

**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:

Report author: Sarah Gobey  
Title: Chief Financial Officer  
Location: Worthing Town Hall  
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**

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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 km2 . 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

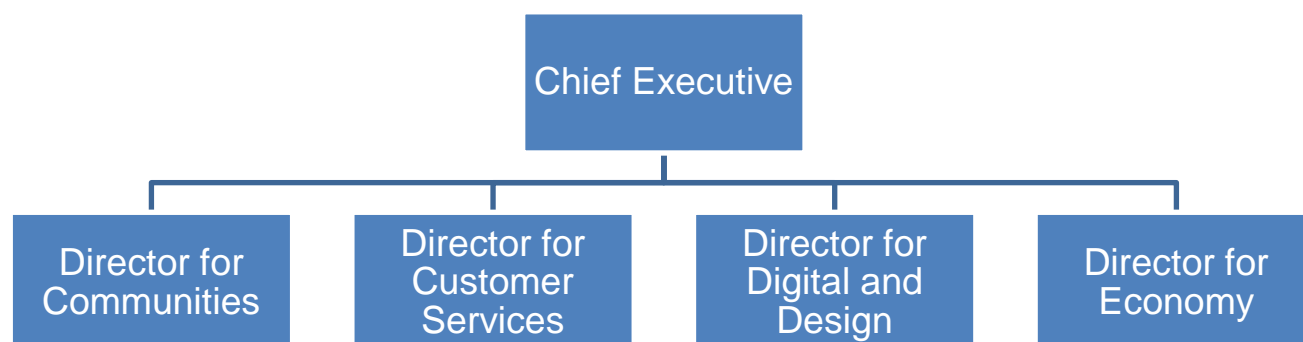
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### **KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL**

#### **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)***

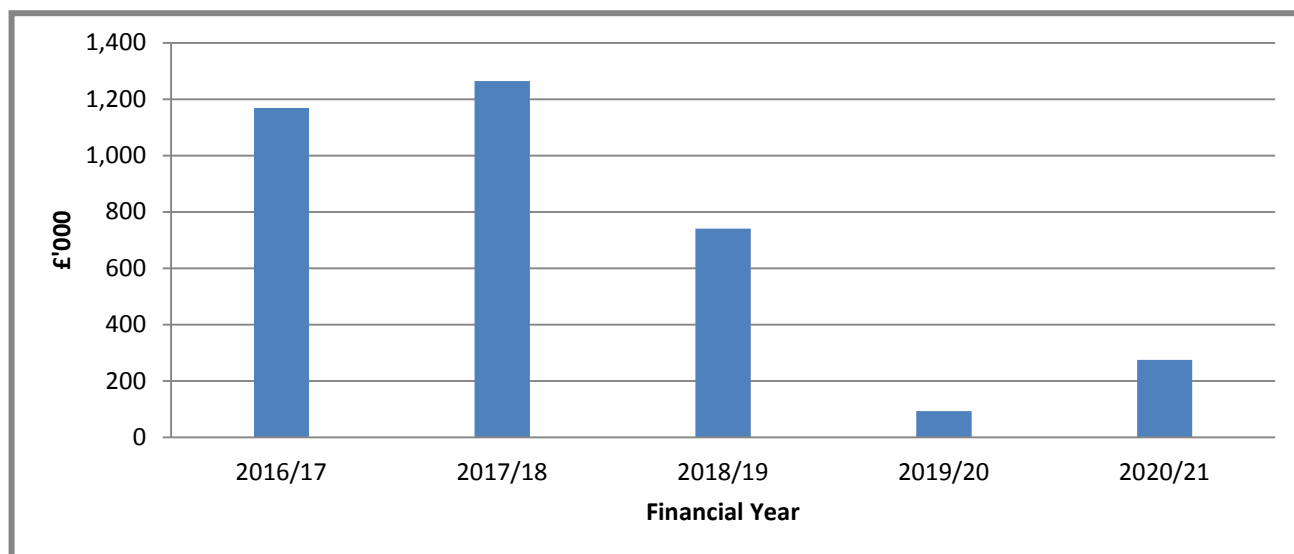
#### **Budget Strategy for 2016/17 to 2019/20**

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.

## NARRATIVE REPORT

### **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:

|   | £'000 |
|---|-------|
| 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<br>ESTIMATE<br>2015/16 | OUTTURN<br>2015/16 | UNDER/<br>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.

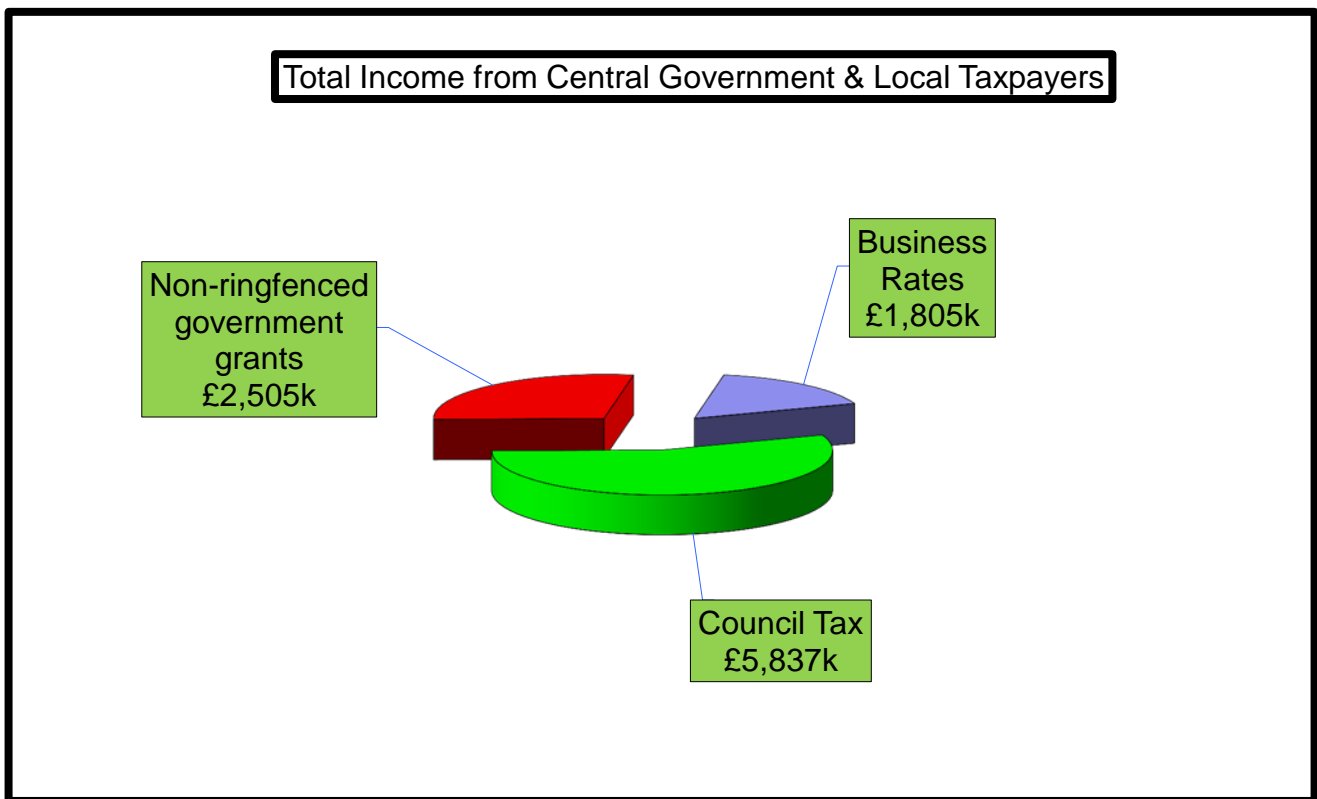
# NARRATIVE REPORT

## 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.



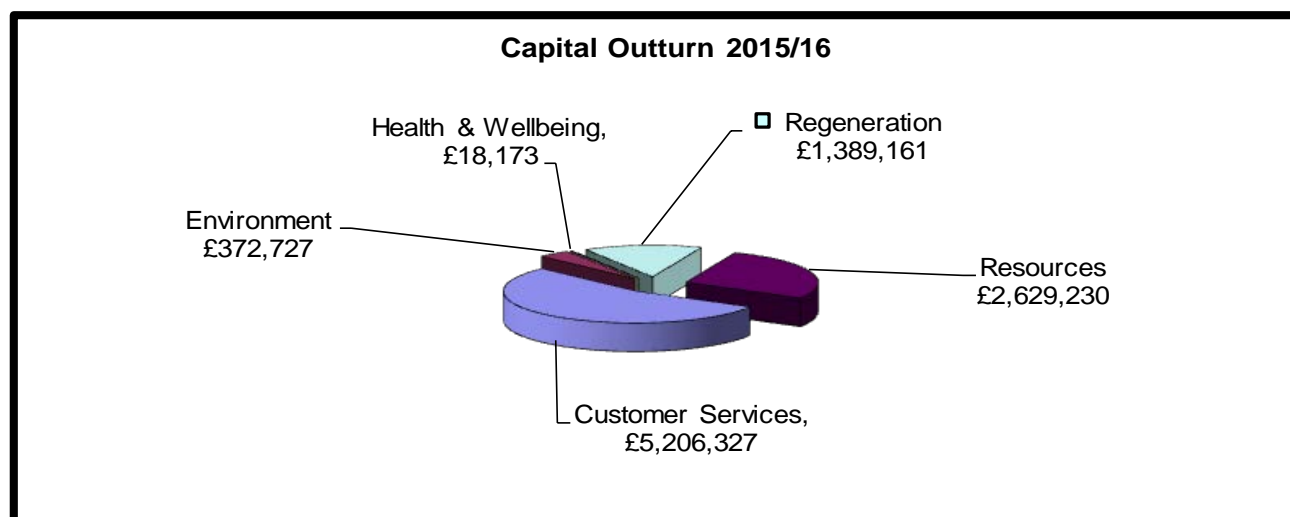
\* Net of budgeted Collection Fund surplus/deficit.

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.**

**MOVEMENT IN RESERVES STATEMENT**

| 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<br>March 2016 | Restated<br>As at 31st<br>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<br>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.

| <b>FINANCIAL LIABILITY</b>   | <b>FINANCIAL ASSET</b>   |
|--|--|
| <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<br>COMPARATIVE FIGURES  | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserves | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied | Movement in<br>Unusable<br>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<br>COMPARATIVE FIGURES   | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserves | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied | Movement in<br>Unusable<br>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<br>COMPARATIVE FIGURES  | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserves | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied | Movement in<br>Unusable<br>Reserve |
|---|----------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------------|------------------------------------|
|   | £000                       | £000                          | £000                            | £000                        | £000                           | £000                               |
| <b>Adjustments involving the<br/>Collection Fund Adjustment<br/>Account:</b><br><br>Amount by which council tax<br>income credited to the<br>Comprehensive Income and<br>Expenditure Statement is different<br>from council tax income calculated<br>for the year in accordance with<br>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,<br>Furniture and<br>Equipment | Surplus Assets | Assets<br>Under<br>Construction | TOTAL          |
|--|---|----------------|---------------------------------|----------------|
|  | £'000                                   | £'000          | £'000                           | £'000          |
| <b>Cost</b>  |   |                |                                 |                |
| At 1 April 2015                                      | 5,086                                   | 22             | 3                               | 5,111          |
| New assets transferred from<br>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<br/>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<br/>2016</b>           | <b>1,746</b>                            | <b>-</b>       | <b>44</b>                       | <b>1,790</b>   |
| <b>Net Book Value at 31 March<br/>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<br>Dwellings | Other<br>Land<br>and<br>Buildings | Vehicles,<br>Furniture<br>and<br>Equipmen | Infra-<br>structure<br>Assets | Comm-<br>unity<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Const-<br>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/<br>(decreases) recognised in the<br>Revaluation Reserve                             | 10,635               | (251)                             | -   | 4                             | -                        | -                 | -                                    | 10,388         |
| Revaluation increases/<br>(decreases) recognised in the<br>Surplus/Deficit on the Provision of<br>Services | (3,415)              | (1,583)                           | -   | -                             | -                        | -                 | -                                    | (4,998)        |
| Derecognition - Other  | (1,966)              | (54)                              | (309)                                     | (58)                          | -                        | -                 | (5)                                  | (2,392)        |
| Assets reclassified (to)/from Held<br>for Sale   | (762)                | -                                 | -   | -                             | -                        | -                 | -                                    | (762)          |
| Reclassifications between asset<br>classes, including transfers to<br>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<br/>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<br>Revaluation Reserve   | 18                   | 122                               | -   | -                             | -                        | -                 | -                                    | 140            |
| Deprecation written out to the<br>Surplus/Deficit on the Provision of<br>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<br/>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,<br>Furniture and<br>Equipment | Surplus Assets | Assets<br>Under<br>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<br/>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<br/>2015</b>         | <b>2,117</b>                            | <b>12</b>      | <b>3</b>                        | <b>2,132</b>   |
| <b>Net Book Value at 31 March<br/>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.

|                                       | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Furniture and Equipment</b> | <b>Infra-structure Assets</b> | <b>Comm-unity Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Const-ruktion</b> | <b>TOTAL</b>   |
|---------------------------------------|--------------------------|---------------------------------|--|-------------------------------|--------------------------|-----------------------|-----------------------------------|----------------|
|                                       | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                             | <b>£'000</b>                  | <b>£'000</b>             | <b>£'000</b>          | <b>£'000</b>                      | <b>£'000</b>   |
| <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/<br>Furniture | Monuments | TOTAL |
|---|---------------|------------------------|-----------|-------|
|   | £'000         | £'000                  | £'000     | £'000 |
| <b>Cost or Valuation</b><br>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/<br>Furniture | Monuments | TOTAL |
|---|---------------|------------------------|-----------|-------|
|   | £'000         | £'000                  | £'000     | £'000 |
| <b>Cost or Valuation</b><br>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>               | (40)       | (30)       |
| <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/<br/>(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<br>Measured at<br>Amortised Cost |                | FINANCIAL ASSETS<br>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<br/>Similar Charges</b> | (3,105)  | (3,179)        | -   | -          | (3,105)        | (3,179)        |
| Interest Income                                 | -  | -              | 173                                       | 180        | 173            | 180            |
| Decrease/(Increase) in<br>Impairment            | -  | -              | (53)                                      | 29         | (53)           | 29             |
| <b>Interest Income and<br/>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<br>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<br>2015/16 | Current<br>2014/15 | Non Current<br>2015/16 | Non Current<br>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><br>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<br>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<br>at<br>31-Mar-15 | Additional<br>provisions<br>made in<br>2015/16 | Amounts<br>used in<br>2015/16 | Unused<br>Amounts<br>Reversed<br>in<br>2014/15 | Balance<br>at<br>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.

| Revaluation Reserve  | 2015/16         | 2014/15         |
|--|-----------------|-----------------|
|  | <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<br/>(69,856)</b> | <b>£'000<br/>(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<br/>2015/16</b> | <b>Net<br/>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<br>2015/16    | Restated Net<br>2014/15 |
|--|-------------------|-------------------------|
|  | £'000<br>(10,572) | £'000<br>(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<br>2015/16 | Restated Net<br>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<br>2015/16 | Net<br>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<br>£'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<br>2015/16       | Service<br>Analysis | Services not<br>in Analysis | Not reported<br>to manage-<br>ment | Not included<br>in Income &<br>Expend-<br>iture | Allocation of<br>Re-charges | Net Cost of<br>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 |
|----------------------------------|-------------------|----------------|--|--------------|-------------------|-----------------|-----------------|
| <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>    |
| 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.

|  | <b>2014/15<br/>£'000</b> |
|--|--------------------------|
| 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<br>Gross<br>Expenditure | 2015/16<br>Gross<br>Income | 2015/16<br>Net<br>Expenditure | 2014/15<br>Net<br>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<br/>Expenditure<br/>2015/16</b> | <b>Gross<br/>Income<br/>2015/16</b> | <b>Net<br/>Expenditure<br/>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<br>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<br>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<br>District<br>Council | Horsham<br>District<br>Council | Adur<br>District<br>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<br>District<br>Council | Horsham<br>District<br>Council | Adur<br>District<br>Council | Worthing<br>Borough<br>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<br>and<br>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>Funded by:</b>                          |                             |              |              |              |
| Useable reserves                           | -                           | -            | -            | -            |
| <b>Total Reserves</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  |

**NOTES TO THE ACCOUNTS**

**NOTE 36 OFFICERS' REMUNERATION**

| 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,<br>Fees and<br>Allowances | Expenses<br>Allowances | Compensation<br>for Loss<br>of<br>Office | Total<br>Remuneration<br>excluding<br>Pension<br>Contributions | Pension<br>Contribution<br>- Employer<br>Only | Total<br>Remuneration<br>including<br>Pension<br>Contributions | Net Cost<br>borne by<br>Worthing<br>B.C. and<br>paid to<br>Adur<br>D.C. | Net Cost<br>borne by<br>Adur D.C.<br>Employing<br>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<br/>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)<br>Exit package cost band (including special payments)   | (b)<br>Number of compulsory redundancies |         | (c)<br>Number of other departures agreed |         | (d)<br>Total number of exit packages by cost band |         | (e)<br>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<br>(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 46: TERMINATION BENEFITS**

|  | Adur           |
|--|----------------|
| Redundancy costs                         | 282,125        |
| Enhanced Pension Benefits                | 71,955         |
| <b>Total termination benefit 2015/16</b> | <b>354,080</b> |
| <b>Termination benefits 2014/15</b>      | <b>372,467</b> |

Of this total £354,080 is payable in the form of compensation for loss of office and £71,955 is the 2015/16 cost of enhanced pension benefits which is normally spread over 5 years. This cost also relates to enhanced pensions from previous year terminations.

### **NOTE 47: OTHER LONG TERM LIABILITIES**

| Other Long Term Liabilities                                     | 31-Mar-16     | 31-Mar-2015   |
|---|---------------|---------------|
| See Note No.  | £'000s        | £'000s        |
| Pension Reserve Liability <span style="float: right;">48</span> | 28,048        | 35,820        |
| <b>TOTAL</b>  | <b>28,048</b> | <b>35,820</b> |

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **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 (for those benefits) and to disclose them 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 pension liabilities with investment assets.

#### **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:

## 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<br>Comm'tee<br>2015/16 | Adur<br>2015/16 | 2015/16 | Restated<br>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<br>£'000s               | 2014/15<br>£'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<br>£'000s               | 2014/15<br>£'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<br/>(defined benefit obligation)</b> | <b>Funded Liabilities: LGPS</b> |                           |
|---|---------------------------------|---------------------------|
|   | <b>2015/16<br/>£'000s</b>       | <b>2014/15<br/>£'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<br>(quoted prices are in active markets) | Fair value of scheme assets |                   |
|---|-----------------------------|-------------------|
|   | 2015/16<br>£'000s           | 2014/15<br>£'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<br>(quoted prices are not in active markets) | Fair value of scheme assets |                   |
|---|-----------------------------|-------------------|
|   | 2015/16<br>£'000s           | 2014/15<br>£'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 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.

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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<br>Net Expenditure |                 | 2014/15<br>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<br>2016 | 31st March<br>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<br>2016 | 31st March<br>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-<br>ness<br>Rates | Council<br>Tax | TOTAL         | Bus-<br>ness<br>Rates | Adj   | Restated<br>Buiness<br>Rates | Council<br>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<br>County<br>Council | Sussex Police<br>& Crime<br>Commissioner | Adur District<br>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<br>Communities and<br>Local Govt | West Sussex<br>County Council | Adur District<br>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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## ***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 (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.

#### ***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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### 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:<br><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

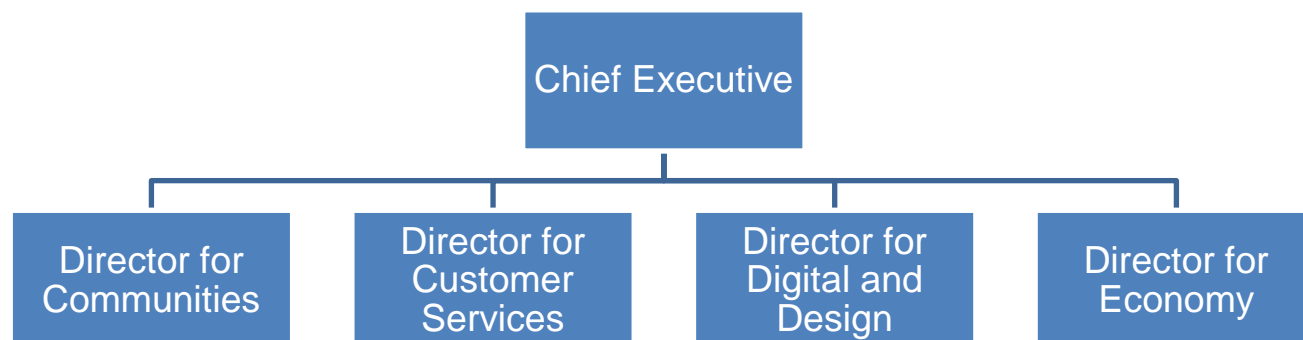
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### **KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL**

#### **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)**

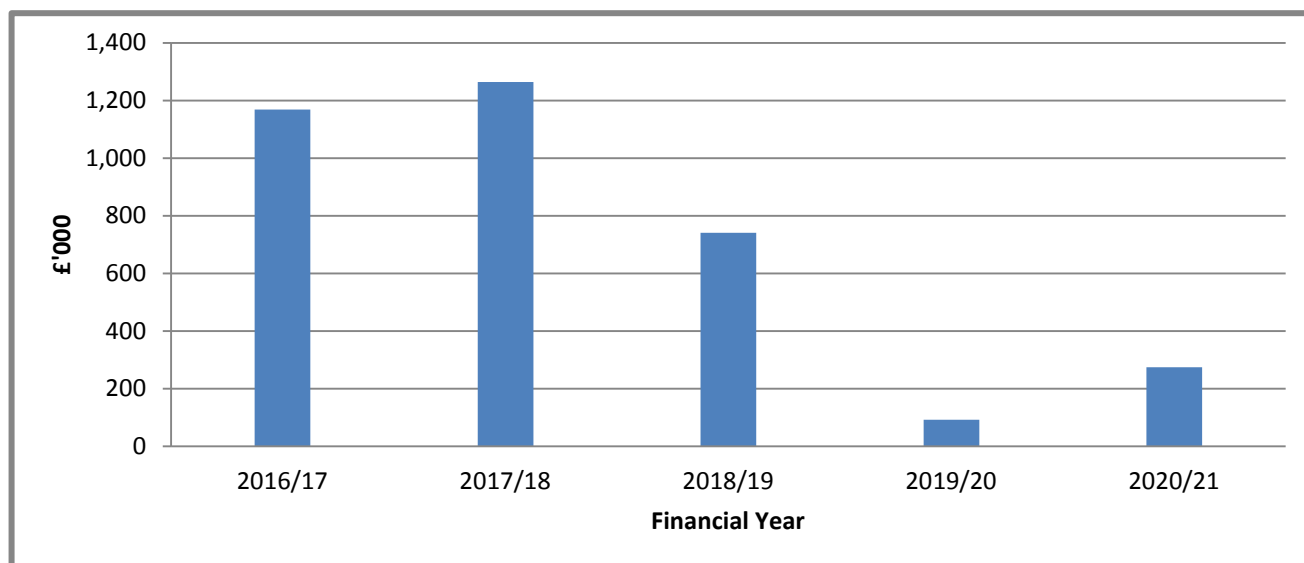
#### **Budget Strategy for 2016/17 to 2019/20**

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<br>2015/16 | OUTTURN<br>2015/16 | UNDER/<br>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.

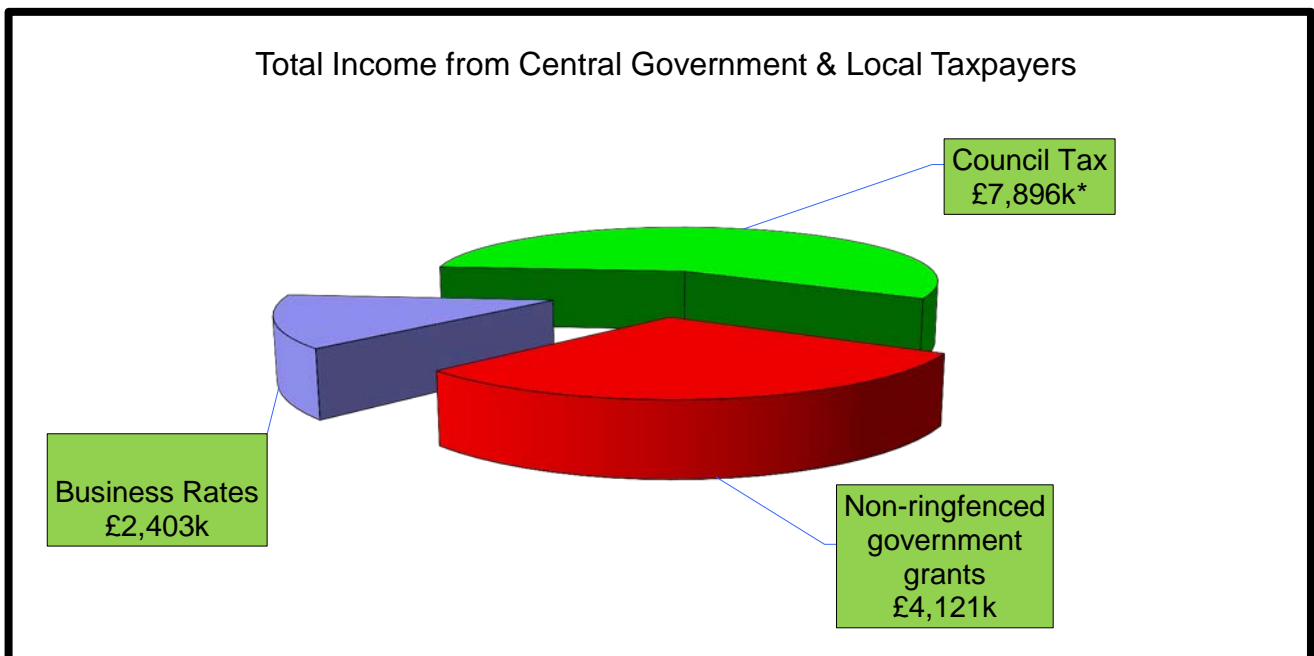
# NARRATIVE REPORT

## 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.

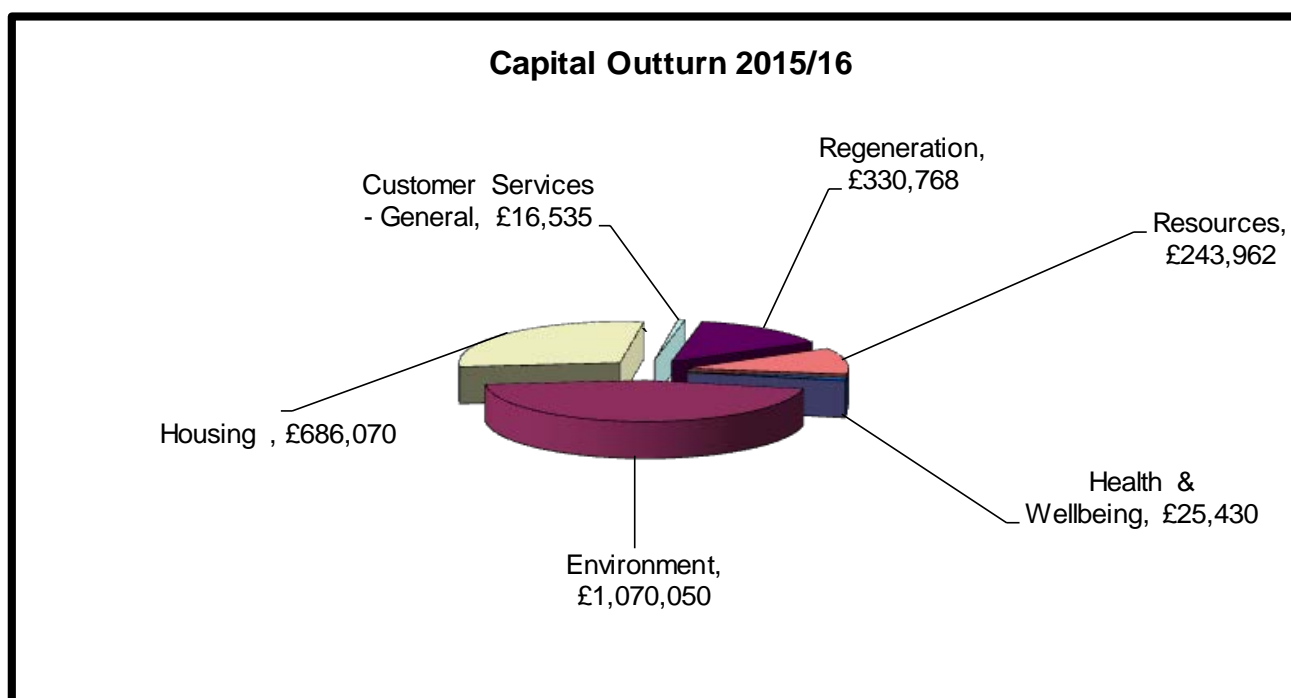


\* Net of budgeted Collection Fund surplus/deficit.

## 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<br>March 2016 | Restated As<br>at 31st March<br>2015 |
|---|--------------------------|--------------------------------------|
|   | £'000                    | £'000                                |
| <b>Long Term Assets:</b>                            |                          |                                      |
| Property, Plant & Equipment                         | 12                       | 100,358                              |
| Heritage Assets                                     | 13                       | 11,991                               |
| Investment Properties                               | 14                       | 4,536                                |
| Intangible Assets                                   | 15                       | 191                                  |
| Assets Held for Sale                                | 21                       | 4,784                                |
| Long Term Investments/Available for sale fin assets | 16                       | 75                                   |
| Long Term Debtors                                   | 19                       | 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                                |
| Inventories   | 17                       | 142                                  |
| Short Term Debtors *                                | 19                       | 9,566                                |
| Cash & Cash Equivalents                             | 20                       | 4,458                                |
| <b>Total Current Assets</b>                         | <b>19,176</b>            | <b>17,090</b>                        |
| <b>Current Liabilities:</b>                         |                          |                                      |
| Short Term Borrowing                                | 16                       | (11,934)                             |
| Short Term Creditors                                | 22                       | (11,833)                             |
| Provisions  | 23                       | (1,063)                              |
| Grants Receipts In Advance - Revenue                | 39                       | (550)                                |
| 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)                              |
| Other Long Term Liabilities                         | 47                       | (36,520)                             |
| <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)                              |
| Unusable Reserves                                   | 25                       | (62,081)                             |
| <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; Expenditure 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 & Expenditure 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,<br>Furniture<br>and Equipment | Surplus Assets | Assets Under<br>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<br>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,<br>Furniture &<br>Equipment | Surplus<br>Assets | Assets<br>Under<br>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<br/>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<br>Land<br>and<br>Buildings | Vehicles,<br>Furniture<br>and<br>Equipment | Infra-<br>structure<br>Assets | Comm-<br>unity<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Const-<br>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<br>Regalia | Art<br>and<br>Sculpture | Costume<br>and<br>Jewellery | Toys         | Social<br>History | Archaeology<br>and<br>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)<br>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<br>Movements in 2014/2015   | Civic<br>Regalia | Art<br>and<br>Sculpture | Costume<br>and<br>Jewellery | Toys         | Social<br>History | Archaeology<br>and<br>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)<br>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.

|  | <b>2015/16</b> | <b>2014/15</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| <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<br>Measured at<br>Amortised Cost |                  | FINANCIAL ASSETS<br>Loans and Receivables |                  | TOTAL            |                  |
|---|--|------------------|---|------------------|------------------|------------------|
|   | 2015/16<br>£'000                                       | 2014/15<br>£'000 | 2015/16<br>£'000                          | 2014/15<br>£'000 | 2015/16<br>£'000 | 2014/15<br>£'000 |
| Interest Expense                                | (189)  | (116)            | -   | -                | (189)            | (116)            |
| Impairment Losses                               | -  | -                | -   | -                | -                | -                |
| <b>Interest Payable and<br/>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<br>Impairment            | -  | -                | (51)                                      | 31               | (51)             | 31               |
| <b>Interest Income and<br/>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<br>2015/16 | Current<br>2014/15 | Non Current<br>2015/16 | Non Current<br>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<br>at<br>31-Mar-15 | Additional<br>provisions<br>made in<br>2015/16 | Amounts<br>used in<br>2015/16 | Unused<br>Amounts<br>Reversed<br>in<br>2015/16 | Balance<br>at<br>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**

|  | Net<br>2015/16 | Net<br>2014/15 |
|--|----------------|----------------|
|  | £'000          | £'000          |
| 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<br>2015/16 | Restated Net<br>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<br>2015/16 | Restated Net<br>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<br>2015/16 | Restated Net<br>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<br>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>(15,401)</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<br>2015/16       | Service<br>Analysis | Services<br>not in<br>Analysis | Not<br>reported to<br>manage-<br>ment | Not<br>included<br>in Income<br>& Expend-<br>iture | Allocation<br>of<br>Recharges | Net Cost of<br>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                   | <b>6,224</b>    |
| Other service expenses                                 | 57,276              | -                              | 36                                    | (931)  | -                             | 56,381                  | <b>56,381</b>   |
| Support Service recharges                              | 5,011               | -                              | (1,010)                               | -  | -                             | 4,001                   | <b>4,001</b>    |
| Depreciation, amortisation and impairment              | (546)               | -                              | -                                     | -  | -                             | (546)                   | <b>(546)</b>    |
| Interest Payments                                      | 189                 | -                              | -                                     | -  | -                             | 189                     | <b>189</b>      |
| Gain or Loss on Disposal of Fixed Assets               | -                   | -                              | 32                                    | -  | -                             | 32                      | <b>32</b>       |
| 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 |
|--------------------------------------|-------------------|----------------|--|--------------|-------------------|-----------------|-----------------|
| Member Portfolio                     | £'000             | £'000          | £'000  | £'000        | £'000             | £'000           | £'000           |
| 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

|  | 2014/15      |
|--|--------------|
|  | £'000        |
| 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<br>2014/15       | Service<br>Analysis | Services<br>not in<br>Analysis | Not<br>reported to<br>manage-<br>ment | Not<br>included in<br>Income &<br>Expend-<br>iture | Allocation<br>of<br>Recharges | Net Cost of<br>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<br/>Gross<br/>Expenditure</b> | <b>2015/16<br/>Gross<br/>Income</b> | <b>2015/16<br/>Net<br/>Expenditure</b> | <b>2014/15<br/>Net<br/>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<br/>Expenditure<br/>2015/16</b> | <b>Gross<br/>Income<br/>2015/16</b> | <b>Net<br/>Expenditure<br/>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**

| <b>Census ICT</b>   | <b>Mid Sussex District Council</b> | <b>Horsham District Council</b> | <b>Adur District Council</b> | <b>Worthing Borough Council</b> | <b>TOTAL</b> |
|---|------------------------------------|---------------------------------|------------------------------|---------------------------------|--------------|
|   | <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> |

The Census partnership Balance Sheet has not been consolidated into the Council's Balance Sheet as it not deemed to be material.

| <b>Census Balance Sheet as at 31st March 2016</b> |                              |            |                |                |
|---|------------------------------|------------|----------------|----------------|
|   | <b>Revenues and Benefits</b> | <b>ICT</b> | <b>2015/16</b> | <b>2014/15</b> |
|   | <b>£</b>                     | <b>£</b>   | <b>£</b>       | <b>£</b>       |
| <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      |
|--------------|--------------|
| £<br>244,054 | £<br>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<br>Number of<br>employees | 2014/15<br>Number of<br>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<br>(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<br>(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:

|   | <b>31-Mar-16</b> | <b>31-Mar-15</b> |
|---|------------------|------------------|
|   | <b>£'000</b>     | <b>£'000</b>     |
| 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<br>Comm'tee<br>2015/16 | Worthing<br>2015/16 | Total<br>2015/16 | Restated<br>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<br>(Plan) Assets         | Local Government<br>Pension Scheme |               |
|--|------------------------------------|---------------|
|  | 2015/16                            | 2014/15       |
|  | £'000s                             | £'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<br>(quoted prices are in active markets) | Fair value of scheme assets |                   |
|---|-----------------------------|-------------------|
|   | 2015/16<br>£'000s           | 2014/15<br>£'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<br>(quoted prices are not in active markets) | Fair value of scheme assets |                   |
|---|-----------------------------|-------------------|
|   | 2015/16<br>£'000s           | 2014/15<br>£'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**

| <b>Value of Museum Heritage Assets Acquired by Donation</b> | <b>2014/15</b> | <b>2015/16</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| 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><br>Income used to make improvements to the garden | 34                            | 34                            |
| <b>Dr Chester's Charity</b><br>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          |
|  | £'000          | £'000         | £'000          | £'000          | £'000         | £'000          |
| <b>INCOME (A)</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<br>Sussex<br>County<br>Council<br>Closing<br>Balance | Sussex<br>Police<br>and Crime<br>Commissioner<br>Closing<br>Balance | Preceptors<br>Total   | Worthing<br>Closing<br>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<br>Communities and<br>Local Govt | West Sussex<br>County Council | Worthing<br>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>                | Curtailements 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**

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| <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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