet are assets, liabilities and reserves. The elements directly related to the measurement of the financial performance in the Comprehensive Income and Expenditure Statement are income and expenses.

The Cash Flow Statement reflects elements in both the Comprehensive Income and Expenditure Statement and the Balance Sheet.

In assessing whether an item meets the definition of an asset, liability or reserve, consideration has been given to its underlying substance and economic reality and not merely its legal form.

##### **Primacy of Legislative Requirements**

The Council operates through the power of statute. Where legislation prescribes the express treatment of transactions, then the accounting concepts outlined above will be over-ruled.

#### **INCOME AND EXPENDITURE**

##### **Revenue Recognition**

Revenue recognition has been accounted for in accordance with IAS 18. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **COSTS OF SUPPORT SERVICES**

The CIPFA Service Reporting Code of Practice (SeRCOP) requires the costs of support services to be charged on a fair and transparent basis. The allocation bases used for the main costs are outlined below. The majority of services are allocated out on a time allocation basis with the exception of the following:

<b>Admin Buildings</b>	Headcount
<b>Human Resources inc training</b>	Headcount
<b>Payroll</b>	Headcount
<b>ICT</b>	Headcount
<b>Customer Services</b>	Number of calls multiplied by length of time per call
<b>Cashiers</b>	Number of transactions
<b>Exchequer Services</b>	Number of transactions
<b>Insurance - Employees</b>	Headcount
<b>Insurance - Premises</b>	Premises Valuation
<b>Insurance - Vehicles</b>	Number of Vehicles

#### **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **VALUE ADDED TAX**

VAT is included in the Comprehensive Income and Expenditure Account only to the extent that it is irrecoverable.

#### **GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **GRANTS AND CONTRIBUTIONS**

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The de minimis for grants and contributions to be subject to this accounting treatment is £5,000.

#### **LEASES**

IAS 17 requires leases to be classified between finance leases and operating leases. IAS 17 defines a lease as “a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership”.

The core tests which collectively or individually may provide evidence of finance leases are:

- the lease transfers ownership of the asset from the lessor (supplier) to the lessee (the user) by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value;
- the lease term is for the major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **LEASES**

The Council as Lessee – Finance Leases:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a corresponding liability on the balance sheet for the obligation to pay the lessor (asset provider) the amounts due in respect of the capital cost of acquiring the asset. This is because the transaction is considered to be the same as if the Council had purchased the asset and financed it through taking out a loan. The lease payments from lessee to lessor are therefore apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, which is applied to write down the lease liability held on the balance sheet, and
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

However, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses, and revaluation gains and losses are therefore reversed by way of a revenue contribution in the General Fund Balance via an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessor – Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **LEASES**

- a charge for the acquisition of the interest in the property, which is applied to write down the lease debtor (together with any premiums received), and
- finance income (that is credited to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **The Council as Lessee – Operating Lease:**

Under an operating lease the property so acquired is not required to be recognised as an asset in the Council's balance sheet, and the payments due under the lease will be a charge to revenue.

These payments are in effect rentals and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### **The Council as Lessor – Operating Lease:**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet of the Council. Rental income is credited to revenue within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Expenditure and Valuation principles**

Expenditure on the acquisition, creation or enhancement of non-current assets is required to be capitalised on an accruals basis in the Balance Sheet, provided that the non-current asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets and operating leases which are charged directly to service revenue accounts.

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the International Financial Reporting Standards (IFRS) code. The surpluses arising on the revaluation of property, plant and equipment are credited to the Revaluation Reserve. The exception to this is where previous revaluation losses have been debited to the Comprehensive Income and Expenditure Account. Where this has occurred the surplus on revaluation is credited to the Comprehensive Income and Expenditure Account up to the value of the previous revaluation loss, less the value of depreciation that would have been charged had there been no revaluation loss. Surpluses arising on the revaluation of investment properties are credited to the Comprehensive Income and Expenditure Account. The Revaluation Reserve only includes gains since its inception from 1<sup>st</sup> April, 2007, prior gains were incorporated into the Capital Adjustment Account. The Council applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- Property, Plant and Equipment assets are initially valued at cost and included in the balance sheet at current value. Where there is no open market value, assets are included in the balance sheet at depreciated replacement cost. Community assets and infrastructure assets are stated at depreciated historical cost, assets under construction are stated at cost. Donated assets are revalued at current value.
- Investment properties, are included in the balance sheet at fair value and need to meet the criteria of property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Assets held for sale are included in the balance sheet if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.
- Assets reclassified as Held for Sale when the following criteria are met:
  - i) The asset is available for sale in its present condition subject only to terms that are customary for sales of such assets (or disposal groups).
  - ii) The sale must be highly probable.
  - iii) The appropriate level of management must be committed to a plan to sell the asset (or disposal group).
  - iv) An active programme to locate a buyer and complete the sale must have been initiated.
  - v) The asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to the current value.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Expenditure and Valuation principles**

- vi) The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification except where the sale is likely to proceed to a sale without significant changes to the plan of sale, or that significant changes to the plan will be made or that the plan will be withdrawn.

For 2015/16 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the Authority's Estates office. A *de minimis* value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and £10,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

##### **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability, or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest,

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – unobservable inputs for the asset or liability.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Disposals**

Assets are disposed of in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

##### **Charges to Revenue for non-current Assets**

Service revenue accounts, central support services, and trading accounts are charged with a depreciation charge, profit or loss on disposal and any impairment loss for all non-current assets used in the provision of services. (An impairment loss is only charged to revenue, if there is no balance on the Revaluation Reserve.) The depreciation charge is credited out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement on the General Fund Balance so that there is no impact on the amount required to be raised from local taxation for the provision of Council services.

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset.

The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

##### **Charges to Revenue for non-current Assets**

<b>Buildings</b>	8-68 years except when impairment has occurred.
<b>Vehicles</b>	7-10 years
<b>Equipment</b>	from over 1 to 25 years
<b>Intangible Assets, Software</b>	from over 1 to 7 years
<b>Infrastructure Assets</b>	25 years
<b>Community Assets</b>	Held in perpetuity
<b>Assets (Finance Leases)</b>	Up to 10 years

##### **Impairment**

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and were there to be reason to believe that the value had reduced materially in the period due to impairment, the valuation would be adjusted accordingly. Further information is supplied in Note 44.

##### **Depreciation**

Depreciation is charged to service revenue accounts for most non-current assets:

- newly acquired assets are depreciated on asset values at 1st April in the year following their confirmation as fully operational assets, except where the acquisition is material when depreciation is calculated at the date of acquisition. Assets in the course of construction are not depreciated until they are brought into use.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **NON CURRENT ASSETS**

##### **Depreciation**

- assets disposed of are depreciated in the year of disposal.
- depreciation is calculated using the straight-line method over the useful life of the asset, based on asset values at 1<sup>st</sup> April except where there are material acquisitions or disposals in any year where depreciation is calculated at date of acquisition or disposal.
- assets acquired under Finance Leases are depreciated over the asset life, or the lease term if shorter.
- assets held for sale, investment properties, assets under construction and community assets are not depreciated.

##### **Componentisation of Assets**

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost, the components are depreciated separately. The Council uses the straight line method of depreciation over the useful life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets are acquired, enhanced or revalued from 1 April 2010 onwards, and not retrospectively of this date. When a component is replaced or restored, the carrying amount of the old component is de-recognised by indexing the cost of the replacement back to the estimated inception date and adjusting for subsequent depreciation and impairment. When replaced components are written out, this does not result in a loss on either asset values or asset sales.

For Property, Plant and Equipment the accounting policy is to componentise all land and property assets valued at £50,000 or more in total where there has been a revaluation or enhancement since 1<sup>st</sup> April 2010. The following component categories are used:

Land

Main building structures

##### **Componentisation of Assets**

Replaceable building structures

Services

External works

Any Revaluation Reserve balances associated with componentised assets are attributed firstly to land and then to the main building structures, as it is considered unlikely that component replacements will give rise to revaluation gains and losses independently of the structure of a building. The exception would be if the Revaluation Reserve balance exceeded the valuation of the land and main building structure, when the remaining balance would be attributed to the other categories.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **INTANGIBLE ASSETS**

The following criteria need to be met before an asset is classified as an intangible asset:

1. The asset must be identifiable
2. The asset must lack physical substance.
3. The asset is controlled by the Authority and benefit from future economic benefits. Intangible assets are measured at cost.
4. Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. The Council has no internally generated assets. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

#### **HERITAGE ASSETS**

Heritage Assets are a new classification of assets following the adoption of FRS 30.

##### **Definition of Heritage Assets**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is defined as an intangible asset with cultural, environmental or historical significance.

##### **Recognition of Heritage Assets**

The Council recognises heritage assets when the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Council does not recognise the asset on the Balance Sheet. Assets which are not recognised in the Balance Sheet are included in a separate Disclosure Note 52.

##### **Valuation of Heritage Assets**

The Council's heritage assets are normally measured at valuation except where it is not possible to establish a valuation; for example if there is no market for a particular heritage asset or where it is not possible to provide a reliable estimate of the replacement cost of the asset due to the lack of comparative information. The unique nature of many heritage assets makes reliable valuation complex. Therefore where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset is carried at historical cost (less any accumulated depreciation, amortisation and impairment losses).

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **HERITAGE ASSETS**

##### **Valuation of Heritage Assets**

Valuations may be made by any method that is appropriate and relevant and include:

- (i) Insurance valuations based on current estimations of market values which are updated annually.
- (ii) External valuations.
- (iii) Valuations by reference to recent auctions for similar assets.
- (iv) Valuations by reference to antique and other industry journals and reference materials.

Valuations are reviewed with sufficient regularity to ensure they remain current.

##### **Depreciation, Amortisation and Impairment of Heritage Assets**

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation on intangible assets is considered on an individual asset basis. Assets are reviewed for impairment where an asset has suffered physical deterioration or breakage, or where doubts arise as to the authenticity of the heritage asset.

##### **Accounting for Heritage Assets**

Heritage assets are accounted for in the same way as property, plant and equipment and intangible assets.

#### **INVESTMENT PROPERTIES**

Investment Properties are property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both rather than for:

- a) use in the production or supply of goods or services or for administration purposes, or
- b) sale in the ordinary course of operations.

#### **CAPITALISATION OF BORROWING COSTS**

IAS 23 requires borrowing costs, such as interest payments and other financing charges, to be capitalised in respect of assets that take a substantial period of time to get ready for use or sale. Capitalisation of borrowing costs is required to continue until the point at which the related assets become operational or are sold.

However, the Code of Practice allows borrowing costs to be charged to revenue expenditure as they are incurred. The Council's policy is to apply the discretion permitted under the Code to expense borrowing costs as they are incurred. Accordingly, borrowing costs expensed are disclosed within Interest Payable in the Comprehensive Income and Expenditure Statement.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Capital expenditure, such as improvement grants for which no non-current assets exist, is classified as Revenue Expenditure Funded from Capital Under Statute. Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

#### **INVENTORIES**

These include waste bins, cleaning materials, vehicle spares, fuel, printing and stationery, and catering supplies.

This council has accounted for inventories in accordance with IAS2 and IPSAS 12, which includes public sector interpretations of measurement which the Code has adopted.

#### **WORK IN PROGRESS**

Any rechargeable works are shown at the actual cost incurred (excluding overheads allocation) at 31st March.

#### **PROVISIONS**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit but where the timing is uncertain. Provisions are charges to the Comprehensive Income and Expenditure account when the Council becomes aware of the obligation based on best estimate of the likely settlement. When payments are eventually made they are charged to revenue and funded from the provision set up in the Balance Sheet.

#### **Non Domestic Rates Appeals**

A provision is made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The amount provided for is based on advice received from an external consultant and is assessed on the likely change to rateable value as adjusted by locally assessed success rates.

#### **DEBTORS AND CREDITORS**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. Sums due to or payable by the Council at the end of each financial year are brought into account (irrespective of whether cash has been received or payment has been made).

Where actual costs are not available, accruals for debtors and creditors are made on a best-estimate basis.

## NOTES TO THE ACCOUNTS

### NOTE 1: ACCOUNTING POLICIES

#### DEBTORS AND CREDITORS

At the end of each financial year an estimate is made of doubtful debts – amounts due to the Council, but unlikely to be received. The total value of these amounts is provided as a provision for bad debt and deducted from the debtors balance in the Balance Sheet.

#### ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial Instruments are broadly defined in the Code of Practice as contracts that give rise to a financial asset in one entity and a financial liability in another entity.

FINANCIAL LIABILITY	FINANCIAL ASSET
<p><b>A financial liability is an obligation to transfer economic benefits controlled by the authority that is represented by:</b></p> <ul style="list-style-type: none"><li>- a contractual obligation to deliver cash (or another financial asset) to another entity.</li><li>- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.</li></ul>	<p><b>A financial asset is a right to future economic benefits controlled by the authority that is represented by:</b></p> <ul style="list-style-type: none"><li>- cash</li><li>- a contractual right to receive cash (or another financial asset) from another entity.</li><li>- available for sale assets: assets that have a quoted market price and/or do not have fixed or determinable payments.</li><li>- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.</li></ul>

The Council recognises financial instruments in the accounts at the point when contractual obligations are made in regard to exchange of goods and services, rather than when receipts or payments pass from one party to another.

The accounting treatment of any particular financial instrument (i.e. how its carrying value for the Balance Sheet is measured, and gains and losses recognised) depends on its classification on initial recognition

The Council's financial assets fall under the category of loans and receivables and include trade debtors (receivables), cash and bank deposits, and investments, while its financial liabilities fall within the category of amortised cost and include all operational trade creditors (payables), and external borrowing. Both classes of financial instruments have been accounted for at amortised cost taken as the carrying amount on initial recognition (i.e. the transaction price), or (as in the case of investments and borrowing), principal plus accrued interest.

The Code also requires that each class of financial assets and financial liabilities be disclosed at "fair value" in a way that permits it to be compared with the carrying amount in the statement of accounts. Comparisons of fair value with the carrying amounts are shown where required within the Notes to Core Financial Statements. The Code specifies that all financial instruments should be recognised on the basis of fair value adjusted for transaction costs except where the transaction costs are immaterial. Consequently, in practice, transaction costs are charged directly to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

In making such disclosures, fair value is taken as meaning the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms-length transaction.

#### **Soft Loans**

The Code requires specific accounting requirements in respect of “soft loans”, being loans made to or from third parties at preferential rates of interest below market rates. The Code requires the fair value of soft loans to be estimated as the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

The council issues soft loans to employees in respect of car loans, and is in receipt of interest free loans to finance energy efficiency capital projects. No adjustment in respect of these loans is made to the accounts to reflect the requirements of the Code on the grounds that the adjustment would be immaterial or impractical.

#### **INVESTMENTS**

Investments comprise cash deposits placed with financial institutions for fixed term or notice periods, and are shown on the balance sheet at amortised cost, being the value of principal and accrued interest outstanding at the balance sheet date.

#### **DEBT REDEMPTION**

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 (SI 2008/414 as amended by SI 2012/265) place a duty on local authorities to make a prudent provision for debt redemption.

The provisions are made each year from the General Fund Revenue Accounts, which is then held in the Capital Adjustment Account (CAA). The accumulated provision held in the CAA is used to repay the principal amounts borrowed to finance capital investment.

In accordance with statutory guidance and the Council’s statement for Minimum Revenue Provisions (MRP) an amount is charged annually to revenue and set aside for the repayment of debt.

The provision is made over the estimated life of the asset for which the borrowing is undertaken.

#### **INTERNAL INTEREST**

A contribution is made to some Reserve Account balances based upon the average rate of return on the Council’s investments for the year.

#### **CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are defined as “short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value”. Accordingly, the investments that may fall within the definition are principally held for short-term cash management purposes, not for obtaining a significant return on investment.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **CASH AND CASH EQUIVALENTS**

Paragraph 7 of International Accounting Standard (IAS) 7 suggests that for short term investments to fall within the definition of cash equivalents they be no longer than 3 months duration, as any longer period would increase the risk of a change in value of the investments. For the purpose of classifying cash equivalents within Financial Instruments (Note 16), the Council's accounting policy is to categorise all fixed term deposits as investments, not cash equivalents (irrespective of the duration of the investments). This is because in practice, such deposits would not satisfy the requirement to be readily convertible to cash and would incur a penalty (loss in value) for early redemption. Therefore, in practice the Council's policy restricts the composition of cash and cash equivalents to notes and coin, current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours notice.

#### **EXCEPTIONAL ITEMS**

Where exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **RESERVES**

The Council sets aside specific amounts as reserves to meet future spending need or to cover contingencies.

Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service within the Income and Expenditure Statement. The amount so charged is funded by transferring from the Reserves to the General Fund Balance an equivalent amount via the Movement in Reserves Statement.



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Pension Costs**

The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund, which provides Council employees with defined benefits relating to pay and service. This accounting treatment complies fully with the requirements of IAS 19 and presentational revisions reflect the 2015/16 Code changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19.

Employees of the Council are members of a pension scheme:

- The Local Government Pensions Scheme, administered by West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on bonds.
- The assets of West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value which is the bid value as required by IAS19.
- The change in the net pensions liability is derived from two components:
  - Present Value of the defined benefit obligation which represents the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. This is calculated from several factors including:
    - The current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - The interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;



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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Pension Costs**

- The past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Contributions by members made into the West Sussex County Council pension fund;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - Estimate of benefits paid to pensioners.
- Fair value of plan assets which is calculated from several factors including:
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Contributions paid to the West Sussex County Council pension fund by members and the employer – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - Estimate of benefits paid to pensioners.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EMPLOYEE BENEFITS**

##### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

##### **Termination Benefits**

Termination benefits, such as redundancy payments, are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept a voluntary redundancy offer in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits

The Code requires that a liability for a termination benefit is recognised at the earlier of the following dates:

- ◆ when the authority can no longer withdraw the offer of those benefits, and
- ◆ when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS 37 (see Module 8, section B) and involves the payment of termination benefits.

Redundancy costs are recognised in the year in which the decision is made.

A contribution is made to some Reserve Account balances based upon the average rate of return on the Council's investments for the year.

##### **Current Employee Benefits And Accumulated Absences**

The Council reviews the cost of accumulated absences as required by the IFRS code of practice.

The review reveals that the level of this is not material and therefore has chosen not to accrue these costs.

#### **EVENTS AFTER THE REPORTING PERIOD**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

Adjusting Events - Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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## NOTES TO THE ACCOUNTS

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### **NOTE 1: ACCOUNTING POLICIES**

#### **EVENTS AFTER THE REPORTING PERIOD**

Non-adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **CONTINGENT LIABILITIES**

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts unless perceived as being remote.

#### **CAPITAL RECEIPTS**

Capital receipts are income received from the sale of land or other capital assets above £10,000, a proportion of which may be used to finance capital expenditure.

The usable portions of capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure and/or to repay debt.

### **NOTE 2: ACCOUNTING STANDARDS ISSUED, BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2016/17 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost.

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## **NOTES TO THE ACCOUNTS**

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### ***NOTE 2: ACCOUNTING STANDARDS ISSUED, BUT HAVE NOT YET BEEN ADOPTED***

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

In addition there are a number of minor amendments to International Financial Reporting Standards, and changes in format to the accounts, but these are not expected to have any material impact on the Council's 2015/16 Statement of Accounts.

The other minor amendments, which are not expected to have material effect on the Council's Statement of Accounts are as follows:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Annual Improvements to IFRSs 2012 – 2014 Cycle

### ***NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES***

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### ***NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION***

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty actual results could be materially different from assumptions and estimates contained within these accounts. As these items are re-assessed each year, they are subject to annual review and are updated within each year's accounts for the latest information.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO THE ACCOUNTS

**NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property, Plant and Equipment</b>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If the useful life of assets fell by one year there would be an increase in the depreciation charged in the C.I.E.S.</p> <p>There would also be a corresponding decrease in the carrying amount of the assets.</p> <p>Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2015/16, the Council's actuaries advised that the net pension liability has decreased by a net £10.63m. £0.29m decrease as a result of estimates being corrected as a result of experience and a decrease of £10.39m attributable to updating of the assumptions.</p>
<b>Arrears</b>	<p>At 31<sup>st</sup> March 2016 the Council had a net balance of debtors due (excluding government departments) of £4.8m. A review of significant balances suggested that an impairment of doubtful debt of £1.74m was appropriate.</p>	<p>Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.</p>

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## NOTES TO THE ACCOUNTS

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**NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Non-Domestic Rate Appeals Provision</b>	At March 2016 the Council had made a provision of £2.6m for the impact of appeals on business rate income. The provision is based on the appeals lodged with the Valuation Office which is then reviewed by an external consultant to establish the likely impact of the appeals on the business rate income.	The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level appeals.

**NOTE 5: MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material income and expense items to disclose that are not reported in the Comprehensive Income and Expenditure Statement.

**NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31<sup>st</sup> March 2016 and the date when the Statement of Accounts is authorised for issue 27<sup>th</sup> September 2016.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice and to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2015/16 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Charges for depreciation and impairment of non current assets (note 12 & 25)	(3,091)	-	-	3,091
Revaluation losses on Property Plant and Equipment (note 12 & 25)	4,815	-	-	(4,815)
Movements in the market value of investment Properties (note 25)	89	-	-	(89)
Amortisation of intangible assets (note 15 & 25)	(48)	-	-	48
Capital grants and contributions applied (note 25)	716	-	-	(716)
Movement in the Donated Assets Account (note 13)	3	-	-	(3)
Revenue Expenditure funded from capital under statute (note 25)	(820)	-	-	820
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 12)	(607)	-	-	607
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Exp'iture Statement</b>				
Statutory provision for the financing of capital investment (note 25)	931	-	-	(931)
Capital expenditure charged against the General Fund (note 25)	212	-	-	(212)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,142	-	(1,142)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 25)	-	-	149	(149)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2015/16 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	715	(715)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 41)	-	590	-	(590)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 25)	-	(1)	-	1
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 48)	(4,002)	-	-	4,002
Employers Pension Contributions and direct payments to pensioners payable in the year (note 48)	4,295	-	-	(4,295)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (note 25)	329	-	-	(329)
<b>TOTAL ADJUSTMENTS 2015/16</b>	<b>4,679</b>	<b>(126)</b>	<b>(993)</b>	<b>(3,560)</b>

2014/15 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment of non current assets (note 25)	(2,756)	-	-	2,756



## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2014/15 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
Revaluation losses on Property Plant and Equipment (note 25)	2,213	-	-	(2,213)
Movements in the market value of investment Properties (note 25)	638	-	-	(638)
Amortisation of intangible assets (note 25)	(34)	-	-	34
Capital grants and contributions applied (note 25)	634	-	-	(634)
Movement in the Donated Assets Account	5	-	-	(5)
Revenue Expenditure funded from capital under statute (note 25)	(1,237)	-	-	1,237
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 25)	(1,289)	-	-	1,289
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment (note 25)	1,078	-	-	(1,078)
Capital expenditure charged against the General Fund (note 25)	341	-	-	(341)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Account	171	-	(171)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 25)	-	-	79	(79)
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	1,401	(1,401)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (note 41)	-	1,343	-	(1,343)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 25)	-	-	-	-

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2014/15 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 48)	(6,332)	-	-	6,332
Employers Pension Contributions & direct payments to pensioners payable in year (note 48)	4,516	-	-	(4,516)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements (note 25)	(205)	-	-	205
<b>TOTAL ADJUSTMENTS 2014-2015</b>	(856)	(58)	(92)	1,006

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

The Council holds a number of specific reserves. Movements during the year were as follows:

Movement in Earmarked Reserves	Balance at 01.04.14	Decrease 2014/15	Increase 2014/15	Balance at 31.03.15	Decrease 2015/16	Increase 2015/16	Balance at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Rev'ue Reserves</b>							
Capacity Issues Fund	2,015	(1,555)	430	890	(692)	259	457
Insurance	436	(6)	31	461	(101)	31	391
Joint Health Promotion	22	-	-	22	(12)	-	10
Leisure Lottery & Other Partnerships	78	-	-	78	-	-	78
Grants & Contributions	545	(131)	63	477	(47)	466	896
Museum Reserve	112	(14)	9	107	-	7	114
Theatres Ticket Levy	27	(8)	16	35	(15)	51	71
Planning Delivery Grant	124	(26)	-	98	(49)	-	49
Special & Other Emergency Expenditure	149	(107)	-	42	-	-	42
VAT Partial Exemption*	212	(212)	-	-	-	-	-
Vehicle Repair and Renewal*	97	(97)	-	-	-	-	-
* Consolidated into Capacity Issues Reserve							

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

Movement in Earmarked Reserves	Balance at 01.04.14	Decrease 2014/15	Increase 2014/15	Balance at 31.03.15	Decrease 2015/16	Increase 2015/16	Balance at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Revenue Reserves</b>							
Total General Fund	3,817	(2,156)	549	2,210	(916)	814	2,108
Capital Expenditure Reserve	73	-	-	73	-	-	73
<b>Total Earmarked Reserves</b>	<b>3,890</b>	<b>(2,156)</b>	<b>549</b>	<b>2,283</b>	<b>(916)</b>	<b>814</b>	<b>2,181</b>

- (i) The Capacity Issues Fund was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.
- (ii) The Insurance Reserve was established in 1993/94 to fund risk management initiatives, fund minor self-insurance and to achieve longer term revenue savings.
- (iii) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (iv) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (v) The Grants and Contributions Reserve was created to comply with changes in accounting policy required by the Code of Practice. The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.
- (vi) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (vii) Theatre Tickets Levy is a new fund set up in 2013/14, specifically to fund maintenance on Worthing Theatres.
- (viii) The Planning Delivery Grant Reserve was set up in 2006/07 to carry forward grant received in previous years, which has been approved by Cabinet to be spent on specific planning initiatives
- (ix) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.
- (xi) The VAT Partial Exemption Reserve was originally set up in 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in 2002 and surplus funds redistributed to other reserves leaving a balance of £212,000 to meet potential VAT liabilities. In 2014/15 this reserve has been consolidated into the Capacity Issues Reserve.

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

- (xii) The Vehicle Repairs and Renewal Fund was set up in 2008 to meet future maintenance costs of the Adur Worthing Council Services Fleet. In 2014/15 this reserve has been consolidated into the Capacity Issues Reserve.
- (xiii) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

### **NOTE 9: OTHER OPERATING EXPENDITURE**

Other Operating Expenditure	31-Mar-16	31-Mar-15
	£'000s	£'000s
De-recognition of assets	238	487
Gains/losses on the disposal of non-current assets	(206)	(338)
<b>TOTAL</b>	<b>32</b>	<b>149</b>

### **NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Financing and Investment Income and Expenditure	2015/16	2014/15
	£000	£000
Interest Payable & similar charges	189	116
Net interest on net defined benefit liability (asset)	1,440	3,275
Interest Receivable & similar income	(101)	(68)
Income and expenditure in relation to investment properties	(211)	24
Changes in fair value to investment properties	(89)	(638)
Other Investment Income (Trading Operations: Note 31)	(387)	(425)
<b>TOTAL</b>	<b>841</b>	<b>2,284</b>

### **NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME**

Taxation and Non-Specific Grant Income	2015/16	2014/15
	£'000s	£'000s
Council Tax Income	(7,975)	(7,688)
Non Domestic Rates	(2,147)	(1,857)
Non-ringfenced Government Grants	(4,121)	(4,600)
Capital Grants and Contributions	(1,215)	(265)
<b>TOTAL</b>	<b>(15,458)</b>	<b>(14,410)</b>

## NOTES TO THE ACCOUNTS

### NOTE 12: PROPERTY, PLANT AND EQUIPMENT

#### OPERATIONAL ASSETS

Movements in 2015/2016	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2015	67,156	10,318	4,466	4,963	1,080	101	88,084
Additions	517	365	307	-	-	342	1,531
Revaluation increases/(decreases) recognised in the Revaluation Res've	1,173	6	-	-	5,195	-	6,374
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,406	-	-	-	318	-	3,724
Derecognition - Other	(244)	(1,397)	-	-	(53)	-	(1,694)
Assets reclassified (to)/from Investment Properties	10,950	-	-	-	-	-	10,950
Reclassifications between asset classes, including transfers to intangible assets	(231)	-	12	-	13	206	-
<b>At 31 March 2016</b>	<b>82,727</b>	<b>9,292</b>	<b>4,785</b>	<b>4,963</b>	<b>6,553</b>	<b>649</b>	<b>108,969</b>
<b>Accu'lated Deprec'tion &amp; Impairm't</b>							
At 1 April 2015	(764)	(6,056)	(1,050)	-	(42)	-	(7,912)
Depreciation charge	(1,950)	(965)	(172)	-	(4)	-	(3,091)
Depreciation written out to the Revaluation Reserve	214	-	-	-	-	-	214
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,090	-	-	-	-	-	1,090
Derecognition - Other	14	1,028	-	-	46	-	1,088
Reclassifications between asset classes, including transfers to intangible assets	2	-	-	-	(2)	-	-
<b>At 31 March 2016</b>	<b>(1,394)</b>	<b>(5,993)</b>	<b>(1,222)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(8,611)</b>
<b>Net Book Value at 31 March 2016</b>	<b>81,333</b>	<b>3,299</b>	<b>3,563</b>	<b>4,963</b>	<b>6,551</b>	<b>649</b>	<b>100,358</b>
<b>Net Book Value at 31 March 2015</b>	<b>66,392</b>	<b>4,262</b>	<b>3,416</b>	<b>4,963</b>	<b>1,038</b>	<b>101</b>	<b>80,172</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **OPERATIONAL ASSETS**

Share of the above assets used in the provision of the joint service

Movements in 2015/2016	Vehicles, Furniture and Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2015	8,574	24	5	8,603
New assets transferred from Worthing Borough Council	6	-	-	6
Additions	282	-	47	329
De-recognition - Other	(852)	(24)	-	(876)
<b>At 31 March 2016</b>	<b>8,010</b>	<b>-</b>	<b>52</b>	<b>8,062</b>
<b>Accumulated Depreciation</b>				
At 1 April 2015	(5,141)	(13)	-	(5,154)
Depreciation charge	(891)	(4)	-	(895)
Derecognition - Other	819	17	-	836
<b>At 31 March 2016</b>	<b>(5,213)</b>	<b>-</b>	<b>-</b>	<b>(5,213)</b>
<b>Net Book Value at 31 March 2016</b>	<b>2,797</b>	<b>-</b>	<b>52</b>	<b>2,849</b>
<b>Net Book Value at 31 March 2015</b>	<b>3,433</b>	<b>11</b>	<b>5</b>	<b>3,449</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **COMPARATIVE MOVEMENTS 2014/15**

Movements in 2014/2015	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruktion	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2014	54,411	10,047	4,235	4,964	1,205	121	74,983
Additions	905	641	193	-	-	46	1,785
Revaluation increases/(decreases) recognised in the Revaluation Res've	13,215	22	-	-	-	-	13,237
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(617)	-	-	-	-	-	(617)
Derecognition - Other	(510)	(394)	-	-	(2)	-	(906)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(123)	-	(123)
Assets reclassified (to)/from Investment Properties	(266)	-	-	-	-	(9)	(275)
Reclassifications between asset classes, including transfers to intangible assets	18	2	38	(1)	-	(57)	-
<b>At 31 March 2015</b>	<b>67,156</b>	<b>10,318</b>	<b>4,466</b>	<b>4,963</b>	<b>1,080</b>	<b>101</b>	<b>88,084</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2014	(2,599)	(5,459)	(887)	-	(29)	-	(8,974)
Depreciation charge	(1,612)	(964)	(163)	-	(8)	-	(2,747)
Depreciation written out to the Revaluation Reserve	562	3	-	-	-	-	565
Deprecation written out to the Surplus/Deficit on the Provision of Services	2,830	-	-	-	-	-	2,830
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	(8)	-	(8)
Derecognition - Other	55	364	-	-	-	-	419
Derecognition - Disposals	-	-	-	-	3	-	3
<b>At 31 March 2015</b>	<b>(764)</b>	<b>(6,056)</b>	<b>(1,050)</b>	<b>-</b>	<b>(42)</b>	<b>-</b>	<b>(7,912)</b>
<b>Net Book Value at 31 March 2015</b>	<b>66,392</b>	<b>4,262</b>	<b>3,416</b>	<b>4,963</b>	<b>1,038</b>	<b>101</b>	<b>80,172</b>
<b>Net Book Value at 31 March 2014</b>	<b>51,812</b>	<b>4,588</b>	<b>3,348</b>	<b>4,964</b>	<b>1,176</b>	<b>121</b>	<b>66,009</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **COMPARATIVE MOVEMENTS 2014/15**

Share of the above assets used in the provision of the joint service

Movements in 2014/2015	Vehicles, Furniture & Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2014	8,397	24	6	8,427
Additions	519	-	-	519
Derecognition - Other	(342)	-	(1)	(343)
<b>At 31 March 2015</b>	<b>8,574</b>	<b>24</b>	<b>5</b>	<b>8,603</b>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2014	(4,621)	(10)	-	(4,631)
Depreciation charge	(839)	(3)	-	(842)
Derecognition - Other	319	-	-	319
<b>At 31 March 2015</b>	<b>(5,141)</b>	<b>(13)</b>	<b>-</b>	<b>(5,154)</b>
<b>Net Book Value at 31 March 2015</b>	<b>3,433</b>	<b>11</b>	<b>5</b>	<b>3,449</b>
<b>Net Book Value at 31 March 2014</b>	<b>3,776</b>	<b>14</b>	<b>6</b>	<b>3,796</b>

#### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- **Other Land and Buildings:** 8 – 68 years
- **Vehicles, Plant, Furniture and Equipment:** 1 – 25 years
- **Infrastructure:** 25 years

#### **Capital Commitments**

At 31 March 2016 the Council has entered into one significant contract for the enhancement of property in 2016/17 estimated to cost £149,152. The significant commitments at 31 March 2015 were £87,235. The significant commitment at 31 March 2016 is:

- Homefield Park – Skate Park improvements £149,152.



## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **Revaluations**

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations were either carried out by External Valuers or by the Council's Estates Office. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets and for vehicles, plant and equipment. Assets under construction are valued at cost.

The significant assumptions applied in estimating the current values are:

- Operational Assets - Properties valued will continue to be in the occupation of the Local Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	-	3,299	3,563	4,963	-	649	12,474
<b>Valued at current value as at:</b>							
31st March 2016	17,709	-	-	-	6,551	-	24,260
31st March 2015	23,820	-	-	-	-	-	23,820
31st March 2014	18,509	-	-	-	-	-	18,509
31st March 2013	3,168	-	-	-	-	-	3,168
31st March 2012	18,127	-	-	-	-	-	18,127
<b>Total Cost or Valuation</b>	<b>81,333</b>	<b>3,299</b>	<b>3,563</b>	<b>4,963</b>	<b>6,551</b>	<b>649</b>	<b>100,358</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **NON-OPERATIONAL PROPERTY, PLANT EQUIPMENT (SURPLUS ASSETS)**

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2016 and 31 March 2015 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£'000	£'000	£'000	£'000
Land	-	6,449	-	6,449
Office	-	20	-	20
Residential	-	5	-	5
Sub Stations	-	77	-	77
<b>TOTAL</b>	-	<b>6,551</b>	-	<b>6,551</b>

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2015
	£'000	£'000	£'000	£'000
Land	-	1,027	-	1,027
Office	-	-	-	-
Residential	-	-	-	-
Sub Stations	-	-	-	-
Equipment	-	11	-	11
<b>TOTAL</b>	-	<b>1,038</b>	-	<b>1,038</b>

#### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during the year.

#### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets**

##### Significant Observable Inputs – Level 2

The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

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## NOTES TO THE ACCOUNTS

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### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **NON-OPERATIONAL PROPERTY, PLANT EQUIPMENT (SURPLUS ASSETS)**

##### Significant Unobservable Inputs – Level 3

There are no land or property assets within the Authority's surplus asset portfolio which are classed at Level 3 in the fair value hierarchy.

##### **Highest and Best Use of Surplus Assets**

In estimating the fair value of the authority's surplus assets, the highest and best use of the properties is their current use, apart from the following properties:

- Land at Fulbeck Avenue which is being held by the Authority for future housing.
- Coventry Plantation Plots which were acquired for future use in connection with the Crematorium.
- Land at Ripley Road is subject to access agreements which still have a number of years remaining.
- Land rear of the Dome Cinema which has access issues.
- Sub-stations which are all leased to the electricity company for continued use as sub-stations.

The highest and best use for the above properties would be for their development, either for residential or commercial use depending on their location.

##### **Valuation Techniques**

There has been no change in the valuation techniques used during the year for surplus assets.

##### **Valuation Process for Surplus Assets**

The Authority carries out a rolling valuation programme which ensures all surplus assets are revalued at least every 5 years and are reviewed for significant increases/decreases at the reporting date. Valuations are either carried out by external valuers, Wilks, Head and Eve, or by the Authority's Estates Office. The valuations were made in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Office and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## NOTES TO THE ACCOUNTS

### **NOTE 13: HERITAGE ASSETS**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Movements in 2015/2016	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2015	491	3,570	3,781	1,516	1,722	635	11,715
Donated Assets	-	3	-	-	-	-	3
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	86	93	37	41	16	273
<b>At 31 March 2016</b>	<b>491</b>	<b>3,659</b>	<b>3,874</b>	<b>1,553</b>	<b>1,763</b>	<b>651</b>	<b>11,991</b>
<b>Net Book Value at 31 March 2015</b>	<b>491</b>	<b>3,570</b>	<b>3,781</b>	<b>1,516</b>	<b>1,722</b>	<b>635</b>	<b>11,715</b>

### **COMPARATIVE MOVEMENTS 2014/2015**

Restated Movements in 2014/2015	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2014	491	3,500	3,711	1,486	1,693	623	11,504
Donated Assets	-	-	2	1	2	-	5
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	70	68	29	27	12	206
<b>At 31 March 2015</b>	<b>491</b>	<b>3,570</b>	<b>3,781</b>	<b>1,516</b>	<b>1,722</b>	<b>635</b>	<b>11,715</b>
<b>Net Book Value at 31 March 2014</b>	<b>491</b>	<b>3,500</b>	<b>3,711</b>	<b>1,486</b>	<b>1,693</b>	<b>623</b>	<b>11,504</b>

#### **Civic Regalia**

The Council's Civic Regalia is reported in the Balance Sheet at valuation by an external valuer, Heptinstalls Jewellers of Worthing.

#### **Art and Sculpture**

The Authority's collection of fine art, decorative art and sculpture is reported in the Balance Sheet at insurance valuation.

## NOTES TO THE ACCOUNTS

### **NOTE 13: HERITAGE ASSETS**

#### **Costume and Jewellery**

This collection includes textiles, costumes, costume accessories and jewellery is reported in the Balance Sheet at insurance valuation.

#### **Toys**

The collection of toys is reported in the Balance Sheet at insurance valuation.

#### **Social History**

This collection includes books, non archaeological coins, tokens, medals, militaria, social history, agriculture, history, transport, ephemera and photography. These assets are included in the Balance Sheet at insurance valuation.

#### **Archaeology and Geology**

The artefacts in this category are included in the Balance Sheet at insurance valuation.

The museum's collections are currently being revalued by curatorial staff and specialist volunteers based on research from specialist journals, the internet, auctions and other reference materials.

### **NOTE 14: INVESTMENT PROPERTIES**

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(834)	(786)
Direct operating expenses arising from investment property	623	819
Net (gain)/loss	<b>(211)</b>	<b>33</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

## NOTES TO THE ACCOUNTS

### NOTE 14: INVESTMENT PROPERTIES

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year 1st April</b>	15,397	15,042
<b>Additions:</b>		
Subsequent expenditure	-	124
<b>Disposals:</b>	-	(682)
<b>Net gains/(losses) from fair value adjustments:</b>	89	638
<b>Transfers:</b>		
To/from Property, Plant and Equipment	(10,950)	275
<b>Balance at end of the year</b>	<b>4,536</b>	<b>15,397</b>

The Council has undertaken an extensive review of its investment properties in 2015/2016. The review identified that the majority of its investment properties were not just being held for rental income or capital appreciation but were being held to maintain economic benefits or to preserve the service provided by the property. Properties with a total value of £10,949,813 were reclassified as operational properties at 1<sup>st</sup> April 2015.

#### Fair Value Measurement of Investment Property

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 31 March 2015 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£'000	£'000	£'000	£'000
Car Parking	-	201	-	201
Community Facility	-	36	-	36
Office	-	1,049	-	1,049
Retail	-	3,111	-	3,111
Residential	-	96	-	96
Workshop	-	43	-	43
<b>TOTAL</b>	-	4,536	-	4,536

## NOTES TO THE ACCOUNTS

### **NOTE 14: INVESTMENT PROPERTIES**

#### **Fair Value Measurement of Investment Property**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2015
	£'000	£'000	£'000	£'000
Car Parking	-	187	-	187
Community Facility	-	37	-	37
Office	-	978	-	978
Retail	-	3,108	-	3,108
Residential	-	96	-	96
Workshop	-	41	-	41
<b>TOTAL</b>	-	4,447	-	4,447

#### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during the year.

#### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

##### Significant Observable Inputs – Level 2

The fair value for land, woodland, workshops, parking, office, retail, and residential assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

##### Significant Unobservable Inputs – Level 3

There are no land or property assets within the Authority's asset portfolio which are classed at Level 3 in the fair value hierarchy.

#### **Highest and Best Use of Investment Properties**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use apart from the following property:

Marine Place Car Park – 3 parking spaces which are subject to a number of agreements for car parking. The highest and best use would be for the development of the land.

#### **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

## NOTES TO THE ACCOUNTS

### **NOTE 14: INVESTMENT PROPERTIES**

#### **Valuation Techniques**

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

#### **Valuation Process for Investment Properties**

The fair value of the authority's investment property is measured annually at 1<sup>st</sup> April each year and reviewed for significant increases/decreases at the reporting date. All valuations are carried out by external valuers, Wilks, Head and Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Department and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

### **NOTE 15: INTANGIBLE ASSETS**

The Council has no internally generated assets and accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

The useful lives assigned to the software licences are between 1 and 7 years and the carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £48,210 has been charged to the Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year 1st April</b>		
Gross carrying amounts	341	252
Accumulated amortisation	(123)	(94)
<b>Net carrying amount at start of year</b>	<b>218</b>	<b>158</b>
<b>Additions:</b>		
New assets recognised in the revaluation reserve	-	11
Purchases	21	83
<b>Disposals:</b>	-	(5)
<b>Amortisation for the period:</b>	(48)	(34)
<b>Amortisation written off on disposal:</b>	-	5
<b>Net carrying amount at end of year</b>	<b>191</b>	<b>218</b>
<b>Comprising</b>		
Gross carrying amounts	362	341
Accumulated amortisation	(171)	(123)
	<b>191</b>	<b>218</b>



## NOTES TO THE ACCOUNTS

### **NOTE 15: INTANGIBLE ASSETS**

Share of the above assets used in the provision of the Joint Service.

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year 1st April</b>		
Gross carrying amounts	326	249
Accumulated amortisation	(122)	(91)
<b>Net carrying amount at start of year</b>	<b>204</b>	<b>158</b>
<b>Additions:</b>		
Existing assets transferred to joint services	-	11
Purchases	21	69
<b>Disposals:</b>		
Amortisation for the period:	(45)	(34)
Amortisation written off on disposal:	-	3
<b>Net carrying amount at end of year</b>	<b>180</b>	<b>204</b>
<b>Comprising</b>		
Gross carrying amounts	347	326
Accumulated amortisation	(167)	(122)
	<b>180</b>	<b>204</b>

### **NOTE 16: FINANCIAL INSTRUMENTS**

A financial instrument is defined as any contract which gives rise to a financial asset in one entity and a financial liability in another. This definition therefore covers both assets and liabilities within the Council's Balance Sheet and includes items such as investments, long term and short term borrowing, trade debtors (receivables) and trade creditors (payables). The Code of Practice requires the Council to make a range of disclosures in respect of financial instruments, which follow in the tables below.

Financial liabilities and assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, that is the outstanding principal, plus accrued interest. Interest in the Comprehensive Income and Expenditure Statement is the amount payable or receivable for the year according to the agreement.

Financial assets are classified into two types:

**Loans and receivables** – assets that have fixed or determinable payments, but are not quoted in an active market.

**Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no material valuation.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

	Long Term		Current		Total	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b> - Financial Liabilities at Amortised Cost	(7,361)	(2,836)	(11,934)	(15,354)	(19,295)	(18,190)
<b>Creditors</b> - Financial Liabilities	-	-	(3,263)	(3,923)	(3,263)	(3,923)
<b>Investments</b>						
Available-for-sale financial assets	50	50	-	-	50	50
Loans and Receivables	25	25	5,010	6,019	5,035	6,044
<b>TOTAL INVESTMENTS</b>	75	75	5,010	6,019	5,085	6,094
<b>Debtors</b>						
Loans and Receivables	10	10	1,235	1,749	1,245	1,759
Cash	-	-	7,008	3,910	7,008	3,910
<b>TOTAL DEBTORS</b>	10	10	8,243	5,659	8,253	5,669

The borrowing on the balance sheet is analysed by maturity structure as follows:

	31-Mar-16	31-Mar-15
	£'000s	£'000s
<b>An analysis of loan debt by maturity is:</b>		
Maturing within one year	11,934	15,354
	11,934	15,354
Maturing in 1-2 years	760	226
Maturing in 2-5 years	4,051	610
Maturing in 5-10 years	2,550	2,000
Maturing in more than 10 years	-	-
	7,361	2,836
<b>TOTAL</b>	<b>19,295</b>	<b>18,190</b>

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

The composition of borrowings and investments by counterparty at the Balance Sheet date are further analysed below:

	Long Term		Current		TOTAL	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>BORROWING:</b>						
Public Works Loan Board	(5,351)	(2,800)	(796)	(225)	(6,147)	(3,025)
<b>Public Works L'n Board</b>	<b>(5,351)</b>	<b>(2,800)</b>	<b>(796)</b>	<b>(225)</b>	<b>(6,147)</b>	<b>(3,025)</b>
<b>Other Commercial Loans</b>						
Barnsley Doncaster	-	-	-	(5,018)	-	(5,018)
Crawley Borough Council	-	-	-	(5,016)	-	(5,016)
Highdown Trust	-	-	(28)	(28)	(28)	(28)
Hyndburn Borough Council	-	-	(2,007)	(2,006)	(2,007)	(2,006)
Islington Council	-	-	(5,033)	-	(5,033)	-
Gloucestershire County Council	(2,000)	-	(26)	-	(2,026)	-
Salix Finance	(10)	(36)	(26)	(52)	(36)	(88)
Ealing Council	-	-	(2,010)	-	(2,010)	-
West Yorkshire Police & Crime Commissioner	-	-	(2,008)	(3,009)	(2,008)	(3,009)
<b>Other Commercial Lenders Sub-Total</b>	<b>(2,010)</b>	<b>(36)</b>	<b>(11,138)</b>	<b>(15,129)</b>	<b>(13,148)</b>	<b>(15,165)</b>
<b>TOTAL BORROWING</b>	<b>(7,361)</b>	<b>(2,836)</b>	<b>(11,934)</b>	<b>(15,354)</b>	<b>(19,295)</b>	<b>(18,190)</b>
<b>INVESTMENTS:</b>						
Barclays Bank PLC	-	-	2,006	3,016	2,006	3,016
Lloyds TSB Bank Plc	-	-	2,004	-	2,004	-
Local Capital Finance	50	50	-	-	50	50
Nationwide Building Society	-	-	-	2,003	-	2,003
Stockport Metropolitan	-	-	1,000	-	1,000	-
Skipton Building Society	-	-	-	1,000	-	1,000
West Sx Credit Union	25	25	-	-	25	25
<b>TOTAL INVESTMENTS</b>	<b>75</b>	<b>75</b>	<b>5,010</b>	<b>6,019</b>	<b>5,085</b>	<b>6,094</b>
<b>NET TOTAL LIABILITIES</b>	<b>(7,286)</b>	<b>(2,761)</b>	<b>(6,924)</b>	<b>(9,335)</b>	<b>(14,210)</b>	<b>(12,096)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	FINANCIAL LIABILITIES Measured at Amortised Cost		FINANCIAL ASSETS Loans and Receivables		TOTAL	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Interest Expense	(189)	(116)	-	-	(189)	(116)
Impairment Losses	-	-	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>(189)</b>	<b>(116)</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>(116)</b>
Interest Income	-	-	101	64	101	64
Decrease/(Increase) in Impairment	-	-	(51)	31	(51)	31
<b>Interest Income and Similar Income</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>95</b>	<b>50</b>	<b>95</b>
<b>Net Gain/(Loss) in Year</b>	<b>(189)</b>	<b>(116)</b>	<b>50</b>	<b>95</b>	<b>(139)</b>	<b>(21)</b>

The losses and gains in impairment relate solely to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies. There was no movement in the value of the available for sale asset, which is a £50,000 bond held with the Municipal Bonds Agency Local Capital Finance.

#### **Fair Values – Financial Liabilities**

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

The fair value of the reported carrying amounts at 31<sup>st</sup> March 2016 is based upon professional evaluation by the Council's treasury management advisers.

The borrowing valuations use the net present value approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used for market loans is equal to the rate pertaining at 31<sup>st</sup> March, 2016 in relation to the same instrument from a comparable lender. The fair value includes accrued interest in the calculation to provide a comparison with the carrying value in the Balance Sheet. For loans from the PWLB the fair values have been calculated using a discount rate equivalent to the new borrowing rate in force on the last working day of the financial year. No early repayment or impairment is recognised.

The fair value of trade and other payables (creditors) is taken to be the invoiced amount.

The fair values for Financial Liabilities are compared with the carrying amounts as follows:

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

#### Fair Values – Financial Liabilities

	31st March 2016		31st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Borrowing PWLB	(6,147)	(6,275)	(3,025)	(3,068)
Other Loans	(13,148)	(13,166)	(15,165)	(15,168)
<b>Total Borrowing</b>	<b>(19,295)</b>	<b>(19,441)</b>	<b>(18,190)</b>	<b>(18,236)</b>
Finance Lease Liabilities	-	-	-	-
Trade and Other Payables	(3,561)	(3,561)	(3,923)	(3,923)
	<b>(22,856)</b>	<b>(23,002)</b>	<b>(22,113)</b>	<b>(22,159)</b>

The fair value of debt is greater than the carrying amount because the Council's portfolio is at interest rates higher than the rates available for equivalent debt at 31<sup>st</sup> March, 2016. This means that if the Council had repaid these loans at the Balance Sheet date it would have paid a premium over and above the carrying value. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2016) arising from a commitment to pay interest to lenders above current market rates.

The Authority has used a transfer value of financial liabilities. We have also calculated an exit price fair value of £19.8m, which is calculated using early repayment discount rates. The Authority has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

#### Fair Values – Loans and Receivables

	31st March 2016		31st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments	5,085	5,022	6,094	6,025
Cash & Cash Equivalents	7,008	7,008	3,910	3,910
Trade & Other Receivables	1,245	1,245	1,749	1,749
<b>Loans and Receivables</b>	<b>13,338</b>	<b>13,275</b>	<b>11,753</b>	<b>11,684</b>

The fair value for investments is lower than the carrying amount because the portfolio of investments at the 31<sup>st</sup> March includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2016) attributable to the commitment to receive interest below current market rates.

The disclosure for Loans and Receivables also includes Trade Receivables (or trade debtors). The carrying amount for Trade Receivables differs from the total value of Debtors shown in Note 19 and the Balance Sheet on account of the exclusion of statutory debtors that fall outside the definition of Financial Instruments because they do not constitute trade debts.

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## NOTES TO THE ACCOUNTS

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### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Fair Values – Loans and Receivables**

The Council does not hold any unquoted equity investments or financial assets at fair value through profit and loss.

#### **Nature and Extent of Risks Arising From Financial Instruments**

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay the amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.

Market Risk – the possibility the Council might suffer financial loss as a result of changes in interest rates.

The Council's treasury management activities are carried out by a central team under policies approved by the Council as part of its annual treasury management strategy. This provides a written framework for overall risk management of its treasury management actions, which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

#### **Credit Risk**

Credit risk arises from investments with banks and building societies as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by Capita Treasury Solutions Limited. This service uses the credit ratings from Fitch, Moody's and Standard and Poor's combined with other market information. The Council limits lending to £4m for individual institutions rated A- or above. The Council will also invest in the 5 largest building societies. The limit for the Nationwide is £4m and £2m for the other building societies; whilst these institutions are generally unrated, they operate in a highly regulated environment and so are acceptable counterparties for the Council.

The Council has not incurred any loss or default from any of its investments and is not aware of any loss being suffered on cash deposits by any other Council using similar investment criteria. However the prevailing financial climate since the banking crises of 2008 is a salient reminder that the investment of the Council's funds is not entirely without risk. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31<sup>st</sup> March, 2016 that this is likely to crystallise

Trade and rental debts are usually payable immediately when due. Generally therefore, all amounts outstanding, (apart from those amounts raised as accruals at 31<sup>st</sup> March, 2016 as part of the final accounts process) are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and Note 19.

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Credit Risk**

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last 5 financial years, adjusted for current market conditions. The historical default rates for trade debtors is based upon the Council's average provisions for bad debt and equates to 6.80% of all trade debt. However, the bad debt provision for 2015/16 as a percentage of debtors was 9.09%. Considering current market conditions and expectations for the future the Historical Default rate has been adjusted from 6.80% to 9.09% to gauge the likely maximum exposure to default and uncollectability.

Credit Risk Exposure	Carrying Amount at 31-Mar-16	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-16	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-16	Estimated Maximum Exposure at 31-Mar-15
	£'000	%	%	£'000	£'000
Deposits with Banks and Financial Institutions	5,010	0.00%	0.028%	1	3
Customers	1,245	6.80%	9.09%	113	63
	<b>6,255</b>			<b>114</b>	<b>66</b>

#### **Liquidity Risk**

The Council manages its liquidity position through its risk management procedures; the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed, as required by the CIPFA Code of Practice.

As the Council has ready access to borrowings from either the Public Works Loans Board or from the financial markets via brokers, there is no material risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council may be forced to refinance a significant proportion of its borrowings at a time of rising (therefore unfavourable) interest rates. To offset this risk, the Council sets limits on its exposure to variable rate borrowings and retains flexibility within its Prudential Limits to redeem up to 100% of the value of outstanding debt in any year should opportunities arise to reschedule or redeem debt early. This may be the case in times of rising interest rates when discounts are available on early redemption of debt, and the cost of borrowing exceeds the interest receivable from the surplus funds that would otherwise be invested if it were not used to repay debt.

#### **Market Risk**

The Council is exposed to market risk by way of interest rate movements in its investments and to a lesser extent on its borrowings. To manage this risk the Council generally invests and borrows at fixed rates in accordance with its Prudential Limits.

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Market Risk**

Movements in interest rates may have an impact on the Council. For example if interest rates were to rise this would enable the Council to invest at higher rates as previous investments mature so increasing the income credited to the Comprehensive Income and Expenditure account. However if the Council retained variable rate borrowings some of the commercial lenders might wish to exercise their option to increase the interest charged on the Council's borrowings. This would require the Council to either accept the higher interest rate or replace its loans. In either case the result would be an increase in the interest costs. Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a range of strategies for limiting interest rate risk. The policy is to minimise the amount of variable rate borrowing and to make fixed rate deposits and investments over a range of maturities ensuring that the Council's exposure to short term market fluctuations is minimised.

According to this assessment strategy, at 31 March 2016 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	41
Impact on Surplus or Deficit on the Provision of Services	41
Decrease in fair value of fixed rate investment assets	24
Impact on Other Comprehensive Income and Expenditure	24
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	336

#### **Price Risk**

The Authority does not generally invest in equity shares or marketable bonds, but does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The investment is disclosed in the Council's Balance Sheet at the original cost of £50,000.

#### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



## NOTES TO THE ACCOUNTS

### **NOTE 17: INVENTORIES**

	2015/16	2014/15
	£'000s	£'000s
Worthing balance outstanding at start of year	87	89
Movement net of purchases/issues	(40)	(2)
Worthing balance outstanding at year-end	47	87
Worthing Borough Council share of the inventories from the Joint Strategic Committee (approximately 60%)	95	96
<b>Total balance outstanding at year end</b>	<b>142</b>	<b>183</b>

Inventories (stock) is mainly for the use of providing internal services. This is not considered a significant part of the overall assets held by the Council and is deemed not material.

### **NOTE 18: CONSTRUCTION CONTRACTS**

The Council has not entered into any significant construction contracts to undertake construction on behalf of a third party.

### **NOTE 19: DEBTORS**

	31-Mar-16	31-Mar-15
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies	1,912	286
Other Local Authorities	3,536	3,207
NHS Bodies	22	2
Other Entities and Individuals	4,096	4,180
<b>TOTAL</b>	<b>9,566</b>	<b>7,675</b>

The past due amounts for trade and rent debtors can be analysed as follows:

Overall Aged Debt Analysis	31-Mar-16	31-Mar-15
	£'000	£'000
Less than 1 Year	9,509	7,634
1-2 Years	33	4
2-3 years	12	4
Over 3 years	12	33
	<b>9,566</b>	<b>7,675</b>

## NOTES TO THE ACCOUNTS

### **NOTE 19: DEBTORS**

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-16	31-Mar-15
	£'000s	£'000s
Council house purchase	8	8
Legal Charges	2	2
<b>TOTAL</b>	<b>10</b>	<b>10</b>

### **NOTE 20: CASH AND CASH EQUIVALENTS**

The Council holds Cash and Cash Equivalents for the purpose of meeting short term commitments.

	31-Mar-16	31-Mar-15
	£'000	£'000
<b>The balance is made up of the following elements:</b>		
Cash held by the Authority	272	172
Bank Current Accounts	1,134	591
Joint Consolidation of cash and cash equivalents	-	-
Call accounts and Money Market Funds	3,052	2,450
<b>Total Cash &amp; Cash Equivalents</b>	<b>4,458</b>	<b>3,213</b>

### **NOTE 21: ASSETS HELD FOR SALE**

	Current 2015/16	Current 2014/15	Non Current 2015/16	Non Current 2014/15
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	-	-	4,784	4,784
<b>Assets classified as Held for Sale:</b>				
Property, Plant and Equipment	-	120	-	-
<b>Assets sold:</b>	-	(120)	-	-
<b>Balance outstanding at year-end</b>	<b>-</b>	<b>-</b>	<b>4,784</b>	<b>4,784</b>

## NOTES TO THE ACCOUNTS

### **NOTE 21: ASSETS HELD FOR SALE**

The Authority has recognised the following assets as held for sale:

- The Aquarena Swimming Pool was recognised as a non-current asset held for sale in 2013/14 as the sale was not expected to complete within 12 months. The Authority has exchanged contracts for the sale of the property but timescales for completion of the sale are still uncertain.
- 11 North Street was recognised as a current asset held for sale in 2014/15 as the sale completed within 12 months following the Authority's decision to sell the property.

### **NOTE 22: CREDITORS**

	31-Mar-16	31-Mar-15
	£'000s	£'000s
Central Government Bodies	3,443	2,039
Other Local Authorities	2,761	6,127
NHS	4	-
Public Corporations and Trading Funds	-	18
Othe Entities and Individuals	5,625	3,923
<b>TOTAL</b>	<b>11,833</b>	<b>12,107</b>

### **NOTE 23: PROVISIONS**

The table below identifies the movements in the year in the amounts set aside for provisions. Below the table is a brief description of the nature of each provision and any information on likely timings and uncertainties surrounding its use.

	Balance at 31-Mar-15	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused Amounts Reversed in 2015/16	Balance at 31-Mar-16
	£'000	£'000	£'000	£'000	£'000
HMRC Claims - Leisure Self Employed	29	-	(28)	-	1
Land Charges - Personal Search Fees	74	-	(61)	-	13
Business Rate appeals	1,090	602	(643)	-	1,049
	<b>1,193</b>	<b>602</b>	<b>(732)</b>	<b>-</b>	<b>1,063</b>

## NOTES TO THE ACCOUNTS

### **NOTE 23: PROVISIONS**

**Business Rates Appeals:** A provision has been made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The gross provision is £2.6m, Worthing Borough Council's share is £1,049k, being 40% of the total.

### **NOTE 24: USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement of Reserves Statement, which can be found on page 20.

### **NOTE 25: UNUSABLE RESERVES**

31-Mar-16	Unusable Reserves	31-Mar-15
<b>£'000s</b>		<b>£'000s</b>
(41,436)	Revaluation Reserve	(34,940)
(57,138)	Capital Adjustment Account	(53,834)
(8)	Deferred Capital Receipts Reserve	(9)
36,361	Pension Reserve	46,991
140	Collection Fund Adjustment Account	469
<b>(62,081)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(41,323)</b>

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired as the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

Revaluation Reserve	2015/16	2014/15
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(34,940)	(21,121)
Upward revaluation of assets	(7,075)	(14,435)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	214	415
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(41,801)</b>	<b>(35,141)</b>
Difference between fair value depreciation and historical cost depreciation	362	174
Accumulated gains on assets sold or scrapped	3	14
Accumulated gains on assets transferred to investment properties	-	13
<b>Amount written off to the Capital Adjustment Account</b>	<b>365</b>	<b>201</b>
<b>Balance at 31 March</b>	<b>(41,436)</b>	<b>(34,940)</b>

### **Capital Adjustment Account**

The Capital Adjustment Account reflects the difference between the cost of long term assets consumed and the capital financing assets set aside to pay for them. It is written down by capital expenditure which does not result in the creation of a long term asset and the depreciated historical cost of assets when sold.

The Account contains accumulated gains and loses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Capital Adjustment Account**

<b>Capital Adjustment Account</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Balance at 1 April</b>	<b>(53,834)</b>	<b>(52,617)</b>
Charges for depreciation and impairment of non-current assets	3,091	2,756
Revaluation losses on Property, Plant and Equipment	(4,815)	(2,213)
Amortisation of intangible assets	48	34
Revenue expenditure funded from capital under statute	820	1,237
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	607	1,289
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(249)</b>	<b>3,103</b>
Adjusting amounts written out of the Revaluation Reserve	(366)	(201)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(590)	(217)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(719)	(640)
Application of grants to capital financing from the Capital Grants Unapplied Account	(148)	(79)
Statutory provision for the financing of capital investment charged against the General Fund	(931)	(1,078)
Capital expenditure charged against the General Fund	(212)	(341)
	<b>(2,966)</b>	<b>(2,556)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(89)	(638)
Use of the Capital Receipts Reserve to reduce borrowing associated with Historic Capital Expenditure	-	(1,126)
	<b>(89)</b>	<b>(1,764)</b>
<b>Balance at 31 March</b>	<b>(57,138)</b>	<b>(53,834)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Pension Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>Pension Reserve</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	46,991	43,689
Remeasurements of the net defined benefit liability / (asset)	(10,337)	1,486
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	4,002	6,332
Employer's pension contributions and direct payments to pensioners payable in the year	(4,295)	(4,516)
<b>Balance at 31 March</b>	<b>36,361</b>	<b>46,991</b>

#### **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax and business rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Unused Collection Fund Adjustment Account</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	469	264
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(79)	(54)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(250)	259
<b>Balance at 31 March</b>	<b>140</b>	<b>469</b>

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March.

There is a requirement under IFRS to accrue for compensated absences (mainly cost of carried forward holiday). A substantial review has been undertaken across the Council and Joint Strategic Committee. The value of this is not deemed material to justify restatement. For consistency this is not accounted for in the current year but will be reviewed each year.

### **NOTE 26: CASH FLOW OPERATING ACTIVITIES**

	<b>Net 2015/16</b>	<b>Net 2014/15</b>
	<b>£'000</b>	<b>£'000</b>
The cash flows for operating activities include the following items:		
Interest received	110	50
Interest paid	(133)	(89)
Dividends received	-	-
<b>Total</b>	<b>(23)</b>	<b>(39)</b>



## NOTES TO THE ACCOUNTS

### **NOTE 26: CASH FLOW OPERATING ACTIVITIES**

#### **Net Cash flows from operating activities**

	Net 2015/16	Restated Net 2014/15
	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>4,565</b>	<b>(2,433)</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	3,091	2,758
Impairment and downward valuations	(4,815)	(2,213)
Amortisation	48	34
Increase/(Decrease) in Interest Creditors	56	-
Increase/(Decrease) in Creditors	(1,303)	3,654
(Increase)/Decrease in Interest and Dividend Debtors	9	-
(Increase)/Decrease in Debtors	(2,873)	(1,579)
(Increase)/Decrease in Inventories	41	(5)
Pension Liability	(292)	1,816
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	607	1,287
Other non-cash items charged to the net surplus or deficit on the provision of services	(219)	(105)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>(5,650)</b>	<b>5,647</b>
Capital Grants credited to surplus or deficit on the provision of services	(1,857)	(806)
Proceeds from the sale of short and long term investments	1,000	-
Premiums or Discounts on the repayment of financial liabilities	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(715)	(1,401)
	<b>(1,572)</b>	<b>(2,207)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(2,657)</b>	<b>1,007</b>

## NOTES TO THE ACCOUNTS

### **NOTE 27: CASH FLOW INVESTING ACTIVITIES**

	Net 2015/16	Restated Net 2014/15
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(1,499)	(1,777)
Purchase of short-term and long-term investments	385	(4,117)
Other payments for investing activities	-	4
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,002	1,402
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	1,858	809
<b>Net cash flows from investing activities</b>	<b>1,746</b>	<b>(3,679)</b>

### **NOTE 28: CASH FLOW FINANCING ACTIVITIES**

	Net 2015/16	Restated Net 2014/15
	£'000	£'000
Cash receipts of short- and long-term borrowing	18,500	24,640
Other receipts from financing activities	-	49
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayments of short- and long-term borrowing	(17,452)	(21,274)
Other payments for financing activities	411	727
<b>Net cash flows from financing activities</b>	<b>1,459</b>	<b>4,142</b>

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure except for depreciation;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The income and expenditure of the Council's cabinet portfolios recorded in the budget reports for the year 2015/16 are as follows:

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Member Portfolio</b>							
Leader	308	529	67	4	908	(163)	745
Environment	869	7,459	1,439	1,660	11,427	(7,945)	3,482
Health and Safety and Wellbeing	5	1,213	248	5	1,471	(318)	1,153
Customer Services	2,562	43,510	1,588	539	48,199	(43,856)	4,343
Regeneration	10	2,642	620	301	3,573	(1,007)	2,566
Resources	2,763	1,181	1,049	84	5,077	(1,756)	3,321
Support Services	-	-	-	-	-	-	-
<b>Net Portfolio Expenditure</b>	<b>6,517</b>	<b>56,534</b>	<b>5,011</b>	<b>2,593</b>	<b>70,655</b>	<b>(55,045)</b>	<b>15,610</b>
Credit back notional capital charges	-	-	-	(3,139)	(3,139)	-	(3,139)
Minimum Revenue Provision	-	931	-	-	931	-	931
Other Grants	-	-	-	-	-	(400)	(400)
<b>Spend 2015/16</b>	<b>6,517</b>	<b>57,465</b>	<b>5,011</b>	<b>(546)</b>	<b>68,447</b>	<b>(55,445)</b>	<b>13,002</b>

### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	Net 2015/16
	£'000
Cost of Services in Service Analysis	13,002
Add services not included in main analysis	-
Add amounts not reported to management	(16,636)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(931)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>(4,565)</b>

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2015/16**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2015/16	Service Analysis	Services not in Analysis	Not reported to management	Not included in Income & Expenditure	Allocation of Recharges	Net Cost of Services	Total
Fees, charges & other service income	(14,864)	-	(344)	-	-	(15,208)	<b>(15,208)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	(101)	-	-	-	-	(101)	<b>(101)</b>
Income from council tax	-	-	(7,975)	-	-	(7,975)	<b>(7,975)</b>
Government grants, contributions rates retention	(40,480)	-	(7,082)	-	-	(47,562)	<b>(47,562)</b>
<b>Total Income carried forward</b>	<b>(55,445)</b>	<b>-</b>	<b>(15,401)</b>	<b>-</b>	<b>-</b>	<b>(70,846)</b>	<b>(70,846)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2015/16:**

Reconciliation to Subjective Analysis 2015/16	Service Analysis	Services not in Analysis	Not reported to manage- ment	Not included in Income & Expend- iture	Allocation of Recharges	Net Cost of Services	Total
<b>Total Income brought forward</b>	<b>(55,445)</b>	-	<b>(15,401)</b>	-	-	<b>(70,846)</b>	<b>(70,846)</b>
Employee expenses	6,517	-	(293)	-	-	6,224	6,224
Other service expenses	57,276	-	36	(931)	-	56,381	56,381
Support Service recharges	5,011	-	(1,010)	-	-	4,001	4,001
Depreciation, amortisation and impairment	(546)	-	-	-	-	(546)	(546)
Interest Payments	189	-	-	-	-	189	189
Gain or Loss on Disposal of Fixed Assets	-	-	32	-	-	32	32
Other	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>68,447</b>	-	<b>(1,235)</b>	<b>(931)</b>	-	<b>66,281</b>	<b>66,281</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,002</b>	-	<b>(16,636)</b>	<b>(931)</b>	-	<b>(4,565)</b>	<b>(4,565)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2014/15**

The income and expenditure of the Council's cabinet portfolios recorded in the budget reports for the year 2014/15 are as follows:

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
<b>Member Portfolio</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leader	324	518	1	257	1,100	(82)	1,018
Environment	3,825	8,403	1,659	2,008	15,895	(11,918)	3,977
Health and Safety & Wellbeing	-	1,112	11	341	1,464	(307)	1,157
Improved Customer Services	2,660	40,694	553	1,936	45,843	(41,747)	4,096
Regeneration	4	2,721	88	777	3,590	(1,113)	2,477
Resources	2,708	1,387	35	1,089	5,219	(1,196)	4,023
Support Services	-	-	-	-	-	-	-
<b>Net Portfolio Expenditure</b>	<b>9,521</b>	<b>54,835</b>	<b>2,347</b>	<b>6,408</b>	<b>73,111</b>	<b>(56,363)</b>	<b>16,748</b>
Credit back notional capital charges	-	-	-	(2,782)	(2,782)	-	(2,782)
Minimum Revenue Provision	-	1,078	-	-	1,078	-	1,078
Other Grants	-	-	-	-	-	(374)	(374)
<b>Spend 2014/15</b>	<b>9,521</b>	<b>55,913</b>	<b>2,347</b>	<b>3,626</b>	<b>71,407</b>	<b>(56,737)</b>	<b>14,670</b>

#### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT.**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	<b>2014/15</b>
	<b>£'000</b>
Cost of Services in Service Analysis	14,670
Add services not included in main analysis	-
Add amounts not reported to management	(11,159)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,078)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>2,433</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2014/15**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2014/15	Service Analysis	Services not in Analysis	Not reported to management	Not included in Income & Expenditure	Allocation of Recharges	Net Cost of Services	Total
Fees, charges & other service income	(18,252)	-	-	-	-	(18,252)	<b>(18,252)</b>
Surplus or deficit on associates and joint ventures	(7)	-	-	-	-	(7)	<b>(7)</b>
Interest and investment income	(69)	-	-	-	-	(69)	<b>(69)</b>
Income from council tax	-	-	(7,688)	-	-	(7,688)	<b>(7,688)</b>
Government grants and contributions	(38,409)	30	(6,554)	-	-	(44,933)	<b>(44,933)</b>
<b>Total Income</b>	<b>(56,737)</b>	<b>30</b>	<b>(14,242)</b>	<b>-</b>	<b>-</b>	<b>(70,949)</b>	<b>(70,949)</b>
Employee expenses	9,521	-	1,816	-	-	11,337	<b>11,337</b>
Other service expenses	55,797	(30)	1,237	(1,078)	-	55,926	<b>55,926</b>
Support Service recharges	2,347	-	-	-	-	2,347	<b>2,347</b>
Depreciation, amortisation and impairment	3,626	-	(61)	-	-	3,565	<b>3,565</b>
Interest Payments	116	-	-	-	-	116	<b>116</b>
Gain/Loss on Disposal or derognition of fixed asset	-	-	149	-	-	149	<b>149</b>
Other	-	-	(58)	-	-	(58)	<b>(58)</b>
<b>Total operating expenses</b>	<b>71,407</b>	<b>(30)</b>	<b>3,083</b>	<b>(1,078)</b>	<b>-</b>	<b>73,382</b>	<b>73,382</b>
<b>Surplus or deficit on the provision of services</b>	<b>14,670</b>	<b>-</b>	<b>(11,159)</b>	<b>(1,078)</b>	<b>-</b>	<b>2,433</b>	<b>2,433</b>

## NOTES TO THE ACCOUNTS

### **NOTE 30: ACQUIRED AND DISCONTINUED OPERATIONS**

There have been no acquired or discontinued operations during 2015/16.

### **NOTE 31: TRADING OPERATION**

The former Direct Service Organisation is designated as a trading account and a summary of trading results is shown below:

	<b>2015/16 Gross Expenditure</b>	<b>2015/16 Gross Income</b>	<b>2015/16 Net Expenditure</b>	<b>2014/15 Net Expenditure</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade Refuse	759	(1,146)	(387)	(424)
	<b>759</b>	<b>(1,146)</b>	<b>(387)</b>	<b>(424)</b>

The trading account has been consolidated within the Comprehensive Income and Expenditure Statement under other operating expenditure.

Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The charges are set at a commercial rate. Surpluses are shared and credited back to the Council.

### **NOTE 32: AGENCY SERVICES**

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough. In 2015/16 income collected was £1.918m (£1.914m 2014/15) and expenditure was £1.223m (£1.156m 2014/15). The surplus of £694,092 (£758,003 2014/15) is paid to West Sussex County Council. The calculation of agency services agreements has been revised in 2015/16 and so the comparative figures for 2014/15 have been adjusted.

The Council also has Agency Agreements with other Local Authorities for Treasury Management, Revenues and Benefits and insurance provision to provide Value for Money, relying on expertise within particular authorities. These Agency Agreements are deemed by Worthing Borough Council to be immaterial.

### **NOTE 33: ROAD CHARGING**

This note is not applicable to Worthing Borough Council.



## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

Since July 2007, Adur District Council and Worthing Borough Council have been working in partnership. During 2015/16 the services that have been provided jointly are Customer Services and Waste Management, Community Safety and Housing Strategy, Planning, Regeneration and Wellbeing, Legal and Democratic Services, Financial Services, Corporate Strategy and a single senior officer structure. The Joint Strategic Committee Balance Sheet is consolidated into the Council's Balance Sheet.

	<b>Gross Expenditure 2015/16</b>	<b>Gross Income 2015/16</b>	<b>Net Expenditure 2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>NET EXPENDITURE ON SERVICES</b>			
Central services to the public	1,044	(14)	<b>1,030</b>
Cultural and Related Services	2,936	(920)	<b>2,016</b>
Environmental and Regulatory Services	8,514	(2,333)	<b>6,181</b>
Planning Services	5,141	(1,432)	<b>3,709</b>
Highways & Transport Services	680	-	<b>680</b>
Other Housing Services	726	(71)	<b>655</b>
Corporate & Democratic Core	334	-	<b>334</b>
Non-Distributed Costs	42	-	<b>42</b>
<b>Net Cost of General Fund Services</b>	<b>19,417</b>	<b>(4,770)</b>	<b>14,647</b>
Holding Accounts	9,506	(217)	<b>9,289</b>
<b>NET COST OF SERVICES</b>	<b>28,923</b>	<b>(4,987)</b>	<b>23,936</b>
Other operating expenditure			73
Financing and investment income and expenditure			469
Taxation & non-specific grant income			(568)
<b>Funded by:</b>			
Adur District Council			(8,646)
Worthing Borough Council			(12,587)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,677</b>
Remeasurments of the net defined pension benefit liability			<b>(9,908)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(9,908)</b>
<b>DEFICIT/(SURPLUS) FOR YEAR</b>			<b>(7,231)</b>

### **Census ICT**

Adur District Council and Worthing Borough Council are part of the CenSus Joint Committee partnership with Horsham District Council and Mid Sussex District Council for the delivery of ICT Services.

## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

#### Census ICT

Census ICT	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	£'000	£'000
<b>Net Operating Expenditure for CenSus ICT Services incurred by each Council</b>	82	2,594	135	-	2,811
<b>Proportional Share of Costs</b>	809	682	528	792	2,811

The Census partnership Balance Sheet has not been consolidated into the Council's Balance Sheet as it not deemed to be material.

Census Balance Sheet as at 31st March 2016				
	Revenues and Benefits	ICT	2015/16	2014/15
	£	£	£	£
<b>Current Assets</b>				
Debtors	-	-	-	560
Payment in Advance	-	-	-	403
<b>Total Assets</b>	-	-	-	963
<b>Current Liabilities</b>				
Creditors	-	-	-	(192)
Notional Cash	-	-	-	(771)
<b>Total Liabilities</b>	-	-	-	(963)
<b>Net Assets</b>	-	-	-	-
<b>Funded by:</b>				
Useable reserves	-	-	-	-
<b>Total Reserves</b>	-	-	-	-

## NOTES TO THE ACCOUNTS

### **NOTE 35: MEMBERS' ALLOWANCES**

Total allowances paid to Members were as follows:

2015/16	2014/15
£ 244,054	£ 237,821

### **NOTE 36: OFFICERS' REMUNERATION**

The numbers of employees (including the Senior Officers who are also listed individually in the later tables) whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:-

Remuneration Band	2015/16 Number of employees	2014/15 Number of employees
£50,000 to £54,999	1	-
£55,000 to £59,999	-	-
£60,000 to £64,999	-	1
£65,000 to £69,999	-	1
£70,000 to £74,999	-	-
£75,000 to £80,000	-	-
£80,000 to £84,999	-	-
£85,000 to £89,999	1	-
£90,000 to £94,999*	-	1
	<b>2</b>	<b>3</b>

\* These include redundancy, efficiency of service and settlement payments relating to 2015/16 & 2014/15. Please see the exit packages table at the end of this note and Note 46 termination benefits for a breakdown of these payments.

## NOTES TO THE ACCOUNTS

### **NOTE 36: OFFICERS' REMUNERATION**

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. Below is the remuneration note that appears in the accounts of the Joint Committee. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

Remuneration Bands	Number of Employees	
	2015/16	2014/15
£50,000 to £54,999*	8	4
£55,000 to £59,999*	5	4
£60,000 to £64,999*	5	10
£65,000 to £69,999	6	2
£70,000 to £74,999	4	6
£75,000 to £79,999	-	4
£80,000 to £84,999	-	1
£85,000 to £89,999	1	-
£90,000 to £94,999	-	1
£95,000 to £99,999	3	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	2
£110,000 to £114,999	-	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	-	1
£130,000 to £134,999	-	-
£135,000 to £139,999	-	1
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	-	-
£155,000 to £159,999	-	1
	<b>33</b>	<b>37</b>

\* These include redundancy, efficiency of service and settlement payments relating to 2015/16 & 2014/15. Please see the exit packages table at the end of this note and Note 46 termination benefits for a breakdown of these payments.

For the purpose of this note remuneration means all amounts paid to or receivable by an employee during the year.

#### **Remuneration Disclosures for Senior Officers whose salary is £150,000 or more per year**

Note 1: There were no staff whose salary was more than £150,000 in 2015/16 and in 2014/15.

#### **Remuneration Disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year**

Note 2: The Chief Executive, Directors and Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing.

There were no bonuses paid to these staff in either 2015/16 or 2014/15.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Chief Executive</b>								
2015/16	115,473	-	-	115,473	22,655	138,128	69,064	69,064
2014/15	104,283	1,429	-	105,712	19,501	125,213	62,607	62,606
<b>Director for Customer Services</b>								
2015/16	97,319	-	-	97,319	19,089	116,408	69,845	46,563
2014/15	71,831	415	-	72,246	13,462	85,708	51,425	34,283
<b>Director for Communities</b>								
2015/16	93,729	-	-	93,729	18,486	112,215	56,108	56,107
2014/15	92,307	-180	-	92,127	17,290	109,417	54,709	54,708
<b>Director for Digital &amp; Resources</b>								
2015/16	93,840	-	-	93,840	18,486	112,326	67,396	44,930
2014/15	83,403	153	-	83,556	15,625	99,181	59,509	39,672
<b>Director for the Economy</b>								
2015/16	73,738	-	-	73,738	14,526	88,264	63,550	24,714
2014/15	79,219	776	-	79,995	14,844	94,839	47,420	47,419
<b>Head of Growth</b>								
2015/16	71,640	-	-	71,640	14,100	85,740	52,301	33,439
2014/15	71,575	197	-	71,772	13,385	85,157	51,094	34,063

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Head of Wellbeing</b>								
2015/16	69,401	-	-	69,401	13,769	83,170	49,902	33,268
2014/15	59,803	612	-	60,415	11,297	71,712	43,027	28,685
<b>Head of Finance</b>								
2015/16	71,575	-	-	71,575	14,100	85,675	51,405	34,270
2014/15	71,575	310	-	71,885	13,385	85,270	51,162	34,108
<b>Head of Business and Technical Services</b>								
2015/16	64,790	-	-	64,790	12,624	77,414	46,448	30,966
2014/15	64,815	-	-	64,815	12,191	77,006	46,204	30,802
<b>Head of Legal</b>								
2015/16	65,323	-	-	65,323	13,012	78,335	38,917	39,418
2014/15	58,360	-	-	58,360	11,111	69,471	34,513	34,958
<b>Head of Environment</b>								
2015/16	69,239	-	-	69,239	13,396	82,635	49,581	33,054
2014/15	71,575	310	-	71,885	13,385	85,270	56,278	28,992
<b>Head of Digital &amp; Design</b>								
2015/16	66,233	-	-	66,233	8,102	74,335	44,601	29,734
2014/15	-	-	-	-	-	-	-	-
start date 24/08/2015								

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Head of Housing</b>								
2015/16	69,458	-	-	69,458	13,683	83,141	0	83,141
2014/15	-	-	-	-	-	-	-	-
<b>Head of Culture</b>								
2015/16	70,328	-	-	70,328	13,855	84,183	75,765	8,418
2014/15	-	-	-	-	-	-	-	-
<b>Head of Waste Management &amp; Cleansing Services</b>								
2015/16	59,782	-	-	59,782	11,771	71,553	43,146	28,407
2014/15	-	-	-	-	-	-	-	-
<b>Head for Technical Services</b>								
2015/16	-	-	56,000	56,000	0	56,000	33,600	22,400
2014/15	-	-	-	-	-	-	-	-
<b>Human Resources Manager</b>								
2015/16	12,724	-	38,106	50,830	640	51,470	30,882	20,588
2014/15	-	-	-	-	-	-	-	-
<b>Head of Corporate &amp; Cultural Services</b>								
2015/16	-	-	-	-	-	-	-	-
2014/15	22,917	0	57,672	80,589	0	80,589	40,295	40,294

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C. and paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Head of Productivity and Innovation:</b>								
Kevin Masters								
2015/16	-	-	-	-	-	-	-	-
2014/15	76,205	-	82,418	158,623	10,902	169,525	101,715	67,810
In 2015/16 essential user car allowances were included within the salary, fees and allowances whereas for 2014/15 they were shown separately as an expense allowance								



## NOTES TO THE ACCOUNTS

### **NOTE 36 OFFICERS' REMUNERATION**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out below:

{a}	{b}		{c}		{d}		{e}	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0    £20,000	1	2	10	23	11	25	129,120	234,598
£20,000    £40,000	-	2	9	9	9	11	291,031	307,494
£40,000    £60,000	-	-	1	2	1	2	45,000	90,462
£60,000    £80,000	-	-	2	-	2	-	129,337	-
£80,000    £100,000	-	-	1	-	1	-	82,418	-
£100,000    £150,000	-	-	-	-	-	-	-	-
<b>Total cost included in bandings</b>	1	4	23	34	24	38	676,906	632,554
<b>Add:</b> Amounts provided for in CIES not included	-	-	-	-	-	-	-	-
<b>Total cost included in CIES</b>	1	4	23	34	24	38	676,906	632,554

\* These redundancy costs are shared between Worthing and Adur Council's in proportion to the service allocation. The total cost of £632,554 in the table above includes **£384,515** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

### **NOTE 37: EXTERNAL AUDIT COSTS**

The Council incurred the following fees (all payable to the Audit Commission) relating to external audit.

	2015/16	2014/15
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	58	63
Fees payable to external auditors for the certification of grant claims and returns for the year	9	7
Proportionate share of Adur and Worthing Joint Committee fees	-	10
	67	80
Less: Refund from the Audit Commission	-	(5)
<b>TOTAL</b>	<b>67</b>	<b>75</b>

## NOTES TO THE ACCOUNTS

### **NOTE 38: SCHOOLS**

This note is not applicable to Worthing Borough Council.

### **NOTE 39: GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000s	£'000s
<b>Credited to Taxation and Non specific Grant Income</b>		
Non Domestic Rates	-	12
Revenue Support	2,042	2,791
Council Tax Freeze Grant	91	85
Council Tax transistion	24	80
New Homes Bonus Scheme	1,089	843
Section 31 Grant	777	756
New Burdens Grant	98	33
	<b>4,121</b>	<b>4,600</b>
<b>Credited to Services - Capital Grants</b>		
Cabinet Office Elections		-
S106 Developer Contributions: Open Spaces	437	42
S106 Developer Contributions: Transport	111	29
S106 Developer Contributions: Affordable Housing	480	-
S106 Developer Contributions: Miscellaneous	207	-
S106 receipts returned to WSCC	(1)	(4)
DCLG - Coastal Communities	37	52
Homes and Communities Agency	-	79
WSCC - Kickstart	-	135
DDA Group	-	6
	<b>1,271</b>	<b>339</b>
<b>Donated Assets</b>		
Museum - donated assets	3	4
	<b>3</b>	<b>4</b>
<b>Capital Grants &amp; Donations - Specific</b>		
DEFRA/Environment Agency	16	16
CLG Pocket Parks	10	-
Scope Dome Toilets	10	-
CLG - Disabled Facilities Grant	550	451
	<b>586</b>	<b>467</b>

## NOTES TO THE ACCOUNTS

### **NOTE 39: GRANT INCOME**

	2015/16	2014/15
	£'000s	£'000s
<b>Credited to Services - General Fund Grants</b>		
Homes and Communities Agency	-	79
CLG - Disabled Facilities Grant	-	451
WSCC - Kickstart	-	86
DDA Group	-	5
DeFRA/EA	-	16
Grants recognised in Joint Committee	586	-
Cabinet Office - IER s31 grant	38	-
WSCC - Local Assistance Network Grant	18	-
DCLG-Strengthening Accom.Based Domestic Abuse Svce	31	-
DCLG - Right to Move grant	3	-
DCLG - Smoke and CO2 Alarms	1	-
DCLG - Lettings Agents Redress Scheme	1	-
DCLG - Transformation Challenge Award	100	-
DWP - RTI New Burdens Bulk matching	7	-
DWP - Local Authority Data sharing programme	1	-
DWP - Single Fraud initiative service	3	-
DWP - Local Authority IT payment	6	-
DWP - Implementing welfare reform	13	-
DWP - Migrant access to benefits	1	-
Eastbourne Borough Council - Rough Sleepers Grant	10	-
Local Government Association - Going Local	8	-
Heritage Lottery Fund - Highdown Signage	9	-
Highdown Donations	5	-
Burton Properties - Bluebell Way Public Art	9	-
DCLG - Coastal West Sussex	5	-
CR & C I LTD - Interns Grant	10	-
DCLG - Commit to Culture	11	-
	<b>876</b>	<b>637</b>
<b>TOTAL</b>	<b>6,857</b>	<b>6,047</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that might require the monies or property to be returned to the giver. The balances at the end of the year were as follows:

## NOTES TO THE ACCOUNTS

### **NOTE 39: GRANT INCOME**

	2015/16	2014/15
	£'000s	£'000s
<b>Revenue Grants Receipts in Advance</b>		
Grants recognised in Joint Committee	406	480
DCLG - Commit to Culture	85	11
Seaconomics	7	7
Coastal West Sussex - Revival Funds	5	-
South East Museums Development	31	-
Theatre Interns	15	-
Kick Start	-	30
Systems Leadership	-	34
Think Family Neighbourhoods	-	36
Textile	-	3
DEFRA	-	10
Open Data Incentive	-	7
Bluebell Way Public Art	1	10
Museum Donations	-	17
Local Assistance Network Grant	-	77
DoH - Smokefree implementation	-	9
<b>TOTAL</b>	<b>550</b>	<b>731</b>

### **NOTE 40: RELATED PARTIES**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 39.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 35. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

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## NOTES TO THE ACCOUNTS

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### **NOTE 40: RELATED PARTIES**

#### **Members**

During 2015/16, there were 2 different services commissioned from two companies in which 2 Worthing Members have an interest, as directors. The amounts paid were £1,360 to one company and £15,136.82 to the other.

#### **Officers**

There were no related party transactions declared by officers in 2015/16.

#### **Other Public Bodies**

The Council has a partnership arrangement with Adur District Council for the sharing of a joint officer structure.

Worthing also has a partnership arrangement with Horsham District Council and Mid Sussex District Council for the delivery of ICT services.

Transactions and balances relating to these partnerships are summarised in Note 34.

#### **Entities Controlled or Significantly Influenced by the Authority**

The Council has a 20 year agreement with South Downs Leisure Trust to manage two leisure centres as one community swimming pool.

Payment of £67,052 was received from South Downs Leisure Trust in 2015/16.

## NOTES TO THE ACCOUNTS

### **NOTE 41: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2015/16	2014/15
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>23,586</b>	<b>23,759</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	1,531	1,785
Investment Properties	-	123
Intangible Assets	21	83
Revenue Expenditure Funded from Capital Under Statute	820	1,237
Share Capital	-	75
<b>Sources of Finance</b>		
Capital receipts	(590)	(1,343)
Government grants and other contributions	(864)	(715)
Sums set aside from revenue:		
Direct revenue contributions	(138)	(169)
MRP/loans fund principal	(931)	(1,078)
Revenue funding	(74)	(172)
<b>Closing Capital Financing Requirement</b>	<b>23,361</b>	<b>23,585</b>
<b>Explanation of movements in year</b>		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(225)	(174)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(225)</b>	<b>(174)</b>

### **NOTE 42: LEASES**

#### **Operating Leases - Lessee**

The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-16	31-Mar-15
	£'000	£'000
Not later than one year	16	103
Later than one year and not later than five years	133	149
Later than five years	-	-
	<b>149</b>	<b>252</b>

## NOTES TO THE ACCOUNTS

### **NOTE 42: LEASES**

#### **Operating Leases – Lessor**

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses;

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-16	31-Mar-15
	£'000	£'000
Not later than one year	867	818
Later than one year and not later than five years	2,215	2,073
Later than five years	27,952	28,126
	<b>31,034</b>	<b>31,017</b>

### **NOTE 43: PFI AND SIMILAR CONTRACTS**

This is not applicable for Worthing Borough Council.

### **NOTE 44: IMPAIRMENT LOSSES**

There were no impairment losses in 2015/16.

### **NOTE 45: CAPITALISATION OF BORROWING COSTS**

This note is not applicable to Worthing Borough Council.

## NOTES TO THE ACCOUNTS

### **NOTE 46: TERMINATION BENEFITS**

	<b>Worthing</b>
	<b>£</b>
Redundancy costs	384,515
Enhanced Pension Benefits	107,929
<b>Total termination benefit 2015/16</b>	<b>492,444</b>
Termination benefits 2014/15	545,842

A total £492,444 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £107,929 is the 2015/16 working cost of enhanced pension benefits which normally spread over 5 years. This cost also relates to enhanced pensions from previous year terminations.

### **NOTE 47: OTHER LONG TERM LIABILITIES**

<b>Other Long Term Liabilities</b>	<b>31-Mar-16</b>	<b>31-Mar-2015</b>
See Note No.	<b>£'000s</b>	<b>£'000s</b>
Commuted Sums	(159)	(162)
Pension Reserve Liability 48	(36,361)	(46,992)
<b>TOTAL</b>	<b>(36,520)</b>	<b>(47,154)</b>

### **NOTE 48: DEFINED BENEFIT PENSION PLAN**

#### **Participation in Pension Plans**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by West Sussex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.



## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLAN**

#### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Joint Comm'tee 2015/16	Worthing 2015/16	Total 2015/16	2014/15
	£'000s	£'000s	£'000s	£'000s
<b>Cost of services</b>				
Current service cost	(2,504)	(577)	(3,081)	(3,000)
Past service cost	(22)	(1)	(23)	(9)
(gain)/loss from settlements	-	542	542	(48)
<b>Financing &amp; Investment Income &amp;</b>				
Net Interest cost	(281)	(1,159)	(1,440)	(3,275)
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>(2,807)</b>	<b>(1,195)</b>	<b>(4,002)</b>	<b>(6,332)</b>
<b>Other post employment benefit charged to the CI&amp;E Statement</b>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(505)	(461)	(966)	6,899
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	3,167
Actuarial gains and losses arising on changes in financial assumptions	6,446	3,074	9,520	(12,334)
Other (if applicable)	3	1,780	1,783	782
<b>Total remeasurements recognised in other comprehensive income</b>	<b>5,944</b>	<b>4,393</b>	<b>10,337</b>	<b>(1,486)</b>
<b>Total post-employment benefits charged to the CI&amp;E statement</b>	<b>3,137</b>	<b>3,198</b>	<b>6,335</b>	<b>(7,818)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLAN**

#### Transactions Relating to Post-employment Benefits

Movement in Reserves Statement	Joint Comm'tee 2015/16	Worthing 2015/16	Total 2015/16	Restated 2014/15
	£'000s	£'000s	£'000s	£'000s
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(2,807)	(1,195)	(4,002)	(6,332)
<b>Actual amounts charged against the General Fund balance for pensions in the year:</b>				
Employer's contributions payable to the scheme	1,678	2,338	4,016	4,241
Retirement benefits payable to pensioners	-	279	279	275

#### Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme	
	2015/16	2014/15
	£'000s	£'000s
Present value of the defined benefit obligation	(78,374)	(87,866)
Fair value of plan assets	45,300	48,977
<b>Sub-total</b>	<b>(33,074)</b>	<b>(38,889)</b>
Consolidation of Joint Committee	(3,287)	(8,103)
<b>Net liability arising from defined benefit obligation</b>	<b>(36,361)</b>	<b>(46,992)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLAN**

#### **Pension Assets and Liabilities**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme	
	2015/16 £'000s	2014/15 £'000s
Opening fair value of scheme assets	48,977	43,715
Interest income	1,406	1,765
<b>Remeasurement gain / (loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	(461)	4,764
Other	-	-
Contributions from employer	2,617	2,874
Contributions from employees into the scheme	130	216
Benefits paid	(4,231)	(4,357)
Effect of Settlements	(3,138)	-
<b>Closing fair value of scheme assets</b>	<b>45,300</b>	<b>48,977</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLAN**

#### **Local Government Pension Scheme Assets Comprised:**

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair value of scheme assets	
	2015/16 £'000s	2014/15 £'000s
Cash and cash equivalents	933.9	2,171.9
<b>Equity instruments:</b>		
Consumer	7,399.9	7,380.1
Manufacturing	1,548.4	4,298.9
Energy and Utilities	1,566.9	2,179.6
Financial Institutions	7,338.2	7,691.6
Health and Care	2,924.1	3,258.1
Information and Technology	5,852.2	6,311.0
Other	3,965.2	1,717.6
<b>Sub-total equity</b>	<b>30,594.9</b>	<b>32,836.9</b>
<b>Debt Securities:</b>		
UK Government	788.7	999.0
Bonds	6,365.4	6,741.0
Equities	-	-
<b>Sub-total debt securities</b>	<b>7,154.1</b>	<b>7,740.0</b>
<b>Property:</b>		
UK Property	4,087.5	3,173.7
Overseas Property	5.0	0.0
<b>Sub-total property</b>	<b>4,092.5</b>	<b>3,173.7</b>
Private equity	-	-
Other investment funds	347.4	360.4
Derivatives	-	-
<b>Total assets</b>	<b>43,122.8</b>	<b>46,282.9</b>

Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	Fair value of scheme assets	
	2015/16 £'000s	2014/15 £'000s
<b>Private Equity:</b>		
All	2,177.2	2,667.1
<b>Property:</b>		
Overseas Property	-	27.0
<b>Total assets</b>	<b>2,177.2</b>	<b>2,694.1</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March, 2016.

The significant assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2015/16</b>	<b>2014/15</b>
<b>Mortality assumptions:</b>		
<i>Longevity at 65 for current pensioners</i>		
Male	24.4	24.4
Female	25.8	25.8
<i>Longevity at 65 for future pensioners</i>		
Male	26.9	26.9
Female	28.5	28.5
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	2.1%	2.1%
Rate for discounting scheme liabilities	3.4%	3.1%

Scheme assets consist of the following categories by proportion of the total assets held:-

<b>Change in assumptions at 31 March 2016</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in Real Discount Rate	7%	5,391
1 year increase in member life expectancy	3%	2,651
0.5% increase in Salary Increase Rate	1%	545
0.5% increase in the Pension Increase Rate	6%	4,849

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increase or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Impact on the Council's Cash Flow:**

The Council anticipates paying £2,337,000 contributions to the scheme in 2016/2017.

### **NOTE 49: CONTINGENT LIABILITIES**

**Pension Guarantees** - The Council entered into a long term contract for the provision of Leisure Services with South Downs Leisure Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However pension rights are not fully covered within TUPE regulations. The Council has provided a guarantee that in the event the Leisure Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

**NHS Trust Business Rates Claims** - NHS Trusts are currently in a legal dispute with the Council regarding mandatory charitable relief on business rates. Previously NHS Trusts were taxed as public sector funded organisations, rather than charities, because they have boards of directors, rather than trustees. NHS Trusts have applied for mandatory charitable relief, which means that they would be eligible for an 80% discount, backdated for six years. This is the subject of a legal dispute.

### **NOTE 50: CONTINGENT ASSETS**

There are no contingent assets for 2015/16.

### **NOTE 51: HERITAGE ASSETS: SUMMARY OF TRANSACTIONS**

Value of Museum Heritage Assets Acquired by Donation	2014/15	2015/16
	£'000	£'000
Archaeology and Geology	-	3
Costume and Jewellery	2	-
Social History	2	-
Toys	1	-
<b>TOTAL DONATIONS</b>	<b>5</b>	<b>3</b>

- The Council has not purchased or disposed of any items over £1,000 in the five year period 2011/2012 – 2015/2016.
- The 2015/2016 transactions for donated assets have been reported in the Balance Sheet at valuation based on research by curatorial staff and specialist volunteers.

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## **NOTES TO THE ACCOUNTS**

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### ***NOTE 52: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET***

The following assets are not reported in the balance sheets because information on the cost or value of these assets is not available due to the lack of comparative information and the unique nature of these assets; the cost of obtaining a valuation would not be commensurate with the benefits to the users of the financial statements.

#### **Highdown Gardens**

This is a public garden on English Heritage's Register of Historic Parks and Gardens. Situated in 8.52 acres of stunningly beautiful gardens on downland countryside overlooking the sea and offers a unique collection of rare plants and trees. Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection, introduced by Sir Frederick Stern. The cultural significance of this asset cannot be valued.

#### **War Memorial Monument**

Situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

#### **Pigeon Memorial**

This is a monument situated in Steyne Gardens dedicated to the pigeons who took part in the First World War. The cultural and historical significance of this monument cannot be valued.

#### **The Miller's Tomb**

This is a famous tomb situated on a downland site, which is owned by the Council. The tomb is the grave of John Oliver who was a miller in 1709 and thought to be involved in smuggling. The site has been designated a site of nature and conservation due to the wealth of flora including orchids. It is not possible to value the cultural and historical significance of this unique asset.

#### **Amelia Park Gateway**

This is a listed building constructed between 1831 and 1833. The main archway was designed for carriages and the two side arches were designed for pedestrians. It is not possible to value the cultural and historical significance of this unique asset.

### ***NOTE 53: HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS***

#### **Art and Sculpture**

The Museum has built up an extensive topographical collection of paintings, prints and drawings dating from 1800 to the present day. It also has a fine body of oil paintings by the British Post Impressionist painters who were members of the Camden Town Group. The watercolours include works by some of the main water-colourists working from the eighteenth century onwards.

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## NOTES TO THE ACCOUNTS

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### ***NOTE 53: HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS***

#### **Costume and Jewellery**

This is one of the most important costume collections of its kind in the country and since the 1960s the collection has grown to approximately 25,000 items of British clothing, accessories and ephemera, used and worn by both sexes, all ages and social levels.

#### **Toys**

The juvenilia collection is one of the museum's particular strengths and is not only one of the largest collections of its kind outside London, but also includes pieces of superb quality and interest. These include English wax dolls, early paper dolls, dolls houses, clockwork toys, cards, table and optical games as well as educational games and books.

#### **Social History**

This collection includes books, non archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography. The coin collection includes commemorative medals from Sussex.

The coin collection includes Iron Age and Roman coins, British coins of all periods, as well as those from British overseas territories, and a small but significant collection of tokens from Sussex as well as others from the rest of Britain.

Each of the main areas within the Social History section is supported by large holdings of printed ephemera and photographs. The collections relate primarily to English Social History and to the Worthing area in particular. There is a collection of over 6,000 topographical photographs which illustrate how the area has developed and provide a wealth of information.

#### **Archaeology and Geology**

From the 1930s to the 1970s the Worthing Archaeological Society was responsible for a number of major excavations. Since the early 1970s most excavations in the area have been carried out by professional archaeological units. Material from all this work is housed in the Worthing Museum. The collection also includes chance finds and material from field walking.

The Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.

#### **Heritage Assets of Particular Importance**

The archaeology collection is extensive and includes both excavated material and stray finds from all periods from the Palaeolithic to Post-Medieval. Notable exhibits include material from important Neolithic flint-mining sites, Bronze Age material, Iron Age material, Romano-British material, early Anglo-Saxon finds, late Saxon material and Medieval material.



## NOTES TO THE ACCOUNTS

### **NOTE 53: HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS**

The Women's Costume collection is the largest section of costume with examples of Haute Couture, dressmaker, home-made and mass-produced clothing with garments dating from 1700 and accessories dating from 1600. Other notable costume collections include jewellery, hats and handbags.

A unique collection of items that include decorative art, local history and juvenilia was bequeathed to the Museum in 1999 by a local collector.

#### **Preservation and Management**

The Council's Museum has a rolling programme of major repair and restoration of its artefacts which is charged to the Comprehensive Income and Expenditure Statement.

The Museum has a detailed Acquisitions and Disposals Policy which outlines the procedures for acquiring assets and disposing of assets.

### **NOTE 54: TRUST FUNDS**

The Council acts as one of several trustees for the following funds:

	2015/16 Capital Value of Fund	2014/15 Capital Value of Fund
	£'000	£'000
<b>Highdown Tower Gardens</b> Income used to make improvements to the garden	34	34
<b>Dr Chester's Charity</b> Aid to people in poverty	21	22
<b>TOTAL</b>	<b>55</b>	<b>56</b>

In neither case do the funds represent the assets of the Council and therefore they have not been included in the balance sheet.

The Council acts as a trustee for the Highdown Tower Gardens (registered charity number 305445). Capital funds are held by the Council on behalf of the Trustees.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015

These accounts represent the transactions of the Collection Fund which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

Collection Fund - Business Rates and Council Tax						
	2015/16			2014/15		
	Business Rates	Council Tax	TOTAL	Business Rates	Council Tax	TOTAL
<b>INCOME (A)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Council Tax Receivable		56,483	56,483	-	54,175	54,175
Business Rates Receivable	31,329		31,329	30,549	-	30,549
Transitional; Protection Payments Receivable	118	-	118	73	-	73
	<b>31,447</b>	<b>56,483</b>	<b>87,930</b>	<b>30,622</b>	<b>54,175</b>	<b>84,797</b>
<b>Contribution Towards Previous Year Deficit</b>						
Central Government	247	-	247	-	-	-
Worthing Borough Council	198	2	200	-	-	-
West Sussex County Council	50	10	60	-	-	-
Sussex Police and Crime Commissioner	-	1	1	-	-	-
	<b>495</b>	<b>13</b>	<b>508</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL INCOME (C) = (A+B)</b>	<b>31,942</b>	<b>56,496</b>	<b>88,438</b>	<b>30,622</b>	<b>54,175</b>	<b>84,797</b>
<b>EXPENDITURE (D)</b>						
<b>Payment From Previous Year Surplus</b>						
Central Government	-	-	-	68	-	68
Worthing Borough Council	-	-	-	55	3	58
West Sussex County Council	-	-	-	14	17	31
Sussex Police and Crime Commissioner	-	-	-	-	2	2
	<b>-</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>22</b>	<b>159</b>
<b>Precepts, Demands and Shares (E)</b>						
Central Government	15,498	-	15,498	14,872	-	14,872
Worthing Borough Council	12,399	7,898	20,297	11,898	7,631	19,529
West Sussex County Council	3,100	42,487	45,587	2,975	41,052	44,027
Sussex Police and Crime Commissioner	-	5,262	5,262	-	4,986	4,986
	<b>30,997</b>	<b>55,647</b>	<b>86,644</b>	<b>29,745</b>	<b>53,669</b>	<b>83,414</b>
<b>Charges to Collection Fund (F)</b>						
Less: write offs of uncollectable amounts	25	55	80	115	85	200
Less: Incr. / Decr. (-) in Bad Debt Provision	266	231	497	64	24	88
Less: Incr. / Decr. (-) in Provision for Appeals	(103)	-	(103)	1,076	-	1,076
Less: Cost of Collection	132	-	132	133	-	133
	<b>320</b>	<b>286</b>	<b>606</b>	<b>1,388</b>	<b>109</b>	<b>1,497</b>
<b>TOTAL EXPENDITURE (G) = (D+E+F)</b>	<b>31,317</b>	<b>55,933</b>	<b>87,250</b>	<b>31,270</b>	<b>53,800</b>	<b>85,070</b>
<b>Surpl. / Def. (-) arising during the yr (C-G)</b>	<b>625</b>	<b>563</b>	<b>1,188</b>	<b>(648)</b>	<b>375</b>	<b>(273)</b>
<b>Surplus / Deficit (-) b/fwd. 1st April</b>	<b>(1,097)</b>	<b>(214)</b>	<b>(1,311)</b>	<b>(449)</b>	<b>(589)</b>	<b>(1,038)</b>
<b>Surplus / Deficit (-) c/fwd. 31st March</b>	<b>(472)</b>	<b>349</b>	<b>(123)</b>	<b>(1,097)</b>	<b>(214)</b>	<b>(1,311)</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 1: COUNCIL TAX**

Council Tax income is based on the value in 1991 of residential properties, which are classified into eight valuation bands as below, including a variant on Band A in respect of disabled relief. The total numbers of properties in each band are adjusted and then converted to a Band D equivalent, which when totalled and adjusted for valuation changes and losses on collection forms the Council's tax base.

	No. of Chargeable Dwellings	Less Discounts	Add New Homes Forecast	Net Dwellings	Ratio to Band D	No. of Band D Equivalents
Band A-	9.00	6.52	0.00	2.48	5/9ths	1.4
Band A	7,455.00	2,924.33	20.50	4,551.17	6/9ths	3,034.1
Band B	10,782.00	3,123.27	174.00	7,832.73	7/9ths	6,092.2
Band C	12,619.00	2,391.56	136.50	10,363.94	8/9ths	9,212.4
Band D	8,895.00	1,066.80	37.00	7,865.20	9/9ths	7,865.2
Band E	5,171.00	454.00	11.00	4,728.00	11/9ths	5,778.7
Band F	2,286.00	145.63	10.00	2,150.37	13/9ths	3,106.1
Band G	860.00	51.27	-0.50	808.23	15/9ths	1,347.1
Band H	8.00	1.50	0.00	6.50	18/9ths	13.0
	48,085.00	10,164.88	388.50	38,308.62		36,450.2
Add : New Homes						334.2
Less : allowance for loss on collection and void properties						-220.0
						36,564.4

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police and Crime Commissioner and Worthing Borough Council by the Council Tax Base calculated above.

	Demand or Precept £	Council Tax Base	Band D Council Tax £
West Sussex County Council	42,487,467	÷ 36,564.4	= 1,161.99
Sussex Police & Crime Commissioner	5,261,983	÷ 36,564.4	= 143.91
Worthing Borough Council	7,897,910	÷ 36,564.4	= 216.00

### **NOTE 2: NON-DOMESTIC RATES (NDR)**

From 1 April 2015, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Worthing Borough Council, Adur District Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2015/16 is paid into the West Sussex County Council Pool and together the members share the levy and it is redistributed. Without the Pool, the levy would be paid to DCLG and not retained in the area to the benefit of local residents.

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 2: NON-DOMESTIC RATES (NDR)**

The total amount contributed to the Pool in 2015/16 is £2.1m. The amount this authority paid into the Pool was £308k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEPS (Local Economic Partnership) and other invest to save initiatives. The contribution is shown within the Comprehensive Income and Expenditure Statement..

Non-domestic rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the Country as a whole which was 48.0p in 2015/16 (47.1p in 2014/15). The overall rateable value for Worthing Borough Council as at 31<sup>st</sup> March 2016 was £77.65m (£77.97m as at 31<sup>st</sup> March 2015).

### **NOTE 3: BAD AND DOUBTFUL DEBTS**

A requirement of £1,642k and £1,130k for bad and doubtful debts for Council Tax and National Non Domestic Rates has been provided for in 2015/16 in line with Worthing Borough Council's accounting policy for maintaining the provision.

### **NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF COUNCIL TAX**

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

	West Sussex County Council Closing Balance	Sussex Police and Crime Commissioner Closing Balance	Preceptors Total	Worthing Closing Balance	TOTAL
	£	£	£	£	£
<b>Demand on Collection Fund 2016/17</b>	45,127,133	5,563,322		8,227,860	<b>58,918,315</b>
Applicable proportions based on 2016/17 demand	<b>76.59%</b>	<b>9.44%</b>		<b>13.96%</b>	<b>100.00%</b>
(This %age used to allocate (surplus)/deficit for 2015/16)					
Council Tax arrears as at 31/03/16	2,597,299.06	320,181.99	<b>2,917,481.05</b>	473,558.70	<b>3,391,039.75</b>
Provision for bad debts as at 31/03/16	(1,257,938.15)	(155,072.28)	<b>(1,413,010.43)</b>	(229,356.57)	<b>(1,642,367.00)</b>
Receipt in advance as at 31/03/16	(652,939.08)	(80,491.05)	<b>(733,430.13)</b>	(119,048.67)	<b>(852,478.80)</b>
(Surplus)/Deficit as at 31/03/15	161,912.74	20,061.49	<b>181,974.23</b>	30,092.23	<b>212,066.46</b>
In year (Surplus)/Deficit for 2015/16	(430,907.87)	(53,221.85)	<b>(484,129.72)</b>	(79,137.40)	<b>(563,267.12)</b>
<b>Balance as on 31/03/2016</b>	<b>417,426.70</b>	<b>51,458.30</b>	<b>468,885.00</b>	<b>76,108.29</b>	<b>544,993.29</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES**

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
Business Rates Arrears	411,094.32	82,219.67	328,874.66	822,188.65
Provision for Bad Debts	(565,206.00)	(113,041.20)	(452,164.80)	(1,130,412.00)
Provision for Appeals	(1,844,856.50)	(368,971.31)	(1,475,885.19)	(3,689,713.00)
RV List Amendments	532,989.81	106,597.96	426,391.84	1,065,979.61
Receipt in Advance	(236,004.00)	(47,200.81)	(188,803.21)	(472,008.02)
(Surplus)/Deficit	235,808.00	47,161.60	188,646.39	471,615.99
<b>Balance as at 31/03/2016</b>	<b>(1,466,174.37)</b>	<b>(293,234.09)</b>	<b>(1,172,940.31)</b>	<b>(2,932,348.77)</b>

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# ANNUAL GOVERNANCE STATEMENT

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## ***SCOPE OF RESPONSIBILITY***

Worthing Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.adur.gov.uk](http://www.adur.gov.uk) or [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk) or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31<sup>st</sup> March 2016 and up to the date of approval of the statement of accounts.

## ***THE GOVERNANCE FRAMEWORK***

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- reviewing the authority's vision and its implications for the authority's governance arrangements;
- translating the vision into objectives for the authority and its partnerships;

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE GOVERNANCE FRAMEWORK***

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money;
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring effective arrangements are in place for the discharge of the monitoring officer function;
- ensuring effective arrangements are in place for the discharge of the head of paid service function;
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistleblowing and for receiving and investigating complaints from the public;
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- enhancing the accountability for service delivery and effectiveness of other public service providers;
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The operation of this authority's governance framework is described in the section below.

# ANNUAL GOVERNANCE STATEMENT

## **THE OPERATION OF THE GOVERNANCE FRAMEWORK**

The governance framework gives Managers/Directors/Members, in a number of ways, the confidence/evidence/ certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

<b>WHAT WE NEED TO DO</b>					
Focusing on the purpose of the Authority; deliver outcomes for the Community and create and implement a vision for the local area.	Working together to achieve a common purpose with clearly defined functions and roles	Promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour	Take informed and transparent decisions which are subject to effective scrutiny and managing risk	Develop the capacity and capability of members and officers to be effective	Engage with local people and other stakeholders to ensure robust public accountability.

<b>HOW WE DO IT</b>					
<ul style="list-style-type: none"> <li>• Organisational goals</li> <li>• Service planning</li> <li>• Performance Management</li> <li>• Strategies</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• The Monitoring Officer</li> <li>• Section 151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Codes of conduct</li> <li>• Financial management and MTFP</li> <li>• Bribery Act 2010 policy guidance</li> <li>• Whistleblowing Policy</li> <li>• HR Policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom of information requests</li> <li>• Complaints procedure</li> <li>• Reports considered by legal and finance experts</li> <li>• Equality impact assessments</li> <li>• Corporate risk register</li> </ul>	<ul style="list-style-type: none"> <li>• Robust interview and selection process</li> <li>• Training and development</li> <li>• Workforce planning</li> <li>• Succession planning</li> <li>• Performance development reviews</li> <li>• Talent management</li> </ul>	<ul style="list-style-type: none"> <li>• Community and engagement policy</li> <li>• Consultations</li> <li>• Terms of reference for partnerships</li> </ul>



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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE**

Joint Governance Committee function and self-assessment;  
Corporate Governance Group; Scrutiny Reviews;  
Review of progress made in addressing issues; Performance monitoring;  
Review of compliance with corporate governance controls;  
Review of accounts; Employee opinion surveys; Internal audits and external audits;  
Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

#### **1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA**

##### ***Joint Corporate Priorities***

The Councils have agreed three priorities which set out its aspirations for the town.

- **Supporting Wealth Generators**
- **Cultivating Enterprising Communities**
- **Becoming an adaptive Council**

Further details of how these priorities will be achieved are included in a programme of work called 'Surf's Up' which can be found on the internet <http://www.adur-worthing.gov.uk/large-files/surfs-up/surfs-up-spreads.pdf>

##### ***Service planning and performance management***

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £4.4m by 2019/20 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

#### ***The Constitution***

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Adur District Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

#### ***The Monitoring Officer***

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

- ***Section 151 Officer***

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council this is Sarah Gobey, who is also the Chief Financial Officer.

#### ***Codes of conduct***

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

#### ***Financial management***

The Head of Finance and s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

### **3. PROMOTING THE VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

#### ***Financial management***

Financial Regulations were revised in 2013/14 by the s151 Officer so that the Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

#### ***Anti-fraud, bribery and corruption***

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

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## ANNUAL GOVERNANCE STATEMENT

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### ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

3. **PROMOTING THE VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

#### ***Whistleblowing***

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2014) <http://awintranet/media/media,125134,en.pdf> sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

#### ***Joint Governance Committee***

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

4. **TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Transparency***

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

#### ***Risk management***

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Effective scrutiny***

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

#### ***Complaints***

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Recruitment and induction***

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

#### ***Training and development***

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Performance monitoring***

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

### **6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

#### ***Engagement and communication***

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Worthing Borough Council has developed a Community and Engagement Policy, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Council's website at [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk). Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and through the citizens panel.

#### ***Consultations***

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.

#### ***Partnership working***

In addition to the partnership between Adur and Worthing (<http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/>), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

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# ANNUAL GOVERNANCE STATEMENT

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## **REVIEW OF EFFECTIVENESS**

Worthing Borough District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, the Joint Overview and Scrutiny Committee, the Standards Committee
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **SIGNIFICANT GOVERNANCE ISSUES**

There are two significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

### **i) Procurement and contract management procedures and processes:**

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions are being taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;
- A major review of contract management; and
- A corporate review of procurement.

### **ii) Lack of an ICT Disaster Recovery Plan:**

The Council identified this as a key priority following an in-depth review of an IT failure. To address this, the Council has engaged consultants to support the production of a new ICT Disaster Recovery Plan

### **iii) Housing Solutions procedures and processes:**

The Council identified the need to improve its management of the Housing Solutions Service following an in depth review of processes and procedures by the Legal team and Internal Audit. An internal Corporate Governance Team was convened, chaired by the Chief Executive and actions are being taken to improve the service by way of:

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# ANNUAL GOVERNANCE STATEMENT

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## **SIGNIFICANT GOVERNANCE ISSUES**

iii) **Housing Solutions procedures and processes:**

- a programme of training on the legislative framework for the Housing Solutions Team;
- a major review of all processes and procedures;
- a review of the staffing and management of the service.

## **OTHER ISSUES**

The Governance Action Plan has been updated to deal with any issues brought forward from the 2015 review together with any issues which have been identified during the current review.

The governance requirements in the Statement on the Role of the Chief Financial Officer in Public Services are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive and the Corporate Leadership Team where necessary.

## **PROPOSED ACTION**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_

Councillor Daniel Humphreys  
Leader of the Council  
Worthing Borough Council



Signed: \_\_\_\_\_

Alex Bailey  
Chief Executive of  
Adur & Worthing Councils



Dated: \_\_\_\_\_

Dated: \_\_\_\_\_



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## **GLOSSARY OF ACCOUNTING TERMS**

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The following is a brief explanation of the technical terms used in this publication:-

<b>ACCOUNTING PERIOD</b>	<p>The period of time covered by the accounts. The current year is 2015/16 which means the year commencing 1st April 2014 and ending 31st March 2016. The end of the accounting period is the date at which the balance sheet is drawn up.</p>
<b>ACCRUAL</b>	<p>An amount included in the accounts in respect of income or expenditure for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.</p>
<b>ACTUARIAL ASSUMPTION</b>	<p>An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits.</p> <p>Actuarial gains and losses which may result from:</p>
<b>ACTUARIAL GAINS AND LOSSES</b>	<ul style="list-style-type: none"><li>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</li><li>(b) the effects of changes in actuarial assumptions.</li></ul>
<b>ASSET</b>	<p>A resource that, as a result of a past event, is controlled and expected to give future benefits. It is not necessary to own an asset in order to control it, as assets may be acquired from other providers via credit arrangements such as leasing.</p>
<b>AMORTISED COST</b>	<p>The amount at which the financial asset or financial liability is measured. The measurement reflects the cost or transaction price at initial recognition, adjusted for principal payments and accrued interest at the balance sheet date. The measurement may also be adjusted by any difference between the initial amount and the maturity amount resulting from impairment or uncollectibility by applying the effective interest rate inherent over the term of the financial asset or liability.</p>
<b>BALANCE SHEET</b>	<p>A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.</p>
<b>CAPITAL CHARGE</b>	<p>A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.</p>
<b>CAPITAL EXPENDITURE</b>	<p>Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.</p>
<b>CAPITAL RECEIPTS</b>	<p>The proceeds from the sale of fixed assets.</p>

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## **GLOSSARY OF ACCOUNTING TERMS**

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<b>CASH EQUIVALENTS</b>	Short-term investments that are readily convertible, without penalty, to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>COMMUNITY ASSETS</b>	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
<b>CONSISTENCY</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENT LIABILITY</b>	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
<b>CREDITORS</b>	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
<b>CURRENT ASSETS/LIABILITIES</b>	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
<b>CURRENT SERVICE COST</b>	Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
<b>CURTAILMENT</b>	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
<b>DEBTORS</b>	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
<b>DEFINED BENEFIT SCHEME</b>	This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>DEPRECIATION</b>	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
<b>EXPENDITURE</b>	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<b>FAIR PRESENTATION</b>	International Accounting Standard IAS 1 requirement that financial statements should not be misleading. To a large extent this means obeying the prevalent accounting standards, but the concept of fairness may transcend that, to include an assessment of the overall picture given by the financial statements.
<b>FAIR VALUE</b>	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
<b>FINANCE LEASE</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset from the provider (lessor) to the user (lessee). Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b>IMPAIRMENT OF ASSETS</b>	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
<b>INFRASTRUCTURE ASSETS</b>	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
<b>INTANGIBLE ASSETS</b>	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</b>	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
<b>INVESTMENTS</b>	Current asset investments that are readily disposable by the Council without disrupting its business.
<b>INVESTMENT PROPERTIES</b>	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
<b>LIQUID RESOURCES</b>	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
<b>NET BOOK VALUE</b>	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<b>OPERATING LEASE</b>	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.
<b>POST BALANCE SHEET EVENTS</b>	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
<b>PROVISION</b>	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise.
<b>PRIOR YEAR ADJUSTMENT</b>	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
<b>PRUDENCE</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.
<b>PUBLIC WORKS LOAN BOARD (PWL B)</b>	The Public Works Loan Board (PWL B) is a statutory body operating within the Debt management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.
<b>REMUNERATION</b>	Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.
<b>RESERVES</b>	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
<b>TO DEBIT</b>	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
<b>TO CREDIT</b>	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
<b>TRUE AND FAIR VIEW</b>	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
<b>VIREMENT</b>	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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## **GLOSSARY OF ACCOUNTING TERMS**

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### **MAIN CHANGES IN TERMINOLOGY**

<b>UK GAAP (Old Terminology)</b>	<b>IFRS (Revised Terminology)</b>
<b>I and E Account and STRGL</b>	<b>Statement of Comprehensive Income</b>
<b>Fixed (e.g. Fixed Assets)</b>	<b>Non current (e.g. Non Current Assets)</b>
<b>Stocks</b>	<b>Inventories</b>
<b>Tangible fixed assets</b>	<b>Property plant and equipment</b>

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# Adur District Council

Audit Results Report - ISA (UK and Ireland) 260  
For the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Joint Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Adur District Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in the financial statements presented for approval</p> <ul style="list-style-type: none"> <li>• Review of the final version of the financial statements</li> <li>• Receipt of the signed management representation letter</li> <li>• Audit completion steps including our subsequent events review</li> <li>• Lease &amp; Rent Contracts</li> <li>• Reserves</li> <li>• IAS19 Pensions</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified audit differences within the draft financial statements, which management have chosen to adjust. We ask the Joint Governance Committee to note these adjustments, which are set out in Appendix A to this report.</p>
Scope and materiality	<p>In our Audit Plan presented at the 7 June 2016 Joint Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.08 million. We have reassessed this based on the actual results for the financial year and have marginally increased this amount to £1.13 million. The basis of our assessment is 2% of gross operating expenditure, which is consistent with prior years.</p> <p>The threshold for reporting audit differences which impact the financial statements has also increased from £54,000 to £57,000.</p> <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit	<p>We identified the following audit risks during the planning phase of our</p>

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risks	audit, and reported these to you in our Audit Plan: <ul style="list-style-type: none"><li>• Risk of management override.</li></ul> The 'addressing audit risks' section of this report sets out how we have gained audit assurance over this issue.
Other reporting issues	We have no other matters we wish to report.
Control observations	We identified there had been significant delay in the completion of the year-end bank reconciliation and noted that there was no reconciliation completed between the Council's Orchard housing system and the General Ledger.

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We would like to take this opportunity to thank the finance team for their assistance during the course of our work.



Hassan Rohimun

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewed accounting estimates for evidence of management bias; and;</li> <li>• evaluated the business rationale for any significant unusual transactions.</li> </ul>	<p>Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.</p>

#### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest.

We have two points we wish to raise included in the table below.

Description	Recommendation
<p><b>Asset Valuation:</b></p> <p>In reviewing the work of the Councils valuer we noted that standard assumptions were being used and that there was no evidence, of these having been critical reviewed by the Council</p>	<p>We recommend the Council reviews the methodology and assumptions being applied as part of the valuation process to ensure:</p> <ul style="list-style-type: none"> <li>• there is evidenced consideration of the nature of the asset being valued; and</li> <li>• that they are appropriate for the asset being valued.</li> </ul>
<p><b>Contingent Rent:</b></p> <p>We identified that the Council has not provided for any Contingent Rents within the 2015/16 financial statements. A discussion with officers suggests sufficient information is not currently available to produce the required disclosures. This disclosure omission has no impact on the Comprehensive Income &amp; Expenditure Statement or the Balance Sheet.</p>	<p>We recommend the Council reviews its leases, identifies Contingent Rents and makes appropriate disclosures in the 2016/17 financial statements.</p>

## Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

Description	Recommendation
<p><b>Bank reconciliations:</b></p> <p>We identified significant delays in the completion of the year-end bank reconciliation. In order to operate effectively, controls such as bank reconciliations must be completed properly and on a timely basis to obtain a good level of assurance and decrease the likelihood of material misstatements within the financial statements. We note staff sickness within the finance team contributed to this delay.</p>	<p>The bank reconciliation is an integral part of the Council's control environment and appropriate resource levels should be focussed on producing an accurate bank reconciliation in a timely fashion.</p>

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**Orchard to General Ledger Reconciliation:**

We also noted that there was no reconciliation between the Orchard housing system for properties eligible for Rent Rebates and the General Ledger. Management have confirmed this reconciliation will be completed in future years.

We recommend the Council complete a reconciliation at least annually, in order to obtain assurance that the General Ledger is correctly recording information from this feeder system.

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We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

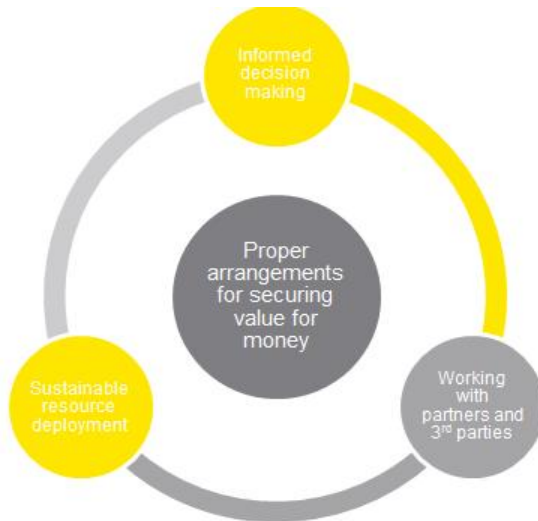
**Request for written representations**

We have requested a management representation letter to gain management's confirmation in relation to a number of matters to be tabled at the Joint Governance Committee on 27 September 2016. This is included in Appendix F.

**Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

## 4. 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.

### Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our Audit Plan. This work was informed by:

- A detailed review of how the medium term financial plan is created;
- Examination and challenge the key assumptions used by the Council to create the medium term financial plan; and
- A review of the extent to which the Council is dependent upon future savings. For significant savings reviewed the estimated savings in order to ensure that the Council's assumptions are reasonable.

We identified the following areas to bring to your attention:

The 2015/16 outturn showed an overspend against budget of £128k. We note that the Council appropriately identified and took action to address forecast overspends. We considered the Council's arrangements for setting the 2016/17 budget were appropriate. Budget papers clearly identified the financial pressures faced and the Council has identified savings needed to deliver a balanced budget in the short term.

We also considered medium term financial planning and note that it recognises the on-going uncertainty caused by changes to funding and makes sensible assumptions about their impact. Plans are in place to deliver the 2016/17 savings. For 2017/18 the Council has to deliver a savings target of £2,433k and as of September 2016 the Council had identified £1,194k. Members will need to ensure action is taken to address the shortfall and that there are robust plans in place to monitor the delivery of agreed savings or to take mitigating action in the event of slippage. The Council fully expects to achieve the planned and as yet unidentified savings with no plans to utilise any of its reserves.

At the 31 March the Council had £1,686k of useable reserves, whilst 68% of this is earmarked it does provide the Council with some resilience in the short-term.



## **Other matters to bring to your attention**

We have no other matters to bring to your attention.

## Appendix A – Corrected audit differences

The following corrected differences, which are greater than £57,000, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

### Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Short Term Debtors	£4,100	
Short Term Creditors	£4,100	
Short-Term Debtors and Short-Term Creditors have both been overstated by £4.1m as debit amounts within Debtors (which relate to salaries) had not been correctly reclassified to Creditors. This also changed the Cash Flow Statement.		
	0	
Short Term Creditors	£268	
Expenditure		£268
We identified £268k of Housing Benefit Expenditure which had not been accrued for. Creditors and expenditure therefore both understated by £268k. This had been identified earlier by the authority but not included within the financial statements.		

### Disclosures

We identified a small number of disclosure errors which led to changes throughout the financial statements.

## Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Letter of representation	Approval of Joint Governance Committee on 27 September 2016.	Joint Governance Committee
Statement of Accounts	<ul style="list-style-type: none"> <li>▶ Incorporation of EY amendments</li> <li>▶ Approval of accounts by Joint Governance Committee</li> <li>▶ Accounts re-certified by CFO</li> </ul>	Management, Joint Governance Committee and EY
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work	EY and management

## Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated May 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. 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 of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Governance Committee on 27 September 2016.

We confirm that we have met the reporting requirements to the Joint Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of May 2016.

## Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	48,122	48,122	N/A
Certification of claims and returns	27,019	27,019	N/A

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

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

## Appendix E – Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Joint Governance Committee of UK clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Adur District Council's ability to continue as a going concern for the 12 months from the date of our report
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	By correspondence with the Chair of the Joint Governance Committee. Audit results report
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Management has not refused for us to request external confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of.</li> </ul>	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to managements and those charged with governance. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Audit Results Report
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial Audit Plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan and Audit Results Report
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Annual Certification Report – to be issued January 2017

## 5. Appendix F – Letter of Representation

[To be prepared on the entity's letterhead]

[Date]

To:  
Hassan Rohimun  
Executive Director  
Ernst & Young LLP  
Wessex House,  
19 Threefield Lane,  
Southampton SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Adur District Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.



4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **H. Accounting Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **I. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**Signed on behalf of Adur District Council**

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 27 September 2016

Signed:

Name: Sarah Gobey

Position: Head of Finance

Date: 27 September 2016

Name:

Position: Chairman, Joint Governance Committee

Date: 27 September 2016

## 6. Appendix G – Opinion

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL**

We have audited the financial statements of Adur District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 54;
- Housing Revenue Account and the related notes 1 to 12; and
- Collection Fund and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Adur District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Director of Corporate Resources and auditor**

As explained more fully in the Statement of Responsibilities set out on page 18, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Financial Officer; and

- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Conclusion on Adur District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

**Auditor’s responsibilities**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Hassan Rohimun

for and on behalf of Ernst & Young LLP, Appointed Auditor

Southampton

28 September 2016

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# Worthing Borough Council

Audit Results Report - ISA (UK and Ireland) 260  
For the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Joint Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Worthing Borough Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in the financial statements presented for approval</p> <ul style="list-style-type: none"> <li>• Review of the final version of the financial statements</li> <li>• Receipt of the signed management representation letter</li> <li>• Audit completion steps including our subsequent events review</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified audit differences within the draft financial statements, which management have chosen to adjust. We ask the Joint Governance Committee to note these adjustments, which are set out in Appendix A to this report.</p>
Scope and materiality	<p>In our Audit Plan presented at the 7 June 2016 Joint Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.45 million. We have reassessed this based on the actual results for the financial year and have reduced this amount to £1.29 million. The basis of our assessment is 2% of gross operating expenditure, which is consistent with prior years.</p> <p>The threshold for reporting audit differences which impact the financial statements has also decreased from £72,500 to £65,000.</p> <p>We carried out our work in accordance with our Audit Plan.</p>

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Significant audit risks	We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan: <ul style="list-style-type: none"><li>• Risk of management override.</li></ul> The 'addressing audit risks' section of this report sets out how we have gained audit assurance over this issue.
Other reporting issues	We have no other matters we wish to report.
Control observations	Through our audit procedures, we identified significant delays in completing key bank reconciliations. The year-end bank reconciliation was not provided for audit until August 2016.

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We would like to take this opportunity to thank the Council's finance team for their assistance during the course of our work.



Hassan Rohimun  
Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewed accounting estimates for evidence of management bias; and;</li> <li>• evaluated the business rationale for any significant unusual transactions.</li> </ul>	<p>Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.</p>

#### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have two points we wish to raise, as set out in the table below.

Description	Recommendation
<p><b>Asset Valuation:</b></p> <p>In reviewing the work of the Councils valuer we noted that standard assumptions were being used and that there was no evidence, of these having been critical reviewed by the Council</p>	<p>We recommend the Council reviews the methodology and assumptions being applied as part of the valuation process to ensure:</p> <ul style="list-style-type: none"> <li>• there is evidenced consideration of the nature of the asset being valued; and</li> <li>• that they are appropriate for the asset being valued.</li> </ul>
<p><b>Contingent Rent:</b></p> <p>We identified that the Council has not provided for any Contingent Rents within the 2015/16 financial statements. A discussion with officers suggests sufficient information is not currently available to produce the required disclosures. This disclosure omission has no impact on the Comprehensive Income &amp; Expenditure Statement or the Balance Sheet.</p>	<p>We recommend the Council reviews its leases, identifies Contingent Rents and makes appropriate disclosures in the 2016/17 financial statements.</p>

## Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Description	Recommendation
<p><b>Bank reconciliations:</b></p> <p>We identified significant delays in the completion of the year-end bank reconciliation. In order to operate effectively, controls such as bank reconciliations must be completed properly and on a timely basis to obtain a good level of assurance and decrease the likelihood of material misstatements within the financial statements. We note staff sickness within the finance team contributed to this delay.</p>	<p>The bank reconciliation is an integral part of the Council's control environment and appropriate resource levels should be focussed on producing an accurate bank reconciliation in a timely fashion.</p>



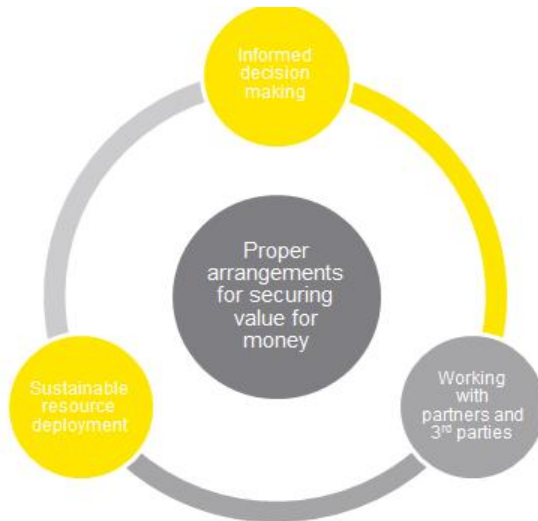
## **Request for written representations**

We have requested a management representation letter to gain management's confirmation in relation to a number of matters to be tabled at the Joint Governance Committee on 27 September 2016. This is included in Appendix F.

## **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

## 4. 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.

### Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our Audit Plan. This work was informed by:

- A detailed review of how the medium term financial plan is created;
- Examination and challenge the key assumptions used by the Council to create the medium term financial plan; and
- A review of the extent to which the Council is dependent upon future savings. For significant savings reviewed the estimated savings in order to ensure that the Council's assumptions are reasonable.

We identified the following areas to bring to your attention:

The 2015/16 outturn showed an underspend against budget of £180k. We note that the Council appropriately identified and took action to address forecast overspends. We considered the Council's arrangements for setting the 2016/17 budget were appropriate. Budget papers clearly identified the financial pressures faced and the Council has identified savings needed to deliver a balanced budget in the short term.

We also considered medium term financial planning and note that it recognises the on-going uncertainty caused by changes to funding and makes sensible assumptions about their impact. Plans are in place to deliver the 2016/17 savings. For 2017/18 the Council has to deliver a savings target of £2,380k and as of September 2016 the Council had identified £1,612k. Members will need to ensure action is taken to address the shortfall and that there are robust plans in place to monitor the delivery of agreed savings or to take mitigating action in the event of slippage. The Council fully expects to achieve the planned and as yet unidentified savings with no plans to utilise any of its reserves.

At the 31 March the Council had £3,024k of useable reserves, whilst 72% of this is earmarked it does provide the Council with some resilience in the medium term.

We also recognise the need to ensure you have sufficient resources and expertise within the finance department to support this process and the production of the financial statements, following the recent restructure.

### **Other matters to bring to your attention**

We have no other matters to bring to your attention.

## Appendix A – Corrected audit differences

The following corrected differences, which are greater than £65,000, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

### Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Cash & Cash Equivalents	(£322)	
Short Term Debtors	£322	
Overstatement of cash and understatement of debtors.		
	0	
Short Term Debtors	(£304)	
Short Term Creditors	(£304)	
We identified understatement of both Short Term Debtors and Short Term Creditors resulting from a journal posted with the Debits and Credits the wrong way round.		
Cash & Cash Equivalents	(£2,228)	
Debtors	£2,228	
We identified the balance included within Cash which was incorrectly treated when consolidating Joint Committee transactions into the balance sheet.		

## Disclosures

We identified a number of disclosure errors throughout the financial statements which have been subsequently amended. Those disclosure errors over our £65,000 threshold are outlined below.

Disclosure	Description of difference
Note 8: Earmarked Reserves	Contra balances had been incorrectly included in movements in Grants & Contributions balances in Note 8 Earmarked Reserves. This artificially inflated the movement in both Increases and Decreases by £477k.
Note 20: Cash & Cash Equivalents	£2,000k of Short Term Investments had incorrectly been disclosed in the Cash & Cash Equivalents note. This has been removed.
Note 23: Provisions	While the year end balance for the provision was correct, the “Amount used in 2015/16” and the “Additional provision made in 2015/16” were both understated by £567k.
Note 36: Officers Remuneration	We requested a narrative disclosure to be included within the note to explain the differing treatment of officers expenses between 2014/15 and 2015/16.
Note 46: Exit Packages	Termination Benefits disclosed in the note were understated by £63k.

## Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Letter of representation	Approval of Joint Governance Committee on 27 September 2016.	Joint Governance Committee
Statement of Accounts	<ul style="list-style-type: none"> <li>▶ Incorporation of EY amendments</li> <li>▶ Approval of accounts by Joint Governance Committee</li> <li>▶ Accounts re-certified by CFO</li> </ul>	Management, Joint Governance Committee and EY
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work	EY and management

## Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated May 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. 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 of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Governance Committee on 27 September 2016.

We confirm that we have met the reporting requirements to the Joint Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of May 2016.

## Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	47,157	47,157	N/A
Certification of claims and returns	8,184	8,184	N/A

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

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



## Appendix E – Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Joint Governance Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Worthing Borough Council's ability to continue as a going concern for the 12 months from the date of our report
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	By correspondence with the Chair of the Joint Governance Committee. Audit results report
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Management has not refused for us to request external confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of.</li> </ul>	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to managements and those charged with governance. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Audit Results Report
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial Audit Plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan and Audit Results Report
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Annual Certification Report – to be issued January 2017

## Appendix F – Letter of Representation

[To be prepared on the entity's letterhead]

[Date]

To:  
Hassan Rohimun  
Executive Director  
Ernst & Young LLP  
Wessex House,  
19 Threefield Lane,  
Southampton SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Worthing Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of

non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **H. Accounting Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **I. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**Signed on behalf of Worthing Borough Council**

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 27 September 2016

Signed:

Name: Sarah Gobey

Position: Head of Finance

Date: 27 September 2016

Name:

Position: Chairman, Joint Governance Committee

Date: 27 September 2016

## Appendix G - Opinion

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL**

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 54; and
- Collection Fund and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Director of Corporate Resources and auditor**

As explained more fully in the Statement of Responsibilities set out on page 19, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Financial Officer; and

- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Conclusion on Worthing Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### ***Auditor's responsibilities***



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

***Certificate***

We certify that we have completed the audit of the accounts of Worthing Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Hassan Rohimun

for and on behalf of Ernst & Young LLP, Appointed Auditor

Southampton

28 September 2016

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**ANNUAL TREASURY MANAGEMENT REPORT 2015/16 ADUR DISTRICT COUNCIL  
AND WORTHING BOROUGH COUNCIL**

**REPORT BY DIRECTOR OF DIGITAL AND RESOURCES**

**1.0 SUMMARY**

- 1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2015/16.

**2.0 BACKGROUND**

- 2.1 This report presents the treasury management activities and portfolio position for the 2015/16 financial year for both Adur District Council and Worthing Borough Council.

- 2.2 This is one of three treasury management reports that are required to be presented during the financial year (see Para. 2.5).

- 2.3 The presentation of the Annual Report is required through regulations issued under the Local Government Act 2003 to review the treasury management activities and the actual prudential and treasury related indicators for 2015/16. This report also meets the requirements of both the Treasury Management Code of Practice (The Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), both of which are issued by The Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.4 To put the report in context, Treasury Management is defined by CIPFA as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

- 2.5 For 2015/16 the minimum reporting requirements specified within the treasury management policy is that the Councils should receive the following:

**The Annual Treasury Management Strategy (TMSS)** in advance of the year – this was submitted to the meeting of the Joint Strategic Committee (JSC) in February 2015 and to the Joint Governance Committee (JGC) in March 2015.

## 2.0 BACKGROUND

**A mid year treasury update report** – a joint in-house operations report for both councils was submitted to the meeting of JGC in January, 2016.

**The Annual Report** (this report) - to be submitted by 30th September after the year end, which compares the actual activity with the planned strategy.

2.6 The regulatory environment places a significant onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.

2.7 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Joint Governance Committee.

2.8 This report summarises for both Councils the:

- Capital activity during the year (Section 3, and Appendix 1)
- Impact of capital activity on the Councils' underlying indebtedness (the Capital Financing Requirement) (Section 4)
- Overall treasury position identifying how the Councils have borrowed in relation to this indebtedness (Section 9), and the impact on investment balances (Section 5 and 9 and Appendices 3 and 4)
- Reporting of the required prudential and treasury management indicators (Section 6 and Appendix 2)
- The treasury management strategy compared to the economic and interest rate environment (Sections 7 – 8)
- Investment activity (Section 10 and Appendices 3 and 4)

## 3.0 THE COUNCILS' CAPITAL EXPENDITURE and FINANCING 2015/16

3.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

### **3.0 THE COUNCILS' CAPITAL EXPENDITURE and FINANCING 2015/16**

- 3.2 The actual capital expenditure forms one of the required prudential indicators. Appendix 1 shows the actual capital expenditure for 2015/16 and how this was financed for both Councils.
- 3.3 For Adur District Council, total capital expenditure amounted to £9.62m, of which £3.27m was unfinanced. For Worthing Borough Council, total capital expenditure was £2.37m, of which £0.7m was unfinanced.
- 3.4 The unfinanced element of capital expenditure results in an increase to the Councils' Capital Financing Requirement and the need to borrow, which is explained further in Section 4 below.

### **4.0 THE COUNCILS' OVERALL BORROWING NEED**

- 4.1 The Councils' underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Councils' indebtedness as it results from the capital activity of the Councils that is unfinanced.
- 4.2 Part of the Councils' joint treasury management activity is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Councils' cash position to ensure sufficient cash is available to meet the capital plans and daily operational cash flow requirements. This may be sourced through borrowing from external bodies or utilising temporarily the Councils' own resources (i.e. internal borrowing).
- 4.3 As part of statutory guidance issued by the Department for Communities and Local Government (CLG), the Councils' Joint TMSS requires that an annual revenue charge called the Minimum Revenue Provision (MRP) is made to provide the funds to repay debt and reduce the CFR. This is a "prudent" provision foremost for the repayment of the Councils' General Fund Account borrowing need. There is no statutory requirement to provide any MRP for Adur's Housing Revenue Account. However, Adur has opted to make additional voluntary provisions for repayment of housing related debt, as described in 4.4 below.
- 4.4 In addition to providing MRP, the total CFR may also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts and capital grants);
  - or charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP). The TMSS provides the option for Adur Council to make VRP in respect of HRA debt. This is a prudent provision for repayment of HRA debt, that is necessary to provide future borrowing "headroom" below the Government's HRA Debt Limit. The headroom creates the capacity for new borrowing (up to the limit) for future housing investment.

#### 4.0 THE COUNCILS' OVERALL BORROWING NEED

4.5 The Councils' cumulative CFR is shown below, and represents a key prudential indicator.

<b>Adur District Council - Capital Financing Requirement</b>	<b>31 March 2015 Actual £000s</b>	<b>31 March 2016 Original Estimate £000s</b>	<b>31 March 2016 Actual £000s</b>
<b>Opening balance</b>	<b>76,283</b>	<b>78,378</b>	<b>75,985</b>
<b>Add:</b> Unfinanced capital expenditure (Appendix 1)	2,270	904	3,272
<b>Less:</b> Minimum Revenue Provisions MRP	(2,568)	(2,557)	(2,435)
<b>Less:</b> Finance lease repayments	-		
<b>Closing balance</b>	<b>75,985</b>	<b>76,725</b>	<b>76,822</b>

4.6 The CFR for Adur Council increased by approximately £837k in 2015/16, being the net impact of unfinanced capital expenditure of £3.272m offset by £2.435m MRP.

4.7 For Worthing, the CFR reduced by £225k, reflecting new unfinanced capital expenditure during the year of £706k, offset by MRP of £931k.

<b>Worthing Borough Council - Capital Financing Requirement</b>	<b>31 March 2015 Actual £000s</b>	<b>31 March 2016 Original Estimate £000s</b>	<b>31 March 2016 Actual £000s</b>
<b>Opening balance</b>	<b>23,759</b>	<b>25,982</b>	<b>23,586</b>
<b>Add:</b> unfinanced capital expenditure (Appendix 1)	904	6,500	706
<b>Less:</b> Minimum Revenue Provisions MRP	(1,077)	(1,310)	(931)
<b>Closing balance</b>	<b>23,586</b>	<b>31,172</b>	<b>23,361</b>



#### 4.0 THE COUNCILS' OVERALL BORROWING NEED

4.8 The CFR for each Council is further compared against actual borrowing in Section 5.

#### 5.0 TREASURY POSITION AS AT 31 MARCH 2016

5.1 The Councils' debt and investment position is organised by the in-house treasury management service, which aims to ensure adequate liquidity for revenue and capital activities, the security for investments, and to manage the risks within all treasury management activities.

5.2 Procedures and controls to achieve these objectives are well established both through the Member reporting detailed in Section 2 and through officer activity detailed in the Councils' Joint Treasury Management Practices. The treasury position at the start and end of 2015/16 for each Council is shown in the tables which follow.

#### TREASURY POSITION AS AT 31 MARCH 2016 – ADUR DISTRICT COUNCIL

Adur District Council	Year Ended 31 March 2016			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/ Return	Principal £000s	Total £000s	Rate/ Return
Long Term Fixed rate funding:						
PWLB	56,315		3.8%	58,022		3.8%
Market	7,263	63,578	5.2%	7,274	65,296	5.2%
Long Term Variable rate funding:						
PWLB	-	-	-			
Market*	10,690	10,690	5.2%	10,690	10,690	5.2%
<b>Temporary Loans &lt;1yr</b>	-	-	-			
<b>Total Debt</b>		<b>74,268</b>	<b>4.1%</b>		<b>75,986</b>	<b>4.1%</b>
<b>CFR</b>		<b>76,822</b>			<b>75,985</b>	
<b>Over/ (under) borrowing</b>		<b>(2,554)</b>			<b>1</b>	
Investments:						
Bonds	75			75		
Long Term	2,000		1.9%	2,000		1.9%
Short Term	11,000	13,075	0.80%	13,000	15,075	0.72%
<b>Total Investments</b>		<b>13,075</b>	<b>0.92%</b>		<b>15,075</b>	<b>0.83%</b>
<b>Net Debt</b>		<b>61,193</b>			<b>60,911</b>	

\* From June 2016 these loans have been converted to fixed rate loans at 5.2%.

## 5.0 TREASURY POSITION AS AT 31 MARCH 2016

- 5.3 For Adur Council, the gross debt at 31<sup>st</sup> March decreased year on year by £1.7m, being the repayment of long term PWLB debt. The level of investments decreased by £2m due to fluctuations in operational cash balances. The combined effect of these movements is that the net indebtedness of the Council had increased by £0.3m at 31<sup>st</sup> March 2016.
- 5.4 The CFR exceeded the value of long term debt held at 31 March 2016 by £2.6m, meaning that Adur is now under borrowed. The previous year the Council was over borrowed by £1k. The significant improvement arose from the difference between net debt repayments (£1.7m), unfinanced capital expenditure (£3.3m) and MRP (-£2.4m).
- 5.5 The introduction of HRA self-financing resulted in a revision to the CIPFA Code of Practice, recommending the inclusion of a separate HRA Treasury Management Strategy for the HRA. This recommendation was adopted and reported as part of the overall Treasury Management Strategy to the JSC in 2011, and is updated each year as part of the HRA Budget Report.
- 5.6 The formulation of a separate Treasury Management Strategy is important because The Code requires transparency to be given to the relative positions of the General Fund and HRA so that decisions may be considered separately for treasury management purposes. Thus, the relative borrowing and CFR positions at the end of the year is further analysed between General Fund and HRA as follows:

CFR v Long Term Debt Position at 31 March 2016	ADUR DISTRICT COUNCIL		
	General Fund £000s	HRA £000s	Total £000s
<b>Actual Long term Debt 01/04/15</b>	<b>12,987</b>	<b>62,999</b>	<b>75,986</b>
New Long term Debt Raised in year	-	-	-
Long Term Debt Repaid in Year	9	1,709	1,718
<b>Actual Long Term Debt 31/03/16</b>	<b>12,978</b>	<b>61,290</b>	<b>74,268</b>
<b>Capital Financing Requirement</b>	<b>15,003</b>	<b>61,819</b>	<b>76,822</b>
<b>Over/(Under) Borrowing</b>	<b>(2,025)</b>	<b>(529)</b>	<b>(2,554)</b>
HRA Debt Limit	N/A	68,912	68,912
HRA Borrowing Headroom (Debt Limit – Actual Debt)	N/A	<b>7,622</b>	

## 5.0 TREASURY POSITION AS AT 31 MARCH 2016

- 5.7 This analysis shows that the General Fund was under-borrowed at the end of the year by £2.025m while the HRA was under-borrowed by approximately £529k. This position largely reflects the opening balance at 1 April 2012 arising from the application of the two pool split, wherein the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR. Therefore any under or over borrowing at that time was fully attributable to the General Fund.
- 5.8 Because Adur started the year in an over-borrowed position, it has not taken on any new debt in 2015/16.

### TREASURY POSITION AS AT 31 MARCH 2016 – WORTHING COUNCIL

Worthing Borough Council	Year Ended 31 March 2016			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/Return	Principal £000s	Total £000s	Rate/Return
Long Term Fixed rate funding:						
PWLB	6,100		2.09%	3,000		2.7%
Market	7,036	13,136	1.02%	88	3,088	0%
Temporary Loans <1 yr	6,000	6,000	0.50%	15,000	15,000	0.47%
<b>Total Debt</b>		<b>19,136</b>	<b>0.98%</b>		<b>18,088</b>	<b>0.68%</b>
<b>CFR</b>		<b>23,361</b>			<b>23,585</b>	
<b>Over/-(under) borrowing</b>		<b>(4,225)</b>			<b>(5,497)</b>	
Investments:						
Bonds	75		n/a	75		n/a
Long Term						
Short Term	8,050	8,125	0.72%	6,000	6,075	0.74%
<b>Total Investments</b>		<b>8,125</b>			<b>6,075</b>	
<b>Net Debt</b>		<b>11,011</b>			<b>12,013</b>	

- 5.9 Worthing ended the year with actual borrowing £4.2m below the CFR, a reduction in under-borrowing of £1.27m over the previous year. The reduction in under borrowing reflects new borrowing (£1.05m) plus MRP (£0.93m) less unfinanced capital expenditure (£0.71m) during the year. The under-borrowing position results from the Council's preference to use internal funds as a cheaper source of funding to finance capital expenditure than external borrowing.

## **5.0 TREASURY POSITION AS AT 31 MARCH 2016**

- 5.10 The key treasury management Prudential Indicators for each Council are reported in Section 6 below, with the full set of PI's reported at **Appendix 2**. The portfolio compositions at the start and end of the year for both Councils is shown at **Appendix 3** (Adur) and **Appendix 4** (Worthing).

## **6.0 PRUDENTIAL LIMITS UPON BORROWING**

- 6.1 The amount that the Councils may borrow is constrained by Prudential Indicators for Net Borrowing and the CFR. These important indicators are determined in advance of the financial year as part of the budget setting approvals, and are explained as follows:

### **Net borrowing and the CFR**

- 6.2 In order to ensure that borrowing levels are prudent over the medium term the Councils' external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Councils are not borrowing to support revenue expenditure. The Prudential Code requires that net borrowing should not, except in the short term, exceed the CFR for 2015/16 plus the expected changes to the CFR over 2016/17 and 2017/18.
- 6.3 This indicator allows the Councils some flexibility (if required or beneficial) to borrow in advance of immediate capital needs. The Councils have complied with this prudential indicator, as the net borrowing position (i.e. gross borrowing less gross investments) is below the value of the CFR.
- 6.4 The net indebtedness of Adur is £15.6m below CFR, and for Worthing some £12.4m below CFR, reflecting the availability of reserves to underpin the Councils' indebtedness.

## **7.0 THE TREASURY MANAGEMENT STRATEGY FOR 2015/16**

- 7.1 The expectation for interest rates within the strategy for 2015/16 anticipated low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2015/16. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.
- 7.2 In this scenario, the treasury strategy was to continue to borrow short term as required, pending anticipated capital receipts. Public Works Loan Board (PWLB) long term loans would be used when favourable to fix borrowing at low rates. During the year the PWLB rates continued to reduce, so Worthing borrowed from the PWLB when short term loans matured.

## 8.0 THE ECONOMY AND INTEREST RATES

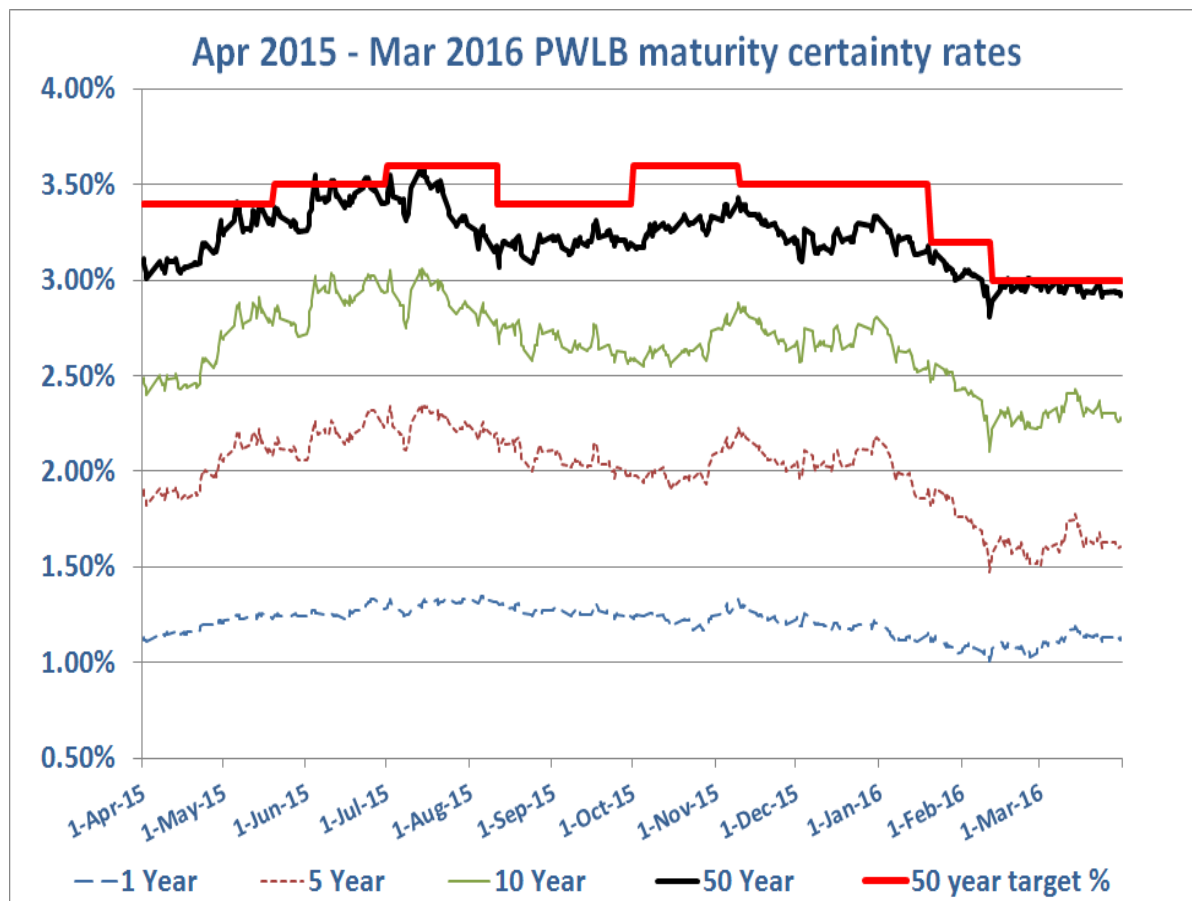
### Commentary Provided by Capita Asset Services Ltd

- 8.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 8.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 8.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 8.4 The ECB commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 8.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 8.6 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

## 8.0 THE ECONOMY AND INTEREST RATES

### 8.7. Borrowing Rates in 2015/16

**PWLB certainty maturity borrowing rates** - the graphs and table for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, individual rates at the start and the end of the financial year.



## 9.0 BORROWING OUTTURN FOR 2015/16

### New Borrowing

9.1 **Adur District Council** has not carried out any borrowing during the year. Adur held precepts of £282k on behalf of Lancing Parish Council for most of the year as temporary borrowing.

Lender	Principal £000	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice	1 Apr 2015 - 14 Mar 2016	Variable

## 9.0 BORROWING OUTTURN FOR 2015/16

9.2 The total cost of interest on the average balance of £75.7m for all borrowing for Adur during the year amounted to £3.1m equating to a weighted average rate of 4.1%. However the debt relating to the HRA self-financing debt settlement payment of £51.185m was granted at a preferential rate of 3.03% and if the residual element (£44.36m) of that loan is excluded, the interest rate on all other historic debt is actually 5.8%.

9.3 **Worthing Borough Council** –Worthing obtained 7 new loans totalling £18.5m, £1.5m of which was for daily cash flow purposes to cover timing differences, with £17m in respect of temporary loans that matured and were formerly obtained up to one year duration to fund the capital programme. These have been re-financed partly on a similar basis and partly with longer term loans to take advantage of the low rates available.

Lender	Principal £000	Type	Interest Rate %	Borrowed	Maturity
Islington Council	5,000	Fixed Principal and Interest	0.75%	May 2015	Nov 2016
London Borough of Ealing	2,000	Fixed Principal and Interest	0.58%	May 2015	May 2016
West Yorkshire Police and CC	2,000	Fixed Principal and Interest	0.50%	June 2015	June 2016
London Borough of Ealing	2,000	Fixed Principal and Interest	0.45%	June 2015	Dec 2015
Hyndburn Borough Council	2,000	Fixed Principal and Interest	0.48%	July 2015	July 2016
Gloucestershire CC	2,000	Fixed Principal and Interest	1.90%	July 2015	July 2020
PWLB	3,500	Fixed Principal and Interest	2.07%	Dec 2015	Dec 2025

9.4 The total cost of interest on all borrowing for 2015/16 amounted to £189k for average balances of £19.3m, equating to a weighted average rate of 0.98%.

## 9.0 BORROWING OUTTURN FOR 2015/16

### Debt Rescheduling

9.5 No debt was rescheduled during the year for either Council.

### Repayments of debt

9.6 **Adur District Council's** debt repayments were as follows:-

Lender	Principal £000s	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice	Apr 2015 - Mar 2016	Variable
PWLB - HRA	1,706	Fixed Principal and Interest	3.03%	March '12 – March'42	40 Years
Salix Finance	12	Variable Profile	0%	Various	4 Years

9.7 **Worthing Borough Council's** debt repayments were as follows:-

Lender	Principal £000	Type	Interest Rate	Period Lent	Duration
Barnsley Doncaster	5,000	Fixed Principal and Interest	0.48%	June 2014 - June 2015	< 1 year
Crawley BC	5,000	Fixed Principal and Interest	0.45%	July 2014 – May 2015	< 1 year
London Borough of Ealing	2,000	Fixed Principal and Interest	0.45%	June 2015 - Dec 2015	< 1 year
Hyndburn Council	2,000	Fixed Principal and Interest	0.43%	July 2014 - July 2015	< 1 year
West Yorkshire PandCC	3,000	Fixed Principal and Interest	0.55%	Sept 2014 - Sept 2015	< 1 year
PWLB	400	Fixed Principal and Interest	2.32% and 1.62%	Oct 2008 and Oct 2014	5 years and 10 years
Salix Finance	52	Fixed Principal and Interest	0%	Jan '11-Sept '14	3 years



## 10.0 INVESTMENT OUTTURN FOR 2015/16

### Investment Strategy

- 10.1 Bank Rate remained at its historic low of 0.5% throughout the year.
- 10.2 The Councils' investment policy is governed by CLG guidance, and implemented in the Annual Investment Strategy and Treasury Management Practices, approved by the Councils before the start of the 2015/16 financial year.
- 10.3 The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 10.4 The investment activity during the year conformed to the approved strategy. The outturn performance of both Councils compared to benchmark returns obtained from 91 non-metropolitan councils is summarised below:

Authority	Average Investments During 2015/16	Interest Returned on all Investments	Interest Rate Achieved %	Benchmark Interest Rate %
Adur	£18.7m	£172,566	0.92%	0.74%
Worthing	£14.0m	£101,181	0.72%	0.74%

- 10.5 As can be seen in the table above, both Councils exceeded or were close to the benchmark returns. Worthing's average rate of return was below Adur's, reflecting the respective cash flow positions of each Council during the year. In particular Worthing had a higher incidence of temporary borrowing during the year, resulting in shorter dated investments when cash was available. The performance outturn for Worthing also reflects the use of cash surpluses (internal borrowing) to fund capital expenditure as an alternative to more expensive borrowing, and the time delay relating to asset sales.

## 11.0 OTHER ISSUES

### Joint Working Shared Services Arrangements

- 11.1 Since 2010 the treasury management team for Adur and Worthing Councils has provided Treasury Management services for Mid Sussex District Council. The arrangement was extended for a further three years from October 2013, for which Adur and Worthing Councils will jointly receive an agreed fee of £29,510 per year.

## **12.0 CONCLUSIONS**

12.1 The Treasury Management strategy was generally followed as expected, primarily by internal borrowing for Adur and short term borrowing for Worthing. The outturn position for both Councils was positive against the estimated treasury management budgets and is detailed in the Revenue Outturn Report that went to the Joint Strategic Committee on July 13<sup>th</sup> 2016.

## **13.0 RECOMMENDATIONS**

13.1 The Joint Governance and Audit Committee is recommended to note this report and refer any comments or suggestions to the next meeting of the JSC on 11 October, 2016.

13.2 The Joint Strategic Committee (JSC) is recommended to note this report.

### **Background Papers:**

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2015/16 to 2017/18 – Joint Strategic Committee 5 February 2015, and Joint Governance and Audit Committee, 24 March 2015

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2015 for Adur District Council and Worthing Borough Council - Joint Governance and Audit Committee, 19 January 2016

Capita Asset Services Ltd Annual Report Template 2015/16

Capita Benchmarking Club Reports

### **Contact Officer:**

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## SCHEDULE OF OTHER MATTERS

### **1.0 COUNCIL PRIORITY**

1.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the following Council priority:

- To protect and enhance priority services.

### **2.0 SPECIFIC ACTION PLANS**

2.1 As contained within the Councils' Treasury Management Strategy and Annual Investment Strategy 2015/16 - 2017/18, submitted and approved before the commencement of the 2015/16 financial year.

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 Matter considered and no issues identified

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

### **10.0 HEALTH and SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 Matter considered and no issues identified

## The Councils' Capital Expenditure and Financing 2015/16

<b>Adur District Council – Capital Expenditure</b>	<b>2015/16 Original Budget £000s</b>	<b>2015/16 Actual £000s</b>
General Fund capital expenditure	1,218	4,965
HRA capital expenditure	3,605	4,651
<b>Total capital expenditure</b>	<b>4,823</b>	<b>9,616</b>
Resourced by:		
• Capital receipts	400	372
• Capital grants and Contributions	293	1,591
• Revenue Reserves and Contributions	3,226	4,380
<b>Unfinanced capital expenditure *</b>	<b>904</b>	<b>3,273</b>

<b>Worthing Borough Council – Capital Expenditure</b>	<b>2015/16 Original Budget £000s</b>	<b>2015/16 Actual £000s</b>
General Fund capital expenditure	8,319	2,373
<b>Total capital expenditure</b>	<b>8,319</b>	<b>2,373</b>
Resourced by:		
• Capital receipts	225	590
• Capital grants and Contributions	1,244	865
• Revenue Reserves and Contributions	350	212
<b>Unfinanced capital expenditure *</b>	<b>6,500</b>	<b>706</b>

\* The Unfinanced Capital Expenditure adds to the Capital Financing Requirement (CFR), and therefore the need to borrow and make Minimum Revenue Provisions (MRP) for repayment of debt.

## THE COUNCILS' PRUDENTIAL INDICATORS

1. ADUR - PRUDENTIAL INDICATORS – CAPITAL FINANCING REQUIREMENT	2014/15 Actual	2015/16 Original Estimate	2015/16 Actual
	£'000	£'000	£'000
<b>Capital Expenditure</b>			
General Fund	3,456	1,218	4,965
HRA (applies only to housing authorities)	3,749	3,605	4,651
<b>TOTAL</b>	<b>7,205</b>	<b>4,823</b>	<b>9,616</b>
<b>Net borrowing Position</b>			
Brought forward 1 April	60,074	59,117	60,911
Carried forward 31 March	60,911	57,853	61,193
In year Increase - / Decrease +	-837	1,264	-282
<b>Capital Financing Requirement as at 31 March</b>			
General Fund	12,449	14,534	15,003
HRA (applies only to housing authorities)	63,536	62,192	61,819
<b>TOTAL</b>	<b>75,985</b>	<b>76,726</b>	<b>76,822</b>
<b>Annual change in Cap. Financing Requirement</b>			
General Fund	1418	64	2,554
HRA (applies only to housing authorities)	-1717	-1717	-1,717
<b>TOTAL</b>	<b>-299</b>	<b>-1,653</b>	<b>837</b>

## THE COUNCILS' PRUDENTIAL INDICATORS

2. ADUR - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
Authorized Limit for external debt -			
Borrowing	99,000	99,000	99,000
Other long term liabilities	1,000	1,000	1,000
<b>TOTAL</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Operational Boundary for external debt -			
Borrowing	93,000	93,000	93,000
Other long term liabilities	1,000	1,000	1,000
<b>TOTAL</b>	<b>94,000</b>	<b>94,000</b>	<b>94,000</b>
Compared to actual maximum external debt during the year	78,209	78,378	75,986

3. ADUR - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2014/15 Actual	2015/16 Original	2015/16 Actual
Ratio of financing costs to net revenue stream			
General Fund	15.31%	13.03%	13.93%
HRA (applies only to housing authorities)	42.46%	40.93%	41.94%
Incremental impact of capital investment decisions			
Increase/-decrease in council tax (band D) per annum	£5.31	£2.65	-£5.92
Increase/-decrease in average housing rent per week (Housing authorities only)	-£0.44	-£1.05	-£0.39

## THE COUNCILS' PRUDENTIAL INDICATORS

4. ADUR - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE and REPAYMENT RISK	2015/16 Limits	2015/16 Actual
<b>Upper limit for fixed interest rate exposure</b> Expressed as : Fixed rate borrowing as % of Net Total Borrowing	82%	82%
<b>Upper limit for variable rate exposure</b> Expressed as – Variable rate Investments as % of Net Total Borrowing	19%	18%
<b>Upper limit for total principal sums invested for over 364 days</b>	50%	15%
<b>Adur Maturity structure of fixed rate borrowing at 31 March 2016</b> Maturing within one year Maturing in 1-2 years Maturing in 2-5 years Maturing in 5-10 years Maturing in more than 10 years	<b>Upper Limit</b> 17% 17% 21% 28% 75%	<b>Lower Limit</b> 2% 2% 7% 14% 75%

The difference between the Upper and Lower limits reflects the effect of callable loans (LOBOS) being called at the lender's earliest option or the same loans being held to maturity. The LOBOS are held with Barclays Bank which has now amended the terms of the loans, removing its right to change the interest rate. Consequently these loans will be treated as fixed rate loans for all future reports and there will be no difference between the Upper and Lower Limits in the maturity structure.

## THE COUNCILS' PRUDENTIAL INDICATORS

1. PRUDENTIAL INDICATORS - WORTHING CAPITAL FINANCING REQUIREMENT	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
<b>Capital Expenditure</b>			
General Fund	3,303	8,319	2,373
<b>TOTAL</b>	<b>3,303</b>	<b>8,319</b>	<b>2,373</b>
<b>Net Investments (-) / Borrowing Position</b>			
Brought forward 1 April	11,992	16,038	12,013
Carried forward 31 March	12,013	1,115	11,011
In year Increase - / Decrease +	-21	14,923	1,002
<b>Capital Financing Requirement as at 31 March</b>			
General Fund	23,527	31,172	23,361
<b>Annual change in Cap. Financing Requirement</b>			
General Fund	174	7,645	-166

2. WORTHING - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2014/15 Limit	2015/16 Limit
	£'000	£'000
<b>Authorised Limit for external debt -</b>		
Borrowing	24,000	34,000
Other long term liabilities	1,000	1,000
<b>TOTAL</b>	<b>25,000</b>	<b>35,000</b>
<b>Operational Boundary for external debt -</b>		
Borrowing	19,000	29,000
Other long term liabilities	1,000	1,000
<b>TOTAL</b>	<b>20,000</b>	<b>30,000</b>
<b>Compared to actual maximum external debt during the year</b>	<b>Actual 23,462</b>	<b>Actual 21,251</b>



## THE COUNCILS' PRUDENTIAL INDICATORS

3. WORTHING - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
<b>Incremental impact of capital investment decisions - affordability</b>			
Increase (+) / decrease (-) in council tax (band D) per annum	£5.47	£13.30	-£1.77
<b>Ratio of financing costs to net revenue stream</b> General Fund	8.16%	8.50%	7.36%

4. WORTHING - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE and REPAYMENT RISK	2015/16 Limits	2015/16 Actual
<b>Upper limit for fixed interest rate exposure</b> Expressed as : Fixed rate borrowing as % of total borrowing	100%	100%
<b>Upper limit for variable rate exposure</b> Expressed as – Variable rate Investments as % of Net Total Borrowing	-100%	-27%
<b>Upper limit for total principal sums invested for over 364 days</b>	50%	0%
<b>Worthing Maturity Structure of fixed rate borrowing at 31 March 2016</b>		
Maturing within one year		62%
Maturing in 1-2 years		4%
Maturing in 2-5 years		21%
Maturing in 5-10 years		13%

**ADUR DC - PORTFOLIO OF INVESTMENTS & LOANS****INVESTMENTS AT 31 MARCH 2015**

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5980	BARCLAYS TREASURY DEPOSIT	22-Apr-14	21-Apr-15	364	1,000,000	0.86
5987	BARCLAYS TREASURY DEPOSIT	27-Jun-14	25-Jun-15	363	1,000,000	0.96
5982	BANK OF SCOTLAND	07-May-14	06-May-15	364	1,000,000	0.95
5986	LEEDS BUILDING SOCIETY	02-Jun-14	01-Jun-15	364	1,000,000	0.65
5985	LLOYDS TSB BANK	22-May-14	21-May-15	364	1,000,000	0.95
5990	LLOYDS TSB BANK	03-Jul-14	25-Jun-15	357	1,000,000	0.92
6001	NATIONWIDE BLDG SOCIETY	07-Oct-14	13-Apr-15	188	1,000,000	0.67
6005	NATIONWIDE BLDG SOCIETY	26-Nov-14	25-Nov-15	364	1,000,000	0.97
6008	NATIONWIDE BLDG SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000	0.90
5989	SANTANDER CORP BANKING	01-Jul-14	25-Jun-15	359	2,000,000	0.90
6006	SKIPTON BUILDING SOCIETY	02-Dec-14	01-Dec-15	364	1,000,000	0.95
6007	SKIPTON BUILDING SOCIETY	06-Jan-15	05-Jan-16	364	1,000,000	0.95
50782	LOCAL CAPITAL FINANCE	30-Sep-14			50,000	
50783	W SUSSEX CREDIT UNION	06-Mar-15			25,000	
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
<b>TOTAL INVESTMENTS AT 31 MARCH 2015</b>					<b>15,075,000</b>	

**INVESTMENTS AT 31 MARCH 2016**

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
6014	BARCLAYS TREASURY DEPOSIT	21-Apr-15	19-Apr-16	364	1,000,000	0.92
6022	BARCLAYS TREASURY DEPOSIT	02-Sep-15	31-Aug-16	364	1,000,000	1.00
6025	BARCLAYS TREASURY DEPOSIT	30-Sep-15	28-Sep-16	364	1,000,000	0.99
6029	BARCLAYS TREASURY DEPOSIT	25-Nov-15	24-Nov-16	365	1,000,000	0.97
6024	LLOYDS BANK	16-Sep-15	15-Sep-16	365	1,000,000	1.05
6027	LLOYDS BANK	09-Oct-15	10-Oct-16	367	1,000,000	1.05
6032	NATIONWIDE BLDG SOCIETY	25-Jan-16	25-Apr-16	91	1,000,000	0.50
6034	NATIONWIDE BLDG SOCIETY	17-Mar-16	28-Jul-16	133	1,000,000	0.57
6023	SANTANDER UK	02-Sep-15	31-Aug-16	364	2,000,000	1.00
6031	STIRLING COUNCIL	11-Dec-15	01-Apr-16	112	1,000,000	0.50
50782	LOCAL CAPITAL FINANCE	30-Sep-14			50,000	
50783	W SUSSEX CREDIT UNION	06-Mar-15			25,000	
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
<b>TOTAL INVESTMENTS AT 31 MARCH 2016</b>					<b>13,075,000</b>	

**BORROWING at 31 March**

Deal Ref	Counterparty	Type	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2015	Interest Rate %	Principal (£) at 31 March 2016
1388	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1389	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1390	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1391	DEPFA BANK PLC	M	30-Mar-07	30-Mar-67	60	3,250,000	6.660	3,250,000
1392	DEPFA BANK PLC	M	30-Mar-07	30-Mar-67	60	4,000,000	4.035	4,000,000
476087	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-54	59	1,000,000	8.375	1,000,000
476088	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-53	58	1,000,000	8.375	1,000,000
476089	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-52	57	1,000,000	8.375	1,000,000
478322	PUBLIC WORKS LOAN BOAR P		17-Oct-96	07-May-56	60	1,000,000	8.000	1,000,000
479540	PUBLIC WORKS LOAN BOAR P		28-May-97	21-Dec-56	59	1,000,000	7.375	1,000,000
479868	PUBLIC WORKS LOAN BOAR P		24-Sep-97	12-Apr-57	60	1,000,000	7.125	1,000,000
479888	PUBLIC WORKS LOAN BOAR P		24-Sep-97	12-Apr-57	60	1,000,000	6.750	1,000,000
481007	PUBLIC WORKS LOAN BOAR P		09-Jun-98	11-Jan-58	60	1,000,000	5.750	1,000,000
481320	PUBLIC WORKS LOAN BOAR P		17-Sep-98	11-Apr-55	57	455,795	5.250	455,795
482485	PUBLIC WORKS LOAN BOAR P		22-Apr-99	11-Apr-59	60	1,000,000	4.750	1,000,000
483648	PUBLIC WORKS LOAN BOAR P		25-Nov-99	02-Aug-59	60	726,000	4.500	726,000
483649	PUBLIC WORKS LOAN BOAR P		25-Nov-99	02-Aug-59	60	273,531	4.500	273,531
484177	PUBLIC WORKS LOAN BOAR P		20-Apr-00	07-Nov-24	24	1,000,000	5.125	1,000,000
485172	PUBLIC WORKS LOAN BOAR P		18-Jan-01	15-Sep-25	24	335,133	4.625	335,133
485173	PUBLIC WORKS LOAN BOAR P		18-Feb-01	15-Sep-25	24	164,867	4.875	164,867
499487	PUBLIC WORKS LOAN BOAR T		28-Mar-12	28-Mar-42	30	46,066,500	3.030	44,360,333
12	SALIX FINANCE		02-Feb-12	01-Sep-15	4	1,729	0.000	0
13	SALIX FINANCE		07-Feb-13	01-Sep-16	4	482	0.000	161
17	SALIX FINANCE		03-Apr-13	01-Mar-17	3.91	401	0.000	200
20	SALIX FINANCE		02-Aug-13	01-Mar-17	3.58	7,039	0.000	3,520
21	SALIX FINANCE		12-Feb-14	01-Sep-17	3.55	15,000	0.000	9,000
						<b>75,986,287</b>		<b>74,268,350</b>
<b>NET BORROWING =</b>						<b>60,911,287</b>		<b>61,193,350</b>

## WORTHING BC - PORTFOLIO OF INVESTMENTS & LOANS

### INVESTMENTS at 31 March 2015

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1132	BARCLAYS BANK	02-Jun-14	21-May-15	353	2,000,000.00	0.87
1157	BARCLAYS BANK	19-Mar-15	18-Mar-16	365	1,000,000.00	0.92
1154	NATIONWIDE BLDG SOCIETY	19-Jan-15	18-Jan-16	364	1,000,000.00	0.90
1155	NATIONWIDE BLDG SOCIETY	09-Feb-15	08-Feb-16	364	1,000,000.00	0.90
1156	SKIPTON BUILDING SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000.00	0.97
9001	LOCAL CAPITAL FINANCE	03-Sep-14			50,000.00	
9002	W SUSSEX CREDIT UNION	06-Mar-15			25,000.00	
					<b>6,075,000</b>	

### INVESTMENTS at 31 March 2016

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1158	FEDERATED INVESTORS MMF	01-Apr-15			3,000,000	
1153	HANDELSBANKEN	05-Jan-15			50,000	0.35
1175	BARCLAYS BANK	15-Dec-15	14-Dec-16	365	1,000,000	1.00
1177	BARCLAYS BANK	06-Jan-16	04-Jan-17	364	1,000,000	1.01
1176	LLOYDS BANK	05-Jan-16	03-Jan-17	364	1,000,000	1.05
1178	LLOYDS BANK	20-Jan-16	20-Apr-16	91	1,000,000	0.57
1179	STOCKPORT MET COUNCIL	17-Mar-16	19-May-16	63	1,000,000	0.46
9001	LOCAL CAPITAL FINANCE	03-Sep-14			50,000.00	
9002	W SUSSEX CREDIT UNION	06-Mar-15			25,000.00	
					<b>8,125,000</b>	

### BORROWING at 31 March

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2015	Interest Rate %	Principal (£) at 31 March 2016
19	SALIX FINANCE	02-Feb-12	01-Sep-15	4	11,393	0.00	0
20	SALIX FINANCE	02-Feb-12	01-Sep-15	4	9,654	0.00	0
27	SALIX FINANCE	07-Feb-13	01-Sep-16	4	13,311	0.00	4,437
29	SALIX FINANCE	03-Apr-13	01-Mar-17	3.91	894	0.00	447
33	SALIX FINANCE	02-Aug-13	01-Mar-17	3.58	5,183	0.00	2,592
35	SALIX FINANCE	23-Dec-13	01-Sep-17	3.69	28,991	0.00	17,395
37	SALIX FINANCE	12-Feb-14	01-Sep-17	3.55	18,344	0.00	11,006
38	BARNESLEY DONCASTER	26-Jun-14	25-Jun-15	1.00	5,000,000	0.48	0
39	CRAWLEY BOROUGH COUNCIL	14-Jul-14	14-May-15	0.83	5,000,000	0.45	0
40	HYNDBURN BOROUGH COUNCIL	14-Jul-14	13-Jul-15	1.00	2,000,000	0.43	0
45	W YORKS POLICE & CRIME COMM	22-Sep-14	21-Sep-15	1.00	3,000,000	0.55	0
46	EALING COUNCIL	15-May-15	13-May-16	1.00	0	0.58	2,000,000
47	W YORKS POLICE & CRIME COMM	05-Jun-15	03-Jun-16	1.00	0	0.50	2,000,000
49	HYNDBURN BOROUGH COUNCIL	13-Jul-15	11-Jul-16	1.00	0	0.48	2,000,000
50	GLOUCESTERSHIRE COUNTY COUNCIL	30-Jul-15	30-Jul-20	5.00	0	1.90	2,000,000
9002	ISLINGTON FINANCE	14-May-15	14-Nov-16	1.51	0	0.75	5,000,000
503406	PUBLIC WORKS LOAN BOARD	22-Oct-14	22-Oct-24	10.00	2,000,000	2.32	1,800,000
503538	PUBLIC WORKS LOAN BOARD	12-Dec-14	12-Dec-19	5.00	1,000,000	1.62	800,000
504511	PUBLIC WORKS LOAN BOARD	02-Dec-15	02-Dec-25	10.00	0		3,500,000
					<b>18,087,770</b>		<b>19,135,877</b>
					<b>31 March 2015</b>		<b>31 March 2016</b>
					<b>NET BORROWING =</b>	<b>£12,012,770</b>	<b>£11,010,877</b>



## Internal Audit Progress Report

### Report of the Acting Head of Internal Audit

#### 1.0 Summary

- 1.1 This report notes the performance of the Internal Audit Section up to the 31<sup>st</sup> August 2016.
- 1.2 This report provides a summary of the key issues raised in final audit reports issued since our last report to this Committee and provides the current status on the follow-up on the agreed audit recommendations made in final audit reports.

#### 2.0 Background

- 2.1 Each quarter a report is produced for this Committee which details the Internal Audit Section's performance against the current Annual Internal Audit Plan and summarises the results of audit work carried out.

##### Internal Audit Performance - 2015/16

- 2.2 As reported to the previous meeting of this committee, the 2015/16 Annual Internal Audit Plan was revised to 645.5 days and 45 items of work by the end of the year. Six audits from this plan were postponed to the current year and as at the 31st August, 584 days (90.5%) of the planned days had been delivered. The remaining 61.5 days relates to five audits still to be conducted, three of which are due to start in September.

##### Internal Audit Performance - 2016/17

- 2.3 The 2016/17 Annual Internal Audit Plan presented to the Joint Governance Committee on 22 March 2016 contained 514 days and 38 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.4 Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	6	81	15.8%
Quarter 2 (July – September)	10	120	23.3%
Quarter 3 (October – December)	12	170	33.1%
Quarter 4 (January – March)	10	143	27.8%
	<b>39</b>	<b>514</b>	<b>100</b>

- 2.5 At 31<sup>st</sup> August, 131.32 days (27.5%) of the planned days had been delivered against the plan. Attached as **Appendix 1** is a summary of the current status of audits in the plan.

Final Audit Reports

- 2.6 Recommendations made in audit reports are categorised according to their level of priority as follows:

<b>Priority 1</b>	Major issues for the attention of senior management.
<b>Priority 2</b>	Other recommendations for local management action.
<b>Priority 3</b>	Minor matters.

- 2.7 Internal Audit’s assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system’s control adequacy. The assurance levels and their associated explanations are:-

<b>Full Assurance</b>	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

- 2.8 The report attached as **Appendix 2** provides a summary of key issues raised in all final reports issued since our last report to this Committee, including those with a Limited Assurance opinion. Since the previous Committee, twelve reports have been finalised; of these ten were Satisfactory assurance and two were Limited assurance. Ten P1 recommendations were raised within these reports.

Follow up of Audit Recommendations

- 2.9 In accordance with the Council’s Follow-Up Protocol, Internal Audit has continued following-up the status of implementation of recommendations contained in final audit reports.
- 2.10 Follow-up audits are undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The

performance in relation to these targets as at 31st August is shown in the tables below.

2.11 The Audit App, delivered to us by the Digital Team, is now live and we are in the process of providing audit owners and owners of audit recommendations with information and training to allow them to update the system. Going forward the App will be used to produce statistical information on the implementation of audit recommendations, but in the interim, we will continue to manually calculate the information provided to this Committee as detailed in the tables below.

**Analysis of status of recommendations 2013/14**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	16	12	75%	1	6.3%	3	18.7%	0	0%	25%	0	16
P2	111	75	67.6%	24	21.6%	12	10.8%	0	0%	34.2%	0	111
P3	23	17	73.9%	5	21.7%	1	4.4%	0	0%	26.1%	0	23
Other	6	6	100%	0	0%	0	0%	0	0%	0%	0	6
<b>Total</b>	<b>156</b>	<b>110</b>	<b>70.5%</b>	<b>30</b>	<b>19.2%</b>	<b>16</b>	<b>10.7%</b>	<b>0</b>	<b>0%</b>	<b>30.8%</b>	<b>0</b>	<b>156</b>

**Analysis of status of recommendations 2014/15**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	37	25	67.6%	1	2.7%	11	29.7%	0	0%	32.4%	0	37
P2	131	95	72.5%	15	11.5%	21	16%	0	0%	27.5%	0	131
P3	31	19	61.3%	3	9.7%	9	29%	0	0%	38.7%	0	31
Other	7	1	14.3%	0	0%	6	85.7%	0	0%	85.7%	0	7
<b>Total</b>	<b>206</b>	<b>140</b>	<b>68%</b>	<b>19</b>	<b>9.2%</b>	<b>47</b>	<b>22.8%</b>	<b>0</b>	<b>0%</b>	<b>32%</b>	<b>0</b>	<b>206</b>

**Analysis of status of recommendations 2015/16**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	32	30	93.7%	0	0%	0	0%	2	6.3%	6.3%	9	41
P2	54	11	20.4%	0	0%	6	11.1%	37	68.5%	79.6%	33	87
P3	10	2	20%	0	0%	0	0%	8	80%	80%	8	18
<b>Total</b>	<b>96</b>	<b>43</b>	<b>44.8%</b>	<b>0</b>	<b>0%</b>	<b>6</b>	<b>6.2%</b>	<b>47</b>	<b>49%</b>	<b>55.2%</b>	<b>50</b>	<b>146</b>

2.12 Attached as **Appendices 3, 4 & 5** are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2013/14, 2014/15 and 2015/16 Audit Plans. The shaded boxes indicate where changes have occurred since our last report.

### **3.0 Proposals**

3.1 That the Committee note the performance of the Internal Audit Section.

3.2 That the Committee note the summary of the key issues raised in final audit reports issued and the current status on the follow-up on Internal Audit recommendations.

### **4.0 Legal**

4.1 There are no legal matters arising as a result of this report.

### **5.0 Financial Implications**

5.1 There are no financial implications arising from this report.

### **6.0 Recommendations**

6.1 That the Committee note the performance of the Internal Audit Section.

6.2 That the Committee note the summary of the key issues raised in final audit reports issued since our last report to this Committee and the current status on the follow-up on Internal Audit recommendations.

## **Local Government Act 1972**

**Background Papers:** None

### **Contact Officer:**

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## Schedule of Other Matters

### **1.0 Council Priority**

1.1 The report does not seek to meet any particular Council priorities.

### **2.0 Specific Action Plans**

2.1 (A) Matter considered and no issues identified.  
(B) Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (SECTION 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Matter considered and no issues identified.

### **8.0 Consultations**

8.1 (A) Matter considered and no issues identified.  
8.2 (B) Matter considered and no issues identified.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

### **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

### **12.0 Partnership Working**

12.1 Matter considered and no issues identified.

APPENDIX 1

	Project	Joint	ADC only	WBC only	Field Work complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
1	Local Land Charges	*			Y	Y	Y	Satisfactory	Satisfactory
1	Fleet and Transport Management	*			Y	UR			
1	Fire Risk Management	*			Y	UR			
1	Invest to Save Schemes	*			Y	Y			
1	Management of the Council's Commercial Property Portfolio	*			WIP				
1	Disability Awareness	*			WIP				
2	Medium Term Financial Strategy	*			Y	Y			
2	Splashpoint Gym Equipment Fact Find			*	Y	UR			
2	Voluntary and Community - Contract Procurement	*			WIP				
2	Corporate Governance	*			WIP				
2	Cyber Security	*							
2	Disaster Recovery (Extended Follow up)	*			WIP				
2	Programme Management	*			WIP				
2	Contract Management Audit - Mobile Phones	*			WIP				
2	Firewall Security	*							
2	Final Accounts	*			WIP				
3	Contact Centre	*			P				
3	Rent Collection and Collection of Arrears		*						
3	WBC Leisure Trust - Contract Management			*	P				
3	Right to Buy		*						
3	WBC Revenues (Council Tax and NDR)			*					
3	WBC Benefits			*					
3	Census NDR		*						
3	General Ledger	*							
3	Creditors	*							
3	Penetration testing	*							
3	Debtors	*							
3	Telephony	*							
4	Property Management	*			P				
4	Sheltered Accommodation		*						
4	Fixed Assets	*							
4	Compliance with the Housing and Planning Bill	*							
4	Capital Accounting	*							
4	Treasury Management	*							
4	Payroll	*							
4	Cashiering	*							
4	Risk Management	*							
4	Operating System Review	*							
4	Remote Access Protocols/VPN	*							
4	Welfare Reform - support to claimants	*							

KEY

- P In Planning stage
- WIP Work In Progress
- UR Under review

## Key issues from finalised audits

## Appendix 2

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
Corporate Governance (2015/16)	H	<b>Satisfactory</b> (Two Priority 2 recommendations)	No Priority 1 issues were raised.
Use of Consultants (2015/16)	H	<b>Limited</b> (Five Priority 1 and six Priority 2 recommendations)	<p>There were no minimum business case requirements for the engagement of a Consultant.</p> <p>During testing one instance was identified where there was a lack of evidence to support compliance with Contract Standing Order requirements in respect of quotations for contracts over £25,000.</p> <p>For one case examined we were unable to confirm that there had been consultation with the Executive as required by the Councils' Officer Employment Rules, when a Consultant was recruited to a permanent post.</p> <p>Signed contracts or letters of engagement were not found to be in place, before the commencement of work, for some of the Consultants tested.</p> <p>The Procurement Team does not regularly monitor expenditure on Consultants or investigate instances where the engagement of Consultants had not been notified to them.</p>
Local Development Framework (2015/16)	M	<b>Satisfactory</b> (Two Priority 2 recommendations)	No Priority 1 issues were raised.
Housing Rents (2015/16)	M	<b>Satisfactory</b> (One Priority 1 and three Priority 2 recommendations)	There is no policy for dealing with historic arrears some of which dated back to 1999/2000 and were for very small amounts.
Public Health (2015/16)	M	<b>Satisfactory</b> (Four Priority 2 and one Priority 3 recommendations)	No Priority 1 issues were raised.
Empty Property Management (2015/16)	M	<b>Satisfactory</b> (Three Priority 2 and one Priority 3 recommendations)	No Priority 1 issues were raised.
WBC Benefits (2015/16)	H	<b>Satisfactory</b> (One Priority 1, one Priority 2 and one Priority 3 recommendations)	Write offs of less than £2,500 were being processing through Academy without approval of the Chief Financial Officer as is required by Financial Regulations.
Electoral Services (2015/16)	H	<b>Limited</b> (Three Priority 1, ten Priority 2 and three Priority 3 recommendations)	<p>Right to Work in the UK checks are not being performed on all staff employed by the Returning Officer to work on elections.</p> <p>There is no documented agreed policy relating to Council staff working on election duties during normal working hours.</p> <p>A lack of documents and records existed to</p>

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised
			support payments made to Electoral Services staff from the "clerical fund".
General Ledger (2015/16)	H	<b>Satisfactory</b> (Four Priority 2 and one Priority 3 recommendations)	No Priority 1 issues were raised.
Cashiering (2015/16)	H	<b>Satisfactory</b> (Two Priority 2 recommendations)	No Priority 1 issues were raised.
Creditors (2015/16)	H	<b>Satisfactory</b> (One Priority 2 and one Priority 3 recommendations)	No Priority 1 issues were raised.
Local Land Charges (2016/17)	H	<b>Satisfactory</b> (Four Priority 2 recommendations)	No Priority 1 issues were raised.

Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	1	2	3	% of recs outstanding	Comments	Comments re outstanding Priority 1 recommendations
<b>Director of Digital &amp; Resources</b>														
<b>Finance</b>														
Annual Governance Statement (control issues)	N/A	N/A	N/A										N/A	
General Ledger	May-14	Satisfactory	7	5	71%	2	29%						Recs were followed up as part of 14/15 audit - 2 were reiterated in 14/15 report	
Cashiering	Jun-14	Satisfactory	4	3	75%	1	25%						Self assessment received 7/11/14 - remaining recs were as part of 14/15 annual audit - one complete & one reiterated in 14/15 report	
Creditors	May-14	Satisfactory	2	2	100%								Recommendations followed up as part of 14/15 annual audit.	
Debtors	May-14	Satisfactory	3	2	67%	1	33%						Recommendation relates to review of procedures	
Capital Expenditure & Fixed Assets	Dec-14	Satisfactory	7			7	100%						Recommendations were followed up a part of annual audit. All were reiterated in 14/15 report	
Treasury Management	Jun-14	Satisfactory	2	2	100%								COMPLETE	
Staff expenses (inc car mileage)	May-14	Satisfactory	2	2	100%								COMPLETED before FU due	
Probity - Staff discounts & Concessions	Mar-14	N/A	5	5	100%								COMPLETE	
Probity - Underbankings	N/A	N/A	N/A										N/A	
Probity audit - Stores	Oct-12	N/A	1	1	100%								COMPLETE - Manager requested to note bolt stock in next year end stock report	
<b>Legal Services</b>														
Corporate Governance	Mar-14	Limited	10	5	50%	5	50%							
DBS checks & requirements	Oct-13	Satisfactory	3	2	67%			1	0	1	0	33%	Have requested an update from HR re the outstanding DBS check	
Legal Services	Dec-13	Limited	7	7	100%								COMPLETE	
<b>Business &amp; Technical Services</b>														
Building Maintenance	May-15	Limited	7	2	29%	2	29%	3	0	2	1	43%	Recent update provided by Head of Bus Serv & Tech Services. 3 recs still in progress	
<b>Digital &amp; Design</b>														
Risk Management	Jul-14	Satisfactory	9	2	22%	7	78%							
<b>Director of Economy</b>														
<b>Growth</b>														
Bailiffs	Nov-14	Limited	3	3	100%								COMPLETE	
<b>Director of Communities</b>														
<b>Housing</b>														
Housing Rents	May-14	Satisfactory	2	1	50%	1	50%							
Property Buy Back	Mar-14	Satisfactory	1	1	100%								Updated provided on 5 Oct confirms this scheme is no longer going to take place therefore O/S rec no longer applicable.	
<b>Wellbeing</b>														



Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into	% of recs carried over	Number of recs outstanding	1	2	3	Other	% of recs outstanding	Comments	Comments re Outstanding Priority 1 recs
<b>Director of Digital &amp; Resources</b>															
<b>Finance</b>															
Annual Governance Statements	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		No Follow up required	
Budgetary Control	Dec-14	Satisfactory	1	1	100%									COMPLETE	
General Ledger	Mar-15	Satisfactory	3			3	100%							All recommendations made in 2014/15 have been reiterated in 15/16 audit so none had been implemented	
Cashiering	May-15	Satisfactory	4	3	75%	1	25%							15/16 audit has confirmed 3 recommendations from 2014/15 audit have been completed - one (re procedures) is being reiterated in 15/16 report.	
Creditors	Apr-15	Satisfactory	2	1	50%	1	50%							15/16 audit confirmed P1 recommendation has been completed - one (re duplicate payment reports) is being reiterated in 15/16 report.	
Debtors	Feb-15	Satisfactory	2	2	100%									COMPLETE	
Insurance	Oct-14	Satisfactory	2	2	100%									COMPLETE	
Payroll	Sep-15	Satisfactory	5	2	40%	3	60%							15/16 audit has confirmed 2 recommendations from 2014/15 audit have been completed - 3 are being reiterated in 15/16 report.	
Treasury Management	May-15	Satisfactory	2	2	100%									COMPLETE	
Petty Cash	Jan-15	Satisfactory	2	1	50%			1	0	1	0	0	50%	Update requested 13/9/16	
Staff Loans	Jan-15	Satisfactory	3	3	100%									COMPLETE	
Probity audits - inventories	Aug-15	N/A	6					6	0	0	0	6	100%	Issues to be addressed by Chief Financial Officer during next review of Financial Regulation requirements. Update requested 13/9	
Probity - cash floats	Oct-14	N/A	1	1	100%									COMPLETE	
Business Rates - Forecasting & Income Projection	Feb-15	Satisfactory	1	1	100%									COMPLETE	
Pension Scheme- local administration	Oct-14	Full	0											No Follow up required	
<b>Legal Services</b>															
Corporate Governance	May-15	Satisfactory	6	6	100%									COMPLETE	
<b>Business &amp; Technical Services</b>															
Desktop Printing & Reprographics															
Facilities Management & Security	May-15	Satisfactory	15	4	27%			11	0	8	3	0	73%	Head of Bus & Tech emailed on 8/9 to request update.	
Health & Safety	Sep-15	Limited	7	6	86%			1	1	0	0	0	14%	Update received from Corp H & S Officer confirmed 1 rec (3.4) is still outstanding.	
Pool Car Pilot	May-15	Satisfactory	5	5	100%									COMPLETE	
Term Maintenance Contract Management - Keith Long Electrical	Mar-16	Limited	8					8	6	2	0	0	100%	Met with HoB&TS to discuss recommendations- further information requested 8/9	
Construction Contract - MTC Adaptations															
Land Drainage	Jul-15	Satisfactory	5	4	80%	1	20%							80% complete - no further follow up - one P2 rec had not been addressed	
Shoreham Centre	Mar-16	Satisfactory	1					1	0	1	0	0	100%	Request for further information sent to HoB&TS 8/9/16.	
<b>Digital &amp; Design</b>															
Risk Management	Jun-15	Satisfactory	14	5	36%	9	64%							Meeting held on 21/1 with CPO - remaining recs were in progress and further FU would be performed as part of 15/16 audit	
<b>People</b>															
Agency Staff Arrangements	Dec-14	Satisfactory	4	1	25%			3	0	3	0	0	75%	Update confirmed P1 rec as complete. Request for further update sent on 23 May re o/s recs but no response - now referred to new Strategic Head of HR.	
Sickness Recording & Monitoring															
<b>Director of Economy</b>															
<b>Place &amp; Investment</b>															
External Funding	Apr-15	Limited	10	8	80%			2	0	0	2	0	20%	Update provided on 10 Sept confirmed 8 recs as completed and 2 due for completion by 30 Sept.	

<b>Growth</b>																	
MSCP Plate Recognition Barrier System - Procurement	Nov-15	Satisfactory	2					2	0	2	0	0	100%	Self Assessment issued 29/2 - no response. Requests for updates sent 24/5 & 8/9			
Capital Expenditure & Fixed Assets	N/A	N/A												14/15 audit was not finalised - 15/16 audit focussed on Fixed Assets only as this is the area where all recommendations have been made in recent audits			
<b>Director of Communities</b>																	
<b>Housing</b>																	
Housing Rents	May-15	Satisfactory	3	3	100%									COMPLETE			
Housing Maintenance	Oct-14	Satisfactory	3	3	100%									COMPLETE			
Void Management	Apr-15	Limited	9	9	100%									COMPLETE - Self Assessment response received which indicates all recommendations have been implemented.			
Housing - Homelessness, Advice & Allocations	Jan-15	Limited	29	29	100%									COMPLETE			
<b>Wellbeing</b>																	
Hackney Carriage & Private Hire	Jul-15	Satisfactory	4	4	100%									COMPLETE			
Third Party Commissioning	Nov-15	Satisfactory	1	1	100%									COMPLETE - Commissioning Strategy from 2014 being included within new Procurement Strategy			
<b>Environment</b>																	
Beach Huts	May-15	Limited	11	11	100%									COMPLETE			
<b>Director of Customer Services</b>																	
<b>Revenues &amp; Benefits</b>																	
WBC Benefits	Apr-15	Satisfactory	1	1	100%									COMPLETE			
WBC Revenues (Council Tax & NDR)	May-15	Satisfactory	5	5	100%									COMPLETE			
CenSus - Benefits	Nov-15	Satisfactory	4	3	75%	1	25%							Updated provided by Benefits Manager confirmed 2 recs completed. 15/16 audit confirmed 2 further recs actioned but the P1 rec re WO authorisation was re-raised in 15/16 report			
<b>Customer Contact &amp; Engagement</b>																	
Complaints	Dec-14	Limited	7	6	86%			1	0	1	0	0	14%	Update re outstanding rec provided on 24/5 - will be addressed by June 16 - update requested 14/9			
Register of Electors	Jul-15	Satisfactory												No follow up required			
Car Parks	Oct-14	Satisfactory	1	1	100%									COMPLETE - the service has accepted that the 2 P1 recommendations re reconciliations could not be implemented as processes did not allow. The entire process for collecting car park income has therefore been revised instead.			
<b>Computer Audits</b>																	
Disaster Recovery	Jul-15	Limited	3					3	3	0	0	0	100%	Discussed with new Site Service Delivery Manager on 8/9 - Computer Auditors currently undertaking detailed follow up work to establish extent of any progress.			
HMS Application	Sep-15	Satisfactory	3	3	100%									COMPLETE			
Data Protection & Information Governance	Mar-15	Limited	9	3	33%			6		2	4	0	67%	Update provided 7/6 confirmed o/s recs still in progress but moving forward. Update provided 31/8 confirmed P1 rec implemented - further updated requested 14/9			
Service Desk (ITIL)	Sep-15	Limited	2					2	1	1	0	0	100%	Updated received 31/5 - 2 os recs still in progress. Now referred to new Site Delivery Manager			
			206	140	68%	19	9%	47	11	21	9	6	23%				



Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	1	2	3	% of recs outstanding	Comments	Comments re Outstanding Priority 1 recs
<b>Chief Executive</b>														
<b>Corporate</b>														
Delivery of Corporate Priorities & Surf's Up Agenda	May-16	Satisfactory	3					3	0	1	2	100%	Update requested for recs 3.2 & 3.3 on 14/9. Rec 3.1 not due until Dec 16	
Annual Governance Statements	N/A	N/A											N/A	
Corporate Governance	Jul-16	Satisfactory	1					1	0	1	0	100%	FOLLOW UP DUE OCT 16	
Risk Management	May-16	Satisfactory	3					3	0	2	1	100%	Update requested for recs ON 14/9	
Project Management														
New Ways of Working implementation														
Use of Consultants	Jun-16	Limited	11					11	5	6	0	100%	All recommendations due by 31 Dec 16 - follow up notifications enabled to allow for automatic reminders when rec is due	
<b>Communications</b>														
Communications	Mar-16	Limited	8					8	0	8	0	100%	Update requested 14/9	
<b>Director for Economy</b>														
<b>Culture</b>														
Venues														
<b>Place &amp; Investment Growth</b>														
Fixed Assets														
Planning Services	Sep-15	Satisfactory	2	2	100%			2	0	2	0	100%	COMPLETE	
Local Development Framework	Aug-16	Satisfactory	2					2	0	2	0	100%	FOLLOW DUE NOV 16	
Community Infrastructure Levy	May-16	Satisfactory	3	1	33%			2	0	2	0	67%	Update requested 14/9	
<b>Director for Communities</b>														
<b>Housing</b>														
Housing Rents	Jun-16	Satisfactory	4	2	50%			2	0	2	0	50%	Update provided on 29/7 confirmed 1 rec completed - P1 rec confirmed as actioned 14/9. request for update sent 14/9 re 2 outstanding recs.	
Adur Building Services DSO	Mar-16	Limited	15	13	87%			2	0	2	0	13%	Update requested 14/9 re 2 os recs	
<b>Wellbeing</b>														
Public Health	Aug-16	Satisfactory	5					5	0	4	1	100%	FOLLOW UP DUE NOV 16	
Empty Property Management	Jul-16	Satisfactory	4					4	0	3	1	100%	follow up not due until Nov 16 but update requested 14/9 re 3 recs	
<b>Environment</b>														
Dog Control														
<b>Director for Customer Services</b>														
<b>Revenues &amp; Benefits</b>														
WBC Benefits	Jun-16	Satisfactory	3					3	1	1	1	100%	FOLLOW UP DUE OCT 16 - all recs relate to finance processes - update requested 14/9	
WBC Revenues (Council Tax & NDR)														
CenSus - Council Tax	Mar-16	Satisfactory	4	2	50%			2	0	1	1	50%	1 rec confirmed as complete - request for update sent 14/9	
<b>Waste &amp; Cleansing</b>														
AWCS	Oct-15	Satisfactory	1					1	0	1	0	100%	update provided 25/5 rec in progress - further update requested 14/9	
Fixed Penalty Notices														
<b>Customer Contact &amp; Engagement</b>														
Customer Services														
Electoral Services	Aug-16	Limited	14					14	3	8	3	100%	FOLLOW UP DUE NOV 16	
On Street Parking enforcement														
<b>Building Control &amp; Land Charges</b>														
Building Control	Nov-15	Satisfactory	5	1	20%			4	0	2	2	80%	Request for update sent 24 May & reminder 14/9	
<b>Director of Digital &amp; Resources</b>														
<b>Finance</b>														
General Ledger	Jun-16	Satisfactory	5					5	0	4	1	100%	Recs not due for implementation until Apr 17	

Cashiering	Aug-16	Satisfactory	2					2	0	2	0	100%	FOLLOW UP DUE NOV 16
Creditors	Jul-16	Satisfactory	2					2	0	1	1	100%	FOLLOW UP DUE OCT 16
Debtors	Apr-16	Satisfactory	2					2	0	2	0	100%	Request for update sent 14/9
Payroll	Apr-16	Satisfactory	4					4	0	3	1	100%	Request for update sent 14/9
Corporate Fraud Management	May-16	Satisfactory	2					2	0	2	0	100%	Request for update sent 14/9
Treasury Management													
<b>Legal</b>													
Freedom of Information	Nov-15	Limited	5	2	40%			3	1	2	0	60%	Update provided 6/6 - 3 recs OS - update sought from D Briggs
<b>Design &amp; Digital</b>													
Performance Management	Oct-15	Satisfactory	5					5	1	3	1	100%	Request for update sent 24 May & 14/9
Delivery of Digital Strategy													
<b>Business &amp; Technical Services</b>													
Decent Homes - report from 14/15 fact funding	Mar-16	Nil	28	20	71%			8	0	8	0	29%	Recommendations being used as checklist for new contract being let from 1 June - Based on report top JGC 7 June al; P1 recs confosered as complete - awaiting update re
<b>Computer Audits</b>													
IT Resilience													
Public Services Network	Sep-15	Satisfactory	3					3	0	3	0	100%	Update provided 31/5 - all 3 still outstanding but work is in progress - referred to new Site Delivery Manager on 8/9 for update
Cloud Computing													
Google Mail post implementation review													
			146	43	29%	0	0%	103	11	76	16	71%	

Ward: [All]

## Disaster Recovery Provisions

### Report by the Director for Digital and Resources

#### 1.0 Summary

- 1.1 This report is a response to queries raised at Adur and Worthing Councils Joint Governance Committee in 2013 and an update requested through JGC/16-17-008. CenSus ICT were asked to respond to the Committee regarding the state of Disaster Recovery services and options at the Councils' disposal.

#### 2.0 Background and Progress

- 2.1 At the previous JGC meeting, an update was requested on the progress of ensuring disaster recovery arrangements are in place at the Councils in the event of serious ICT failure.

This report outlines the work completed in various areas, as well as detail on the future strategic direction of technology provision at the Councils which will have considerable positive impact on disaster recovery and business continuity.

At a high level the approach at the Councils works on three main levels:

- **Strategically**, the move towards cloud computing provides much greater resilience to our systems, and pushes the risk onto our suppliers
- **Operationally**, a business impact assessment exercise is being carried to inform a corporate business continuity plan, which will cover more than just ICT elements
- **Tactically**, plans are in place for the current technology stack to ensure we can respond quickly and effectively to any incident in the near term

#### 2.2 Business Continuity Planning

In 2015 a specialist consultancy (PTS Consulting) was commissioned to undertake a review of our disaster recovery arrangements. All service areas were interviewed to establish recovery times for ICT services and a prioritised recovery plan was established. This has been used in the development of the IT disaster recovery plan mentioned in 2.3 below.

A broader piece of work is well underway to establish business continuity plan

across the organisation which also address issues such as site availability, personnel and other resourcing issues.

Lloyd Harris (Emergency Management Officer) is working with Digital and CenSus on a Business Impact Assessment and Business Continuity planning tool. This is an essential aspect of the DR toolkit, allowing the impact and urgency of services and processes to be expressed by the business (rather than by IT Services). The tool, which is cloud hosted on the Mats service, provides an input mechanism for recording business requirements, but also offers detailed insights into continuity and recovery priorities during a contingent situation.

At the time of writing, the development of the tool was completed and user guidance notes are being written by Lloyd Harris.

### 2.3 ICT Disaster Recovery Process / Plan

In February 2016, the previous CenSus Service Delivery Manager, Mark Gawley, published a revision of the Adur Worthing ICT DR System Restart Process produced in June 2015.

The document describes the actions required to restore/maintain IT services in the event of a significant power loss event affecting the Town Hall.

It includes, specific instructions for:

- Calling off and connecting an emergency power generator
- Procedures for safely restarting infrastructure services (voice and data network, locally servers and applications).

Copies this document are stored in the fire emergency pouches (in locations around the Town Hall) with all confidential supporting documentation saved securely on Google cloud storage.

*Note: The document is security restricted and available to Council personnel and authorised agents on request.*

It was noted in the June 2016 audit update that the documented process would be validated and tested by the new Site Service Delivery Manager, Simon Taylor. The validation of the process has been completed and the approach found to be appropriate in principle, however a full formal test exercise is yet to be completed.

### 2.4 Resilience Arrangements - Data Backup

All operational data is backed up at least daily, with some services backing up once every 4 hours. Data backup provides protection for accidental deletion of data (by the end user for instance) and also offers recovery options for data corruption and/or loss of host server.

For operational assurance, backup services operate at 3 levels.

1) Short-term assurance (5 days) - Remote backups, transferred over the secure wide area network to HDC's data centre in Park House, Horsham.

2) Medium-term (80 days) - Local backup to disk at Worthing Town Hall

3) Long-term (> 5 Years) - Daily, Weekly and Monthly backup to tape currently stored in Worthing Town Hall and Portland House.

Note:

- Discussions have started with WSCC to explore options of storing tapes at Centenary House, Durrington rather than Worthing Town Hall and Portland House.
- Options for longer-term off-site backup storage are included within the Infrastructure as a Service (IaaS) strategy.

## 2.5 Resilience Arrangements - Emergency Power Supply: Uninterruptable Power Supply (UPS) and Generator

In the event of a power loss event affecting the Town Hall power to the data centre and communications cabinets will immediately and temporarily be powered by Uninterruptable Power Supplies (UPS - essentially large capacity batteries that enable the services to continue running for up to about 30 minutes to enable safe shutdown, reducing the risk of data corruption or hardware failure). The UPS are configured to provide dual redundancy (that is if one UPS fails its twin will continue to provide coverage).

In addition to UPS, CenSus have access to an emergency power generator service through Shenton Group. This is a call off service which places a diesel-powered generator into the loading bay behind Room 20 of the Town Hall (off Stoke Abbott Road) for as long as is required. Noting that it will be delivered and commissioned on request.

The generator will provide a stable power supply to the Data centre only, not the office spaces or public areas of the Town Hall. This being the case it will be necessary for essential services and personnel to decamp to other sites until electrical supply is restored to the building. Therefore it is essential that services complete business impact assessments and discuss their contingency plans with staff and collegiate services.

## 2.6 Server / Service Information Data Sheet

CenSus maintains a spreadsheet outlining each supported service and the associated server or system that supports it. Along with a service recovery

prioritisation plan (to be provided by the Council) this information enables CenSus to recover services in the order of their stated criticality and impact.

It should be noted however, that before line of business applications and services can be restored the underlying infrastructure service will be recovered first. Once infrastructure services are resumed, line of business services will be recovered in line with identified recovery time objectives. Where data loss has occurred CenSus will endeavour to recover data to a recovery point objective of 24 hours prior to service failure.

Information from this sheet will also be stored in the Business Impact Assessment toolset to provide a comprehensive DR recovery plan in the event of an contingent scenario

## 2.7 DR Service Options Review

Following a serious fire incident affecting South Oxfordshire District council in January 2015, they engaged a 3rd party company, Adam Continuity, to assist with their disaster recovery and business continuity.

CenSus at Horsham DC have started enquiries with this and other DR service providers to understand the cost, benefits of using such a service in the period prior to moving to cloud hosting (see 2.7 below). The service is bespoke to the requirements of the customer, however these services typically include the following elements for either total or partial loss of service:

- DR planning consultancy
- DR plan test exercises (plan execution, data/service recovery rehearsal)
- Standby Data Centre with network and storage hosting capability
- Office equipment (PC and Telephony) and space
- Loan infrastructure equipment (up to 100 days inclusive within the annual fee, with option to rent for longer).

## 2.8 Cloud hosting of the data centre

Joint Strategic Committee in July 2016 signed off the budget to progress the transition of the Councils' data centre to the cloud. This will have significant implications for disaster recovery, bringing much greater resilience to the Councils' IT infrastructure and making it accessible using a range of devices in any location, while maintaining appropriate levels of information security.

The other members of the Census IT partnership are also following a similar path, offering potential for collaboration in the future.

## 2.9 DR Exercise

As stated earlier in the document no formal DR exercise has yet been performed. Once the new BIA tool is in place it will be possible to model scenarios with the Business Continuity Group and then prepare and execute a joint exercise between

the Council and CenSus ICT staff. This will provide the Council with valuable data and lessons learnt regarding it's business continuity planning and disaster recovery capability.

If/when engaged, it is expected that any external DR consultancy service will participate in the exercise as part of their service provision.

### **3.0 Legal**

3.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

3.2 Alternatively Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

3.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. al]]

### **4.0 Financial implications**

4.1 At present, all costs of DR options services for Adur Worthing are being investigated by CenSus, however, early indications are that such services are available for between £25-40k per annum.

Finance for other work mentioned in the report has already been signed off by the appropriate Committees.

### **5.0 Recommendation**

5.1 That Joint Governance Committee note the progress made towards the provision of IT disaster recovery arrangements; and wider business continuity planning.

## **Local Government Act 1972**

### **Background Papers:**

- Moving to the Cloud, Joint Strategic Committee, 13 July 2016

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## Schedule of Other Matters

### 1.0 Council Priority

- 1.1 This work will enable the Councils to meet our ambitions around becoming an Adaptive Council, as set out in *Catching the Wave*.

### 2.0 Specific Action Plans

- 2.1 This work will enable the Councils to meet our commitment, as part of the 'Becoming Adaptive Councils (and Places)' wave catcher in *Surf's Up*:

*Our workforce is mobilised using modern devices and digital tools, working smarter and collaborating more easily with colleagues, partners and customers.*

### 3.0 Sustainability Issues

- 3.1 Cloud services make a positive contribution to sustainability: The cloud encourages important clean-tech applications like smart grids and it also encourages consumers to use virtual services such as video streaming to replace resource-heavy physical products.

The cloud also draws resources to where they are used most efficiently and its jobs tend to be cleaner and safer than those of more traditional industries. The cloud's efficiency and scalability help reduce energy usage. By reducing the need for hardware, companies can reduce costs and eliminate the need for maintenance and upgrades.

The cloud offers cheaper running costs and more flexibility for businesses hoping to expand. The cloud also increases productivity through its ability to accommodate online collaboration that reduces the need for face to face meetings.

### 4.0 Equality Issues

- 4.1 The related projects discussed in the report will enable the Councils to support a wider range of devices and working environments for our customers, staff, and partners.

### 5.0 Community Safety Issues (Section 17)

- 5.1 None identified.

### 6.0 Human Rights Issues

- 6.1 Privacy and security issues are the most important issues for citizens in relation to government use of ICT, particularly data, and it will be essential to strike the balance of risk and reward here, and communicate exceptionally well with residents and members.

## **7.0 Reputation**

- 7.1 ICT failure has a considerable impact on the Councils' ability to deliver services and thus on our reputation. One of the core objectives of this project is to reduce the likelihood and impact of ICT failure.
- 7.2 The Councils have achieved in recent times a good national reputation for innovation in ICT and digital.

## **8.0 Consultations**

- 8.1 None so far.

## **9.0 Risk Assessment**

- 9.1 The Councils currently have risks identified around the lack of reliable ICT infrastructure and disaster recovery. These are managed through the service risk and corporate risk management processes.

This work mentioned in this report will help mitigate both risks.

- 9.2 As part of the project management of any work, a full risk register will be produced and maintained.

## **10.0 Health & Safety Issues**

- 10.1 None identified.

## **11.0 Procurement Strategy**

- 11.1 The work to procure the new cloud infrastructure, the support for the transition and the ongoing managed service of the infrastructure will be carried out in full accordance with the Councils' Procurement Strategy and Contract Standing Orders.

## **12.0 Partnership Working**

- 12.1 The Councils are engaged with our partners in CenSus ICT and this work will help to inform the future direction of that partnership.

Ward: N/A

## Risk and Opportunity Management

### Report by the Director for Digital & Resources

#### 1.0 Summary

1.1 This report provides the quarterly updates on the management of the Councils risks and opportunities.

#### 2.0 Background

2.1 The Committee has previously requested that quarterly progress update reports on the management of the Councils risks and opportunities should be reported to the Committee. Progress has continued to be made to monitor and review the full Risk registers:-

- Regular bi monthly reports on Corporate Risks are reported to the Councils Leadership Team for monitoring and review;
- Executive Members receive the details of Corporate Risks;
- All Service Risks are regularly updated in consultation with Directors and Service Heads;
- All risks are monitored in a free to use app called 'Trello'. Trello Boards have been created for the Risk Registers and the detail of each risk is provided in an accompanying 'google doc'.

2.2 Details of the latest Risks can be viewed by using Trello at:-

[Corporate Risks](#)

[Communities Directorate Service Risks](#)

[Customer Services Directorate Service Risks](#)

[Digital and Resources Directorate Service Risks](#)

[Economy Directorate Service Risks](#)

2.3 It should be noted that there is some information provided in the reports attached to the Trello Boards which is of a commercially sensitive and/or confidential nature, therefore, these are not to become broader public documents at this stage but are used for internal management purposes only.

2.4 Since the last update report in March, the new Risk and Opportunities Management Strategy has now been implemented and all Risks and Opportunities have been assessed in accordance with the scoring assessment set out in the Strategy.

### **3.0 Proposals**

3.1 The Committee is requested to note the continued progress in managing the risks and opportunities and the current status of the risks.

### **4.0 Legal**

4.1 There are no legal matters arising as a result of this report. The Joint Governance Committee does have responsibility for receiving the annual risk report and also for monitoring the effective development and operation of risk management.

### **5.0 Financial implications**

5.1 There are no direct financial implications arising from this report. However, some of the risks do have potential cost implications.

### **6.0 Recommendation**

**6.1 That the progress in managing risks and opportunities be noted and a further progress report be presented to the Committee in January 2017.**

## **Local Government Act 1972 Background Papers:**

Risk and Opportunity Management Strategy 2016/18

### **Contact Officer:**

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## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 Matter considered and no issues identified.

### **2.0 Specific Action Plans**

2.1 The Council's Risk and Opportunity Management Strategy sets out clear governance controls for the management of Risks and Opportunities and part of these include provision for the Service Risks and Opportunities to be considered quarterly by the Joint Governance Committee.

### **3.0 Sustainability Issues**

3.1 Matter considered. Some of the Risks and Opportunitites may affect sustainable issues.

### **4.0 Equality Issues**

4.1 Matter considered. Some of the Risks and Opportunities refer to equalities issues.

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered. Some of the Risks and Opportunities may relate to crime and disorder issues.

### **6.0 Human Rights Issues**

6.1 Matter considered and no direct issues identified. [

### **7.0 Reputation**

7.1 Matter considered. Some of the Risks and Opportunities will impact on the reputation of the Councils if they happen.

### **8.0 Consultations**

8.1 As part of this report process, relevant Heads of Service and Directors have been consulted on the progress in managing relevant Risks and Opportunities in order to provide updates.

### **9.0 Risk Assessment**

9.1 As part of good governance the Council's need to manage Risks and Opportunities.

### **10.0 Health & Safety Issues**

10.1 Matter considered. Some of the Risks relate to health and safety issues.

## **11.0 Procurement Strategy**

11.1 Matter considered. All Risks and Opportunities refer to relevant procurement processes where appropriate.

## **12.0 Partnership Working**

12.1 Matter considered. The Risks and Opportunities are joint Adur and Worthing Risks and Opportunities and they refer to any other partnership working as appropriate.

Ward: N/A

## Complaints Monitoring (including LGO annual monitoring report)

### Report by the Director for Customer Service

#### 1.0 Summary

1.1 This report reviews the Annual Review letters of the Local Government Ombudsman (LGO) relating to Adur District Council and Worthing Borough Council for the year ended 31 March 2016 and also provides further analysis on other complaints which the LGO has received as part of the new reporting year 2016/17 and those decisions that were outstanding from the previous year and previous reports to the Committee.

#### 2.0 Background

2.1 The Commission for Local Administration in England was created by Part 3 of the Local Government Act 1974 to run the Local Government Ombudsman Service.

2.2 The Local Government Ombudsman investigates complaints by members of the public who, generally, have had complaints considered by the Local Authority, but still consider that they have been caused injustice by the administrative actions of Local Authorities and other bodies within the jurisdiction of the LGO.

2.3 The LGO provide a free, independent and impartial service. When they receive a complaint, they are on the side of neither the complainant nor the respondent Authority. In each case, they investigate whether there has been any administrative fault that has caused a personal injustice to the complainant.

2.4 If the LGO find that something has gone wrong and that a person has suffered as a consequence, they aim to get it put right with a satisfactory remedy. The remedy will depend on the circumstances of the complaint and, in some cases, the Authority will be asked to pay compensation.

2.5 The LGO received 11 complaints about Adur District Council for the year ended 31 March 2016 compared with 9 for the year ended 31 March 2015. A copy of the LGO's letter is appended to the report as Appendix 1.

- 2.6 Members have historically asked to have comparative information and Table 1 provides the total number of complaints received by the Local Government Ombudsman in relation to Adur District Council over the past 6 years.

**Table 1**

<b>Enquiries and Complaints Received</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Total</b>	12	11	12	11	9	11

- 2.7 During this period the LGO made 9 decisions regarding complaints. 5 complaints/enquiries were referred back to the Council for Local resolution, 3 were closed after initial enquiries and 1 was not upheld. 4 of those complaints/enquiries were regarding Benefits and Tax, 4 were regarding Planning and Development and 1 was regarding Housing.

- 2.8 The LGO received 9 complaints about Worthing Borough Council for the year ended 31 March 2016 compared with 23 for the year ended 31 March 2015. A copy of the LGO's letter is appended to the report as Appendix 2. The LGO made 11 decisions regarding complaints, 2 of which were referred back for local resolution, 5 were closed after initial enquiries, 3 were not upheld and 1 was upheld. 3 complaints/enquiries were relating to Housing issues, 2 related to Benefits and Tax issues, 2 related to Environmental Services and Public Protection and Regulation, 1 related to Planning and Development issues and 1 related to Corporate and Other services. The upheld complaint related to a homelessness complaint and the delay in responding to the initial complaint. The Committee did ask for further information on this complaint which was reported to Committee on 7 June 2016 by the Director for Communities and Head of Housing.

- 2.9 The comparative information relating to Worthing Borough Council is set out in Table 2 below.

2.10 **Table 2**

<b>Enquiries and Complaints Received</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Total</b>	20	24	16	18	23	9

- 2.11 An analysis of these complaints, where information is available, was previously provided to the Committee during 2015/16. A detailed analysis of the most recent ongoing LGO complaints is now provided in the table below:-



<b>Description of complaint</b>	<b>LGO decision</b>
<b>Adur District Council</b>	
Complaint that the Council failed to properly consider a planning application to replace a grassed football pitch with a new artificial grass pitch at a football club near his property. The complainant claimed that he had suffered unacceptable levels of noise nuisance.	Not upheld. No evidence of fault by the Council.
Complaint that the Council failed to deal properly with the complainants Housing Benefit and Council Tax matters.	Most of complaint not upheld. Council was at fault for not acting on some financial information that the complainant provided but that fault did not disadvantage the complainant.
<b>Worthing Borough Council</b>	
Complaint that the Council held complainant personally liable for business rates and for considering property as empty.	That the complaint about business rates would not be investigated as it was made late.
Complaint that the Council wrongly took the complainant to court over fraud charges related to benefit overpayments, wrongly stopped benefit payments, failed to respond to the request for an internal appeal and failed to repay a housing benefit payment.	That the Council did not delay in sending a response to an internal appeal about overpayment of benefits.

2.12 The Service areas which have been generating the recorded LGO complaints during the previous 24 months have been broken down as follows.

<b>Adur District Council</b>	
Planning	4 Not upheld
Environmental Health	2 (1 Not upheld and 1 partially upheld)
Housing	1 (Partially upheld)
Census (Revenues & Benefits)	4 (2 not upheld, 1 partially upheld and 1 decision pending)
<b>Worthing Borough Council</b>	
Parks and Foreshore	2 not upheld
Housing Services	2 not upheld
Planning	2 not upheld
Revenues and Benefits	3 (1 upheld and 2 not upheld)
Democratic Services	1 (not upheld)

Financial Services	1 (not upheld)
--------------------	----------------

### **3.0 Analysis of Complaints and compliments for 2016/17**

- 3.1 Increased scrutiny and analysis of complaints and compliments continues to ensure that the available complaints and compliments data is accurate. A new in-house digital complaints and compliments system has now been developed and built using MatsSoft Technology. Complaints and compliments are now recorded on the new system which provides improved recording. Further user testing and amendments to the system are required as well as a review of the complaints process and rolling out training to staff.
- 3.2 Directors and Heads of Service will use complaints as opportunities to make continuous improvements to services.

### **4.0 Legal**

- 4.1 The role of the Local Government Ombudsman is governed by Part 3 of the Local Government Act 1974.
- 4.2 Section 111 of the Local Government Act 1972 allows the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

### **5.0 Financial implications**

- 5.1 There are no direct financial implications arising from this report.

### **6.0 Recommendation**

- 6.1 That the Committee notes the contents of the report and agrees to receive a further analysis of the Local Government Ombudsman complaints in March 2017.

## **Local Government Act 1972 Background Papers:**

Local Government Ombudsman Annual Reviews for Adur District Council and Worthing Borough Council ended 31 March 2016.

**Contact Officer:**

Mark Lowe  
Policy Officer  
Tel: 01903 221009  
[mark.lowe@adur-worthing.gov.uk](mailto:mark.lowe@adur-worthing.gov.uk)

## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 Matter considered. Priority to review customer complaints handling and reporting.

### **2.0 Specific Action Plans**

2.1 Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Responding in a timely and open manner to investigations by the Local Government Ombudsman assists the Council to improve their service, service delivery and reputation.

### **8.0 Consultations**

8.1 Matter considered and no issues identified.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified. The implementation of the new complaints recording system has been recorded as a Service Risk for the Customer Contact and Engagement Service which is managed in consultation with the Head of Service and Director.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

## **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

## **12.0 Partnership Working**

12.1 Matter considered and no issues identified.



21 July 2016

*By email*

Alex Bailey  
Chief Executive  
Adur District Council

Dear Alex Bailey,

### **Annual Review Letter 2016**

I write to you with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2016.

The enclosed tables present the number of complaints and enquiries received and the decisions we made about your authority during the period. I hope that this information will prove helpful in assessing your authority's performance in handling complaints.

Last year we provided information on the number of complaints upheld and not upheld for the first time. In response to council feedback, this year we are providing additional information to focus the statistics more on the outcome from complaints rather than just the amounts received.

We provide a breakdown of the upheld investigations to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us. In addition, we provide a compliance rate for implementing our recommendations to remedy a fault.

I want to emphasise that these statistics comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

### **Effective accountability for devolved authorities**

Local government is going through perhaps some of the biggest changes since the LGO was set up more than 40 years ago. The creation of combined authorities and an increase in the number of elected mayors will hugely affect the way local services are held to account. We have already started working with the early combined authorities to help develop principles for effective and accessible complaints systems.

We have also reviewed how we structure our casework teams to provide insight across the emerging combined authority structures. Responding to council feedback, this included reconfirming the Assistant Ombudsman responsible for relationship management with each authority, which we recently communicated to Link Officers through distribution of our manual for working with the LGO.

## **Supporting local scrutiny**

Our corporate strategy is based upon the twin pillars of remedying injustice and improving local public services. The numbers in our annual report demonstrate that we continue to improve the quality of our service in achieving swift redress.

To measure our progress against the objective to improve local services, in March we issued a survey to all councils. I was encouraged to find that 98% of respondents believed that our investigations have had an impact on improving local public services. I am confident that the continued publication of our decisions (alongside an improved facility to browse for them on our website), focus reports on key themes and the data in these annual review letters is helping the sector to learn from its mistakes and support better services for citizens.

The survey also demonstrated a significant proportion of councils are sharing the information we provide with elected members and scrutiny committees. I welcome this approach, and want to take this opportunity to encourage others to do so.

## **Complaint handling training**

We recently refreshed our Effective Complaint Handling courses for local authorities and introduced a new course for independent care providers. We trained over 700 people last year and feedback shows a 96% increase in the number of participants who felt confident in dealing with complaints following the course. To find out more, visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

## **Ombudsman reform**

You will no doubt be aware that the government has announced the intention to produce draft legislation for the creation of a single ombudsman for public services in England. This is something we support, as it will provide the public with a clearer route to redress in an increasingly complex environment of public service delivery.

We will continue to support government in the realisation of the public service ombudsman, and are advising on the importance of maintaining our 40 years plus experience of working with local government and our understanding its unique accountability structures.

This will also be the last time I write with your annual review. My seven-year term of office as Local Government Ombudsman comes to an end in January 2017. The LGO has gone through extensive change since I took up post in 2010, becoming a much leaner and more focused organisation, and I am confident that it is well prepared for the challenges ahead.

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England



**Local Authority Report:** Adur District Council  
**For the Period Ending:** 31/03/2016

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	5	0	0	1	0	1	4	0	11

## Decisions made

Decisions made				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	5	3	1	0	0%	9

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
0	0	100%



	<b>Reference</b>	<b>Authority</b>	<b>Category</b>	<b>Decision Date</b>	<b>Decision</b>	<b>Remedy</b>
1	14020128	Adur DC	Benefits & Tax	20/04/15	Referred back for local resolution	NULL
2	15000258	Adur DC	Benefits & Tax	05/05/15	Closed after initial enquiries	NULL
3	15006616	Adur DC	Planning & Development	25/08/15	Closed after initial enquiries	NULL
4	15012067	Adur DC	Benefits & Tax	03/12/15	Closed after initial enquiries	NULL
5	15016682	Adur DC	Planning & Development	22/01/16	Referred back for local resolution	NULL
6	15016981	Adur DC	Benefits & Tax	27/01/16	Referred back for local resolution	NULL
7	15017888	Adur DC	Housing	10/02/16	Referred back for local resolution	NULL
8	15008998	Adur DC	Planning & Development	16/02/16	Not Upheld	NULL
9	15020254	Adur DC	Planning & Development	21/03/16	Referred back for local resolution	NULL

	Reference	Authority	Category	Received
1	15000258	Adur DC	Benefits & Tax	08/04/15
2	15006616	Adur DC	Planning & Development	29/07/15
3	15008998	Adur DC	Planning & Development	28/08/15
4	15012067	Adur DC	Benefits & Tax	05/11/15
5	15007591	Adur DC	Benefits & Tax	12/11/15
6	15015805	Adur DC	Benefits & Tax	07/01/16
7	15016682	Adur DC	Planning & Development	22/01/16
8	15016981	Adur DC	Benefits & Tax	27/01/16
9	15017888	Adur DC	Housing	10/02/16
10	15019255	Adur DC	Environmental Services & Public Protection & Regulation	03/03/16
11	15020254	Adur DC	Planning & Development	21/03/16

21 July 2016

*By email*

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We will continue to support government in the realisation of the public service ombudsman, and are advising on the importance of maintaining our 40 years plus experience of working with local government and our understanding its unique accountability structures.

This will also be the last time I write with your annual review. My seven-year term of office as Local Government Ombudsman comes to an end in January 2017. The LGO has gone through extensive change since I took up post in 2010, becoming a much leaner and more focused organisation, and I am confident that it is well prepared for the challenges ahead.

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** Worthing Borough Council  
**For the Period Ending:** 31/03/2016

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	1	0	2	0	3	1	0	9

## Decisions made

Decisions made				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	2	5	3	1	25%	11

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
1	0	100%





	<b>Reference</b>	<b>Authority</b>	<b>Category</b>	<b>Decision Date</b>
1	14014503	Worthing BC	Planning & Development	14/04/15
2	15000848	Worthing BC	Environmental Services & Public Protection & Regulation	15/05/15
3	14015584	Worthing BC	Planning & Development	25/06/15
4	15004751	Worthing BC	Benefits & Tax	05/08/15
5	14019210	Worthing BC	Housing	12/08/15
6	15000974	Worthing BC	Housing	21/09/15
7	15009489	Worthing BC	Planning & Development	15/10/15
8	15000659	Worthing BC	Benefits & Tax	21/10/15
9	15012738	Worthing BC	Corporate & Other Services	20/11/15
10	15009143	Worthing BC	Housing	28/01/16
11	15017316	Worthing BC	Environmental Services & Public Protection & Regulation	07/03/16

<b>Decision</b>	<b>Remedy</b>
Referred back for local resolution	NULL
Closed after initial enquiries	NULL
Not Upheld	NULL
Referred back for local resolution	NULL
Upheld	Apology, Other Remedy
Not Upheld	NULL
Closed after initial enquiries	NULL
Closed after initial enquiries	NULL
Closed after initial enquiries	NULL
Not Upheld	NULL
Closed after initial enquiries	NULL

	<b>Reference</b>	<b>Authority</b>	<b>Category</b>	<b>Received</b>
1	15000848	Worthing BC	Environmental Services & Public Protection & Regulation	20/04/15
2	14019210	Worthing BC	Housing	08/05/15
3	15000974	Worthing BC	Housing	13/05/15
4	15004751	Worthing BC	Benefits & Tax	17/07/15
5	15009143	Worthing BC	Housing	02/09/15
6	15009489	Worthing BC	Planning & Development	08/09/15
7	15000659	Worthing BC	Benefits & Tax	30/09/15
8	15012738	Worthing BC	Corporate & Other Services	05/11/15
9	15017316	Worthing BC	Environmental Services & Public Protection & Regulation	02/02/16



Ward: All Worthing Wards

## Appointment of Honorary Alderman or Alderwoman under Section 249 (1) of the Local Government Act 1972

### Report by the Director for Communities

#### 1.0 Summary

- 1.1 To consider conferring the title of Honorary Alderman of the Borough on two former Mayors who have retired from the Council.
- 1.2 To consider a request for the conferment of the title of Honorary Alderman/Alderwoman of the Borough on a former councillor of the Borough.

#### 2.0 Background

- 2.1 It is the tradition of Worthing Borough Council that when a former Mayor retires from the Council as an elected representative (a Councillor), they be recommended for appointment as Honorary Alderman / Alderwoman of the Borough.
- 2.2 There are two former Mayors of the Council who did not stand for election at the Borough elections in May 2016.
- 2.3 Section 249 (1) of the Local Government Act, 1972, provides the following criteria for honorary Alderman / honorary Alderwoman, namely:  
  
*“persons who have, in the opinion of the Council, rendered eminent services to the Council as past Members of that Council but who are not then Members of the Council.”*
- 2.4 Councils can decide their own criteria or tradition for the conferment of the honorary title. Honorary Aldermen/Alderwomen are invited to attend the Remembrance Sunday Service in Worthing and the Annual Council meeting when the new Mayor is elected.
- 2.5 The Council posthumously conferred the title of Honorary Alderman to Reg Green in June 2012 for his services to the Borough.

- 2.6 In December 2013 the Council approved criteria for the appointment of eminent former Councillors who had not served as Mayor, this is attached as Annex A.

### **3.0 Proposals**

- 3.1 To consider and recommend to Council the following retired Councillors and former Mayors of the Borough for the honorary title of Alderman of the Borough of Worthing:

Michael Donin - Mayoral Year - 2015-16

First elected in May 2006 for Durrington, re elected in May 2008 and May 2012

Vic Walker - Mayoral Year - 2014-15

First elected in May 2012 for Broadwater

- 3.2 To consider the request of Councillors Smytherman and Wye, against the adopted criteria, for the honorary title to be conferred on the following former Councillor for her services to the Borough of Worthing:

Norah Fisher

First elected in May 2008, re elected in May 2012 for Tarring Ward

- 3.3 The supporting request is attached as Annex B.

- 3.4 Balancing the requested against the adopted criteria, the Committee is invited to agree that the evidence presented meets criteria (A), (C ) and (D) 2. Regarding criteria (B), the Committee is invited to consider that ill health prevented the former councillor standing in May 2016 for the Tarring Ward, had she been able to seek election then it is highly likely she would have been returned again for a further 4 years.

- 3.5 Members are invited to use their discretion to interpret criteria (B) alongside criteria (D) 2 which identifies that the Council may use its discretion in certain cases where the person recommended for this conferment meets the spirit of the criteria.

- 3.6 The Special Council for the conferment of the Honorary Titles will be on Tuesday 20 December directly after the ordinary council meeting on the same night.

### **4.0 Legal**

- 4.1 The power to appoint Honorary Alderman is contained within Section 249 of the Local Government Act 1972, as amended:

- 4.2 'A principal Council may, by a resolution passed by not less than two thirds of the Members voting thereon, at a meeting of the Council specially convened for the purpose with notice of the object, confer the title of honorary alderman on persons

who have, in the opinion of the Council, rendered Eminent Services to the Council as past Members of that Council but who are not then Members of the Council'

- 4.3 Each Council can decide its own criteria or tradition for the appointment, the criteria for Worthing Borough Council, approved on December 2013 and attached as Annex A.

## **5.0 Financial implications**

- 5.1 It is customary to present a Scroll commemorating the conferment and to hold a small reception, to celebrate the granting of Honorary Aldermanship after the Special Council Meeting; expenditure would be contained within the existing budget for Council refreshments.

## **6.0 Recommendation**

- 6.1 The committee is invited to consider the granting of the Honorary aldermanship of the Borough of Worthing to the former Mayors of the Borough:

Michael Donin  
Vic Walker

If the committee so determines, then to make the following recommendation to Worthing Borough Council:

That a special meeting of the Council be arranged under section 249(1) of the Local Government Act for the specific purpose of conferring the title of 'Honorary Alderman' to Michael Donin and Vic Walker.

- 6.2 To consider the information in paragraphs 3.2 and 3.3 and determine whether to grant the title of Honorary Alderman/Alderwoman to Norah Fisher, making any necessary recommendation to Council.

## **Local Government Act 1972**

### **Background Papers:**

Various public documents for the May 2016 Borough elections

Mayoral Records

Email from Councillor Smytherman dated 18 April 2016

Minutes of the Joint Governance and Audit Committee - June 2012, September 2013, November 2013. Full Council December 2013.

**Contact Officer:**

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Democratic Services Manager  
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01903 221150  
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## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 This report does not support any particular Council Priority

### **2.0 Specific Action Plans**

2.1 This report does not support any particular Action Plan although it is customary to confer the Honorary Title to past Mayors on their retirement from the Council

### **3.0 Sustainability Issues**

3.1 Matter considered no matters arising

### **4.0 Equality Issues**

4.1 All former Mayors who have retired from the office of borough councillor are considered for the conferment of the honorary title 'Alderman/Alderwoman'

4.2 Equality issues relating to former councillors of the borough have been discussed by the Council and formal criteria has been adopted, attached to the report as Annex A.

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered and no matters arising

### **6.0 Human Rights Issues**

6.1 Matter considered no matters arising

### **7.0 Reputation**

7.1 The reputation of the Borough Council's tradition of honouring past Mayors' would be questioned if a past Mayor was not considered for conferment of this honorary title.

### **8.0 Consultations**

8.1 The Leader was consulted on this report as the matter falls within his portfolio. The Joint Chairman of the Committee were advised of the contents of the report. Councillors Smytherman and Wye were also consulted to confirm information in their request.

### **9.0 Risk Assessment**

9.1 The risk is of reputation of the Borough Council as outlined at 7.0.

## **10.0 Health & Safety Issues**

10.1 Matter considered, no matters arising

## **11.0 Procurement Strategy**

11.1 Matter considered, no matters arising

## **12.0 Partnership Working**

12.1 Matter considered, no matters arising

Annex A

## **Criteria for 'eminent service' in the appointment of Honorary Alderman or Honorary Alderwoman**

Definition of 'Eminent' - well-known, renowned, important, distinguished, famous, celebrated, prominent, outstanding, reputed (Thesaurus).

When considering the conferment of the title 'Honorary Alderman' or 'Honorary Alderwoman' on a past member of the Council who was not a past Mayor, then each of the following four criteria should apply:

Past Councillor:

(A) No longer serving on the Council:

1. Must have made a conscious decision to retire from the position of councillor on the council rather than resign from the position or be defeated at an election.
2. In circumstances of resignation or defeat at an election, 4 (four) years should elapse before consideration for conferment of the honour.

And:

(B) Service on the Council:

1. The nominee should have served more than 12 years on Worthing Borough Council, being at least 3 consecutive election wins for the same ward

And:

(C) Community representative:

1. Should have known record of eminent – special service to the Borough that can be demonstrated by their public service on the Council and by their service to the residents of Worthing through their social role in charity or non-remunerated work in the community or in a special interest role

And:

(D) Either:

1. Held a position on the council in one of the following categories for at least 6 years:
  - a. Leader of the Council
  - b. Cabinet member
  - c. Chairman of a Committee
  - d. A group leader(6 years is chosen as it covers a period of time covering at least two election cycles)

Or:

2. The Council acknowledges that there is likely to be an occasion when a recommendation for this honour does not meet the criteria it has adopted. In these circumstances the nomination should be supported by at least two representatives from two different parties in the Council chamber at the time of the nomination. In making the nomination to the Proper Officer of the Council, a supporting statement from these two representatives showing how the nominee meets the spirit of the four criteria should be presented.

Version1 - September 2013

Adopted December 2013

Annex B

*Request to be submitted here when finalised (still to have some bits put in)*

Request for the conferment of the Honorary Alderman/Woman on Norah Fisher

Norah Fisher was born in Brighton, living in Worthing for a number of years. Norah pursued her career in London before moving to the former London and Edinburgh Insurance Company in Broadwater.

First elected to the Borough Council in May 2008 for the Tarring Ward. Norah served on Regulatory Committees - Planning and Licensing as well as Overview and Scrutiny. Norah's ill health (rheumatoid arthritis) prevented her standing for election in May this year - to her dismay.

Norah is passionate about supporting and providing more facilities for younger people in Worthing. Using her position as vice-chairman of the Brighton and Hove Albion Disabled supporters Group she assists with the running of away trips and improving facilities at the Club's home group

Norah was a school governor at Thomas a Becket First and Middle Schools; a current Director of Worthing Dial-a Ride Southern Services Ltd and Secretary of the Worthing Access and Mobility Group. Through this Group she has brought about changes to improve public access to buildings, challenged safety of taxis for Worthing's disabled users

In 2013 Councillor Smytherman invited Norah to be his Mayoress for his Mayoral Year; accompanied by Herbie her assistance dog they were often seen in Worthing out and about on official duties. Dedicated to her role, Norah was regularly seen speeding through the town at night from engagements, Herbie at her side; attending 402 duties until ill health necessitated enforced hospitalisation. Norah was an active member on the Mayor's charity team and had a key role as hostess for the Mayor.

On attending the Royal Garden Party Norah and Herbie (granted Honorary Mayor's Cadet status) were both introduced to HM The Queen, Herbie receiving a regal 'pat'.

Norah's ward duties in Tarring have involved her in the yearly Picnic in the Park which she is actively chairs the organisational committee; the new event of Carols in the Park and the new organisation of Friends of Tarring Park - of which Norah is the President. Norah regularly attends Tarring Forum meetings and despite not being an elected member continues to support residents and their needs.

Norah was an exemplary ambassador for the Borough when serving for the Council and remains a community leader in Tarring.

Councillor Bob Smytherman, proposer

Councillor Tom Wye, supporter



Ward: N/A

## **Joint Independent Remuneration Panel Report on the Scheme of Members Allowances for Adur District Council**

### **Report by the Director for Communities**

#### **1.0 Summary**

- 1.1 To receive a report from the Joint Independent Remuneration Panel (JIRP) on Members allowances for Adur District Council ("The Council"), for the municipal year 2017/18, which recommends that the Council (via this Joint Committee) consider two options as detailed in the attached report.

#### **2.0 Background**

- 2.1 The Local Authorities (Members' Allowances) Regulations 2001 requires local authorities to establish an Independent Remuneration Panel to make recommendations about the levels of allowances payable to Members.
- 2.2 The Adur and Worthing Joint Independent Remuneration Panel began their review of Adur Allowances at the end of July 2016. Panel Members were advised and supported by Officers from Finance and Democratic Services and have submitted a report that is attached as appendix A.
- 2.4 The Panel undertook a consultation exercise with Group Leaders of the Authority as well as considering other quantitative data.
- 2.5 The scheme of allowances for Worthing Borough Council is linked to the Officer's NJC National Pay Bargaining agreement for four years until 2020/21. The review of Worthing Members' allowances will begin in 2019.

#### **3.0 Proposals**

- 3.1 That the Joint Governance Committee consider the report of the JIRP and make recommendations to Adur District Council on the level of Members' Allowances for the municipal year 2017/18.
- 3.2 The Joint Independent Remuneration Panel has recommended that the Council adopts option 2 as outlined in the report.

## **4.0 Legal**

- 4.1 An Independent Remuneration Panel is a requirement of the Local Authorities (Members' Allowances) Regulations 2003 (The 2003 Regulations).
- 4.2 The 2003 Regulations states that before an authority makes or amends a scheme, the authority shall have regard to the recommendations made in relation to it by an independent remuneration panel
- 4.3 The 2003 Regulations sets out the role of the independent remuneration panel to make recommendations to the authority as to the amount of basic allowance which should be payable to its elected members. There is also the authority to make recommendations regarding special responsibility allowances (SRA) – and the roles and responsibilities for which the SRA applies, expenses or arranging the care of children and dependants.

## **5.0 Financial implications**

- 5.1 Option 1, a 2% increase over and above an assumed NJC 1%, would result in an increase in the budget of £2,865
- 5.2 Option 2, a 5% increase over and above an assumed NJC 1%, would result in the total Members Allowances increase in the budget of £8,600
- 5.3 A detailed financial breakdown of the two Options is included in the Appendix to the Joint Independent Remuneration Panel.

## **6.0 Recommendation**

- 6.1 The Committee is requested to consider the report and recommendations of the Joint Independent Remuneration Panel and to recommend to Adur District Council the level of Members' Allowances for the municipal year 2017/18.

## **Local Government Act 1972**

### **Background Papers:**

The Local Authorities (Members' Allowances) Regulations 2001

Local Authority (Members' Allowances) Regulations 2003

Guidance on members' allowances for local authorities in England available from

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>

### **Contact Officer:**

Chris Cadman-Dando

Democratic Services Officer

Worthing Town Hall

01903 221364

[chris.cadman-dando@adur-worthing.gov.uk](mailto:chris.cadman-dando@adur-worthing.gov.uk)



## Schedule of Other Matters

### **1.0 Council Priority**

1.1 Matter considered and no issues identified.

### **2.0 Specific Action Plans**

2.1 Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Matter considered and no issues identified.

### **8.0 Consultations**

8.1 There are no consultation implications as the Panel is the consultee, however the Council must arrange publication of the panel's recommendation, the council's response and at the end of the year the actual amounts paid to each councillor.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

### **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

## **12.0 Partnership Working**

- 12.1 The impact of partnership working has been considered previously with a Joint Panel for Adur and Worthing Councils producing independent reports for the specific council.

**REPORT OF ADUR AND WORTHING COUNCILS  
JOINT INDEPENDENT REMUNERATION PANEL  
ADUR DISTRICT COUNCIL  
September 2016**

**1.0 Introduction**

The Local Government Act 2000 and the Local Authority (Members' Allowances) (England) Regulations 2001 require local authorities to set up an independent panel to review Member Allowances. These regulations specifically abolished the payment of Attendance Allowances and also allowed for a dependent carers' allowance. These regulations have been subsequently updated by further acts and regulations.

**2.0 Composition of the Panel**

2.1 The current composition of the Council's Joint Independent Remuneration Panel (JIRP) is:-

Mr Barry Hillman (Chairman)  
Ms Verity Lockhart  
Mr Andrew Murton  
Ms Barbara Nye  
Mr Martin Phillips  
1 x Vacancy

**3.0 Terms of Reference**

3.1 The Panel's terms of reference are set out below:-

The Panel shall, unless a Council has adopted a scheme under (f) below which has been in place for less than 4 years, by 31<sup>st</sup> January 2015 and thereafter by the 30<sup>th</sup> November each year, including 2015, produce a Report making recommendations to each of the Borough, District and Parish Councils as to:

- a) the amount of the basic allowance which should be payable to its Elected and Co-opted Members;
- b) the responsibilities, roles or duties where special responsibility allowance should be payable and the amount of such allowances (District and Borough Councils only);
- c) the amount of any travelling and subsistence allowance which should be payable to its Elected and Co-opted Members
- d) whether dependants' carers' allowance should be payable and the amount of such allowance;
- e) whether payment of allowances may be backdated in cases where a scheme is amended at a time which would affect allowances payable in that year;

- f) whether adjustments to the level of allowances may be determined according to an index, and which index and for how long before its use is reviewed (subject to a maximum of 4 years);
- g) those items of expenditure that Elected and Co-opted Members may reclaim as expenses; and
- h) any other Members' allowances or reimbursement matters reasonably falling within the remit of the Panel; this may include to relevant bodies on matters of joint working and parity;
- i) such other functions as may be allocated to the Panels by Statute.

3.2 The Panel's Reports shall be submitted to the Councils by way of the Joint Governance Committee.

#### **4.0 Background Papers**

4.1 In preparing its recommendations the Panel considered the following research provided by the Council's Officers which detailed:-

- the current budget provision made for Members' Allowances;
- the current scheme of Members' Allowances paid to Members;
- the previous report of the joint independent remuneration panel;
- the current scheme of allowances paid to Members of Worthing Borough Council;
- Part 4 of the Consistutions of Adur District Council and Worthing Borough Council;

4.2 Group Leaders were canvassed on their views regarding levels of allowance and were invited to give their views to the Panel. The Panel would like to thank those Group Leaders who gave written submissions and those that attended Panel meetings to give evidence.

#### **5.0 General Principles**

5.1 The Members' Allowances scheme recognises that public service, rather than material reward, should remain the primary motivation for involvement in local government, whilst at the same time, it should aim to attract and retain Members who are representative of the demographic make-up of the District.

5.2 That the level of Basic Allowance paid to Adur Councillors is lower than that of Authorities in the South East and Neighbouring Authorities and lower than its close partner, Worthing Borough Council.

#### **6.0 Basic Allowance**

6.1 The Panel has noted that the basic allowance in Adur is less than its partner authority in Worthing. It had previously been argued that this difference was accounted for by the different sizes of the authorities, however, the Panel does not agree with this view and believes that the role carried out by members is similar

across both areas. Members noted that survey results indicated that members spent similar amounts of time on work associated with the Council.

- 6.2 The Panel is of the opinion that Adur Councillors are underpaid when compared to its partner authority to the West. The Panel as part of its previous report concluded that it would recommend to the Council introducing parity with the basic allowance of Worthing Borough Council.
- 6.2 Worthing Borough Council has tied its basic allowance to the Officer's NJC National Pay Bargaining agreement for four years from 2016/17 so to reach parity Adur District Council would need to approve a raise above that Agreement. The Agreement for 2016/17 was 1%.
- 6.3 As part of the previous review the Panel acknowledged that some expenditure would be needed to achieve this aim so is recommending a graduated increment with the aim to achieving near parity over a period of time depending upon the level of the increment. The level of increment should be reviewed annually.
- 6.4 The panel is of the continuing opinion that the basic allowance should be brought into line with the allowance afforded to members in Worthing

## **7.0 Consideration**

- 7.1 The Panel is aware that the following proposals before members represent an increase of note to the Members Allowance budget for 2017/18, however on balance, the Panel felt Members of Adur are being underpaid for the contribution that they make and it is hoped that if adopted, the proposals go some way to redressing that imbalance.

## **8.0 Proposals**

- 8.1 The Panel proposes two options for the Councils consideration as justified below
- (i) The Panel believes that the current level of basic allowance is low in comparison with neighbouring authorities and other similar authorities in the South East;
  - (ii) The Panel believes that as a result of joint working, the basic allowances of Adur and Worthing Councillors should be more closely aligned in the short term and have parity in the long term;
  - (iii) The Panel is satisfied that the levels currently paid at Worthing Borough Council represent a fair recompense for the additional burden placed upon the time and obligation required to carry out those Special Responsibilities by an individual.

### **8.2 Option 1**

- 8.2.1 This option is indexed to the Officer's NJC National Pay Bargaining agreement plus an increase of 2% which would mean an increase in the budget of £2,865

### **8.3 Option 2**

- 8.3.1 The panel is suggesting a second option with a larger increment that if approved would shorten the length of time it would take to reach parity.

8.3.2 This option is indexed to the Officer's NJC National Pay Bargaining agreement plus an increase of 5% to the basic allowance for 2017/18 which would mean an increase in the budget of £8,600

**8.4 Childcare Allowance / Carers Allowance / Travel and Subsistence Allowance (applicable to both option 1 and option 2)**

8.4.1 The panel is satisfied that the current scheme is satisfactory and is therefore not proposing any changes.

**8.5 Special Responsibility Allowances**

8.5.1 The panel is satisfied that no changes need to be made to the levels of special responsibility allowances as set as part of the previous review.

**9.0 Recommendation**

9.1 The Panel recommends that the Council adopts option 2 as the increased rate of increment would mean that Adur District Council would be on track to meet parity by 2020/21, at which point Worthing Borough Council's allowances will be due for review.

**Mr Barry Hillman (Chairman)**

**Ms Verity Lockhart**

**Mr Andrew Murton**

**Ms Barbara Nye**

**Mr Martin Phillips**

# Members' Allowances

2016/17 ACTUAL = 1% NJC + 2% catch up

2017/18 Option 1 = 1% NJC + 2% catch up

2017/18 Option 2 = 1% NJC + 5% catch up



Notes

<b>Basic Allowance</b>
<b>Special Responsibility Allowances</b>
Leader of the Council
Deputy Leader
Executive Portfolio Holders
Environment
Health and Wellbeing
Customer Services
Leader
Regeneration
Resources
Main Opposition Leader
<b>Chairpersons</b>
Council
Planning Committee
Joint Overview & Scrutiny
Licensing
Joint Governance Committee
Joint Staff Committee
Joint Senior Staff Committee
Joint Senior Staff Appeals Committee
<b>Vice Chairpersons</b>
Council
Planning Committee
Joint Overview & Scrutiny
Licensing
Joint Governance Committee
Joint Staff Committee
Joint Senior Staff Committee
Joint Senior Staff Appeals Committee
<b>TOTAL</b>

Adur allowance 2016/17 ACTUAL			
No.	Units	per Member	Total
		£	£
29	1	4,089	118,581
1	3	12,267	12,267
1	1.5	6,134	6,134
1	1.25	5,111	5,111
1	1.25	5,111	5,111
1	1.25	5,111	5,111
1	1.25	5,111	5,111
1	1.25	5,111	5,111
1	1.25	5,111	5,111
1	0.5	2,045	2,045
1	0.5	2,045	2,045
1	1	4,089	4,089
1	0.75	3,067	3,067
1	0.75	3,067	3,067
1	0.5	2,045	2,045
1	0.25	1,022	1,022
1	0.25	1,022	1,022
1	0.25	1,022	1,022
1	0.25	1,022	1,022
1	0.25	1,022	1,022
1	0.25	1,022	1,022
1	0.25	1,022	1,022
<b>TOTAL</b>			<b>189,116</b>

Adur allowance 2017/18 Option 2			
No.	Units	per Member	Total
		£	£
29	1	4,212	122,148
1	3	12,636	12,636
1	1.5	6,318	6,318
1	1.25	5,265	5,265
1	1.25	5,265	5,265
1	1.25	5,265	5,265
1	1.25	5,265	5,265
1	1.25	5,265	5,265
1	1.25	5,265	5,265
1	0.5	2,106	2,106
1	0.5	2,106	2,106
1	1	4,212	4,212
1	0.75	3,159	3,159
1	0.75	3,159	3,159
1	0.5	2,106	2,106
1	0.25	1,053	1,053
1	0.25	1,053	1,053
1	0.25	1,053	1,053
1	0.25	1,053	1,053
1	0.25	1,053	1,053
1	0.25	1,053	1,053
<b>TOTAL</b>			<b>194,805</b>

Adur allowance 2017/18 Option 3			
No.	Units	per Member	Total
		£	£
29	1	4,336	125,744
1	3	13,008	13,008
1	1.5	6,504	6,504
1	1.25	5,420	5,420
1	1.25	5,420	5,420
1	1.25	5,420	5,420
1	1.25	5,420	5,420
1	1.25	5,420	5,420
1	1.25	5,420	5,420
1	0.5	2,168	2,168
1	0.5	2,168	2,168
1	1	4,336	4,336
1	0.75	3,252	3,252
1	0.75	3,252	3,252
1	0.5	2,168	2,168
1	0.25	1,084	1,084
1	0.25	1,084	1,084
1	0.25	1,084	1,084
1	0.25	1,084	1,084
1	0.25	1,084	1,084
1	0.25	1,084	1,084
<b>TOTAL</b>			<b>200,540</b>

13000-1001-0

Budget 2016/17 £191,940

Growth / (Saving) against Budget (£2,824)

Budget 2016/17 £191,940

Growth / (Saving) against Budget £2,865

Budget 2016/17 £191,940

Growth / (Saving) against Budget £8,600