ADUR & WORTHING
COUNCILS

23 July 2018

Joint Governance Committee
6.30pm on 31 July 2018
QEII Room, Shoreham Centre, Shoreham-by-Sea

Adur District Council: Councillors George Barton (Chairman), Kevin Boram (Vice-Chairman), David Balfe, Paul Graysmark, Andrew McGregor, Paul Mansfield, Barry Mear and Peter Metcalfe

Worthing Borough Council: Councillors Lionel Harman (Chairman), Nigel Morgan (Vice-Chairman), Jim Deen, Louise Murphy, Jane Sim, Bryan Turner, Steve Waight and Steve Wills

Agenda

Part A		**Page No.**
1.	**Substitute Members**	-
	Any substitute members should declare their substitution.	
2.	**Declarations of Interest**	-
	Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.	
	If in doubt contact the Legal or Democratic Services representative for this meeting.	

Part B Exempt Reports - Not for Publication

None.

Recording of this meeting

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

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The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk

ADUR & WORTHING
COUNCILS

Joint Governance Committee

31 July 2018

Agenda Item 6

Key Decision : No

Ward(s) Affected: All

STATEMENT OF ACCOUNTS 2017/18 FOR ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER

EXECUTIVE SUMMARY

1. PURPOSE

1.1 The audits of Adur District Council's and Worthing Borough Council's 2017/18 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 2017/18 financial statements have been adjusted in respect of the External Auditor's findings as at 13th July 2018. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2018 and the letters of representation which are attached as appendix 2

1.2 The following appendices have been attached to this report:

(i)	**Appendix 1**	(a)	Adur Statement of Accounts 2017/18
		(b)	Worthing Statement of Accounts 2017/18
(ii)	**Appendix 2**	(a)	Adur Letter of Representation
		(b)	Worthing Letter of Representation

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is recommended to:

- Approve the amended Adur District Council and Worthing Borough Council Statement of Accounts for the financial year ended 31st March 2018 in appendix 1; and

- Agree the letters of representation at appendix 2 which will be signed by the Joint Chairmen of the Joint Governance Committee.

3. CONTEXT

3.1 The Accounts and Audit (England) Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2017/18.

3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the draft accounts be certified by the 31st May 2018.

3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at the end of the financial year; and the Councils' income and expenditure for that year.

3.3 Following the approval of the statement of accounts in May 2018, 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 13th July 2018, have been discussed, agreed and adjusted for, within the sets of accounts circulated to members. Any significant amendments affecting the certification agreed after 13th July 2018 will be amalgamated into the two sets of accounts before publication. All the Auditors findings identified to date are contained in the Auditor's 2017/18 External Auditor's Report on the Audit Results (ISA 260), elsewhere on this agenda.

4.0 AGREED AMENDMENTS TO THE 2017/18 STATEMENT OF ACCOUNTS

4.1 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 2017/18 Statement of Accounts to report. No adjustments to the Adur and Worthing accounts have affected the reported outturn position to the Joint Overview and Scrutiny Committee on 10th July 2018.

4.2 The Worthing core statements include two restatement adjustments for corrections relating to prior years 2016/17:

1. Balance Sheet - an error related to the valuation of the Town Hall, the impact was a £2.4m overstatement of both the Council's long term assets and unusable reserves. The opening position for 2016/17 was also restated to reflect the historic correction to the asset value.

2. Comprehensive Income and Expenditure Statement - the Council's share of the joint services income and expenditure was understated by £1.4m, the impact on the overall net cost of services is nil.

All the associated notes have been restated for these adjustments.

It is proposed that the Adur District Council and Worthing Borough Council Statements of Accounts 2017/18 be approved by this Committee.

4.0 AGREED AMENDMENTS TO THE 2017/18 STATEMENT OF ACCOUNTS

4.3 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.

4.4 There are no unadjusted items this year for either of the statements of accounts at the time of drafting this report,

5.0 ANNUAL GOVERNANCE STATEMENT

5.1 The Committee will be aware that approval was given to the draft Annual Governance Statements for 2017/18 at its meeting on the 31st May 2018. Following the approval the External Auditors 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.

6.0 LEGAL

6.1 The two 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 2017/18, based on International Financial Reporting Standards (IFRS).

7.0 FINANCIAL IMPLICATIONS

7.1 The two sets of Statements of Accounts reflect the 2017/18 outturn position, the transfers to and from reserves and carry forward of balances, in the '*Revenue Outturn 2017/18 and Capital and Projects Outturn 2017/18 for Joint, Adur and Worthing'* approved by the Joint Strategic Committee at its meeting of 10th July, 2018, adjusted for by the agreed amendments as noted in section 4.1 of this report.

7.0 FINANCIAL IMPLICATIONS

7.2 Reconciliation of 2017/18 Revenue Outturn to 2017/18 Comprehensive Income and Expenditure Accounts

The difference between the Adur and the Worthing 2017/18 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following:

Adur District Council		2017/18
	£'000	**£'000**
Final Outturn 2017/18		
General Fund		8,691
HRA		200
Final 2017/18 Outturn Net Spend		8,891
Income from council tax and NDR	(7,942)	
Government Grants and Contributions not included in outturn report	(3,339)	
Net income from Taxation	(11,311)	(11,331)
Payments to DCLG for housing capital receipts pool	865	
Gain/loss on disposal and de-recognition of assets	1,332	
Parish Council Precepts	385	
Other Operating Expenditure not included in Outturn	2,582	2,582
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis		
MRP included in outturn and not included in Comprehensive I & E Statement		(712)
Net impact of accounting for pensions under IAS19		780
Revenue funded from capital under statute		2,293
Net depreciation, impairment, and revaluations		5,272
Transfer to the Major Repairs Allowance		(4,546)
Capital expenditure charged to revenue		(57)
Capital grants credited to revenue		(705)
Other minor adjustments		(23)
2017/18 Comprehensive Income and Expenditure - Deficit on provision of services		**2,444**

7.0 FINANCIAL IMPLICATIONS

7.2 Reconciliation of 2017/18 Revenue Outturn to 2017/18 Comprehensive Income and Expenditure Accounts

Worthing Borough Council		2017/18
	£'000	£'000
Final 2017/18 Outturn Net Spend		12,443
Income from council tax and NDR	(11,147)	
Government Grants and Contributions not included in the outturn	(8,878)	
Net income from Taxation	(20,025)	(20,025)
Gain/loss on disposal and de-recognition of assets	485	
Other Operating Expenditure not included in Outturn	485	485
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis		
MRP included in outturn and not included in Comprehensive I and E Statement		(809)
Revenue funded from capital under statute		941
Net depreciation, impairment, and revaluations		368
Capital expenditure charged to revenue		(207)
Capital grants credited to revenue		(1,229)
Non ring-fenced grants included		270
Other		352
2017/18 Comprehensive Income and Expenditure - Deficit on provision of services		**(7,411)**

7.0 FINANCIAL IMPLICATIONS

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

The Other Comprehensive Income and Expenditure section of the core Comprehensive Income and Expenditure Statement has significant movement of £19.3m year on year due to the category of costs that it includes and their sensitivity to market conditions:

Adur District Council	**2017/18**	**2016/17**	**Movement**
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(3,435)	(13,314)	9,879
Re-measurements of the Net Defined Pension Benefit Liability	(6,989)	6,760	(13,749)
Surplus)/Deficit arising on the revaluation of Available for Sale Financial Assets	32	-	32
Other	(1)	17	(18)
Other Comprehensive Income and Expenditure	**(10,393)**	**(6,537)**	**(3,856)**

Worthing Borough Council	**2017/18**	**2016/17**	**Movement**
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	1,756	(1,999)	3,755
Re-measurements of the Net Defined Pension Benefit Liability	(7,810)	4,087	(11,897)
Surplus)/Deficit arising on the revaluation of Available for Sale Financial Assets	16	-	16
Other Comprehensive Income and Expenditure	**(6,038)**	**2,088**	**(8,126)**

7.0 FINANCIAL IMPLICATIONS

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

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

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

8.0 PUBLICITY

8.1 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.

9.0 LEGAL IMPLICATION

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

10.0 CONCLUSION

10.1 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.

10.2 Members' are asked to approve the amended Adur District Council and Worthing Borough Council 2017/18 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 2017/18 accounts.

Local Government Act 1972
Background Papers:

Accounts and Audit (England) Regulations 2015
http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2017/18 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2017/18 Accounts

2017/18 External Auditor's Report to those Charged with Governance (ISA 260)

10th July 2018 Joint Strategic Committee – Financial Performance "Capital and Projects Outturn for 2017/18" and "Revenue Outturn 2017/18"
https://www.adur-worthing.gov.uk/media/media,149797,en.pdf
https://www.adur-worthing.gov.uk/media/media,149798,en.pdf

31st May 2018 Joint Governance Committee – "The Annual Governance Statements 2017/18 – review and approval"
https://www.adur-worthing.gov.uk/media/media,149262,en.pdf

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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 and SAFETY ISSUES**
10.1 Matter considered and no issues identified

11.0 **PROCUREMENT STRATEGY**
11.1 Matter considered and no issues identified

12.0 **PARTNERSHIP WORKING**
12.1 The accounts of the constituent authorities contains details of the Adur and Worthing partnership.

ADUR DISTRICT COUNCIL

Statement of Accounts 2017/2018

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

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2018

C O N T E N T S

NARRATIVE REPORT

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 2017/18;
- Have confidence that the public money with which the Council has been entrusted has been used well 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 31st March 2018. It provides a summary of the financial position as at 31st March 2018 and is structured as below:

- Introduction To Adur as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2017/18
- The 2017/18 revenue budget process and medium term financial plan
- Financial Overview of the Council 2017/18
    - * Revenue spend in 2017/18
    - * Capital strategy and Capital Programme 2017/18 to 2020/21
- Housing Revenue Account
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO ADUR AS A PLACE

Adur District Council is one of seven Local Authorities in West Sussex. It lies on the South Coast and cover an areas of approximately 41.8 km^2. The Council shares its boundaries with Brighton and Hove City Council to the east, Worthing Borough Council and Arun District Council to the west, and Horsham District Council and Mid Sussex District Council to the north. It is located at the foot of the South Downs at the southern edge of the beautiful South Downs National Park.

Population:

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

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

There are 2,254 businesses within the area. Business rate income was £17.1m in 2017/18. The Council kept £1.7m (9.9%) of income related to Business Rates, 10% of the income is paid to the County Council with the remainder paid to Government.

2. 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.

2. *KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL*

Political Structure in the 2017/18 Municipal Year

Adur has 29 Councillors representing 14 wards. In 2017/18 the political make-up of the Council was:

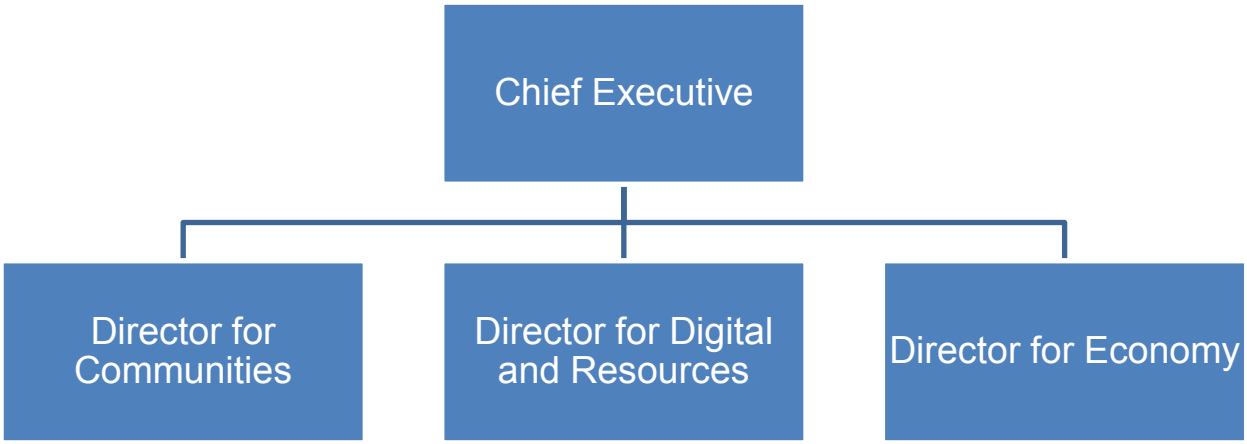
Conservative Party	16 Councillors
UK Independent Party	6 Councillors
Independent	3 Councillors
Labour	4 Councillors

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 2017/18, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Neil Parkin.

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.



Adur District Council:

- √ Collects £17.1m business rates per year but only retains £1.7m (9.9%) to spend on services
- √ Holds £228m of assets to support service delivery and investment
- √ Generates £25m of income (net of Housing Subsidy and Housing Revenue Account income) to help deliver services and keep council tax down
- √ Has set a balanced budget each year despite allocated funding from revenue support grants and retained business rates falling each year. In 2017/18 government funding (Revenue Support Grant and New Homes Bonus) made up 9.2% of total income which reduces to 2.2% in 2018/19.

2. *KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL*

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 budget of £20.7m for 2017/18. 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 net expenditure with the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

3. *COUNCIL PLANS AND PERFORMANCE*

PLATFORMS FOR OUR PLACES
Unlocking the power of people, communities and local geographies

The Councils' priorities are laid out in 'Platforms for our Places' which was agreed early in 2017. The plan details how over the period 2017 – 2020 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities.

Five Platforms for our Communities

Platform 1: Our Financial Economies

There are a number of supportive elements which we need to create, in partnership with our commercial sector, to ensure that our financial economies remain resilient and thrive. These include:

- Clearly understand our financial economies
- Wise regulation
- Build infrastructure to support the local economy
- Taking a stake
- Positioning ourselves to seize advantages

Platform 2: Our Social Economies

Together with our partners we will develop a range of elements to help our enterprising communities thrive through:

- Fully understanding the nature of our communities
- Tackling the challenge of insufficient supply of housing
- Continue to run a careful safety net of services
- Targeting our services toward the prevention of problems and to equip people with the skills, knowledge and ability to thrive independently of the state
- Actively promoting social innovation and social financing
- Supporting a range of interventions that deliver long-term health and wellbeing for individuals and communities
- Developing our role as civic social entrepreneurs
- Creating new social business vehicles where a strong focus on social outcomes can be driven by a commercial business model for the benefit of our people, communities and places.

Platform 3: Stewarding our natural resources

The Platform that we will create, develop, and curate will include:

- Ensuring we can do more with less, reducing our emissions, efficiently using water and reducing the amount of waste we send to landfill
- Working with the communities
- Buying less, buying better and buying local
- Smarter infrastructure
- Encouraging the celebration and custodianship of nature by developing new walking routes, cycling routes, and furthering biodiversity.

Platform 4: Services and solutions for our places

The Platform that we will develop will be one in which:

- It's easy for people to get what they need from us first time with the minimum amount of faff.
- We will use new technologies and data to design services around the interests of individuals and communities and continue to improve our digital capabilities;
- Where practical we combine our service offer with other institutions;
- We will further develop our financial strategy and capacity given the changing role and nature of local government financing
- We will seek real procurement savings across services

Platform 5: Leadership of our places

The Platform for leading our places well includes:

- Place branding – being clear about what we are, attracting skills, assets and other resources that we require to be successful across all the platforms.
- Conserving and developing the fabric and institutions that make up our place.
- Ensuring that we have the right reputation and relationships to leverage the value that we need
- Ensuring great networks within Adur and Worthing
- Ensuring our democratic processes remain relevant, trusted and open to all.

Achievements in 2017/18

Although financial times are challenging for the Council and the sector as a whole, progress has been made across all of the 'Platforms'. A selection of updates on the Councils' commitments is as follows:

Platform 1: Our Financial Economies

- The adoption of the Adur Local Plan after six years of work. This will guide the development in Adur over the next fifteen years. The plan was commended by the inspector.
- The Economic Strategy for Adur and Worthing has been adopted.
- The New Monks Farm planning application has been submitted.
- Planning permission was secured for a new office development on the former Adur Civic Centre car park and the contractor is now on site. This is the first new office block built by the Council for many years and will provide 25,000m^2 of much-needed office space securing jobs for the local community.

  The new office block – Before, during and after

- **Investing in our digital future:** Adur & Worthing Councils have successfully led the Gigabit West Sussex project which has secured £4.66 million investment from the Department for Digital, Culture, Media and Sport Local Full Fibre Network Fund. Procurement has started and the contract was awarded in April 2018. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables.

Platform 2: Our Social Economies

- **Delivering our Housing Strategy:** In the last six months we have completed several housing related commitments under our new Housing Strategy, including revised policies for Temporary Accommodation and how we use our Disabled Facilities Grants, as well as agreeing a co-designed and widely owned Community Homelessness Strategy.
- **Improving the supply of affordable housing:** Free Wharf on the Western Harbour Arm has received planning permission. This will deliver 540 new homes including 162 affordable homes.
- **Engaging with our community:** Our Community Engagement work now spans Wellbeing, Environment, Waste and Housing teams, reducing duplication and focussing on important messages such as recycling, improving community resilience and building innovative ways of engagement such as through the recently launched 'Growing Communities' project with external community partner The Conservation Volunteers.
- **Working with strategic partners:** Supporting our Communities to live well remains a key focus and strategically we are working closely with health partners and WSCC to drive forward integrated work around young people and mental health, reducing social isolation and preventing homelessness.
- **Safeguarding with the taxi industry:** 460 taxi drivers across Adur and Worthing have now completed Child Sexual Exploitation Training, the remaining 46 are due to attend by early 2018.
- **Freeing-up Primary Health through community-based solutions**: "Going Local", the social prescribing programme, has now completed its first year having supported over 600 clients.
- **Supporting our Community and Voluntary Sector**: Between July and October, Community Works provided support to 182 unique community organisations across A&W in areas such as governance & fundraising, including targeted support with organisations in some of our priority areas. CW more than doubled their A&W membership base in these three months and have continued to push their involvement in wider integration agendas, particularly supporting the development of the NHS Local Community Networks in A&W.

Platform 3: Stewarding our natural resources

- **Renewable Energy:** Solar panels have been installed at Portland House. Eight electric vehicle charging points are being installed imminently, and energy use is being analysed at a building by building level to determine how best to reduce usage and cost.
- **Engaging with our community:** Our Environment and Waste teams have continued to engage with our whole community and specific groups in projects and programmes that support our natural environment and ensure that we sustain our places for generations to come. This ranges from developing active community groups on specific projects to encouraging the whole of our communities to reduce waste and recycle.
- **Council fleet innovation**: HiyaCar, the "Airbnb for business car travel" has been launched.
- **Managing our urban forest**: We have surveyed 3,200 trees across Adur and Worthing, with particular attention on high profile parks, open spaces and Adur Homes Land.
- **Developing the role of our Communities**: The Growing Communities Project was launched by The Conservation Volunteers (TCV) following successful £660,000 funding bid from the Big Lottery for the project across Adur & Worthing for the next three years

Platform 4: Services and solutions for our places

- **Developing our digital platforms:** The last year has seen some key projects being successfully delivered, including bringing Adur Revenues & Benefits back in-house, housing triage and housing register digital self-service.

- **Engaging with our staff:** Internal and external communications have been vastly improved, and our "Let's Talk" and "Get Involved" staff engagement programmes have been successful.
- **Innovation in Service Design:** "SameRoom" is now established as our change methodology using accredited customer service design principles. This is effectively helping services undergo deeper transformations by involving customers and frontline staff.
- **Developing commercial opportunities:** Commercial income has over-delivered in each year against target and is forecast to deliver £828,000 in 2018/19. A 'health check' on our commercial income is underway to help explore new opportunities and identify any risks.
- **Improving services with our digital platform:** Our digital platform strategy is proving effective, with same day response times in waste, online housing triage and a new digital housing repairs service ready for launch.
- **Modernising our HR Policies:** HR policies & practices have been modernised, and the learning & development programme has been re-designed.
- **Building capacity for capital projects:** A new professional services framework is helping create capacity for delivering property & construction projects and "unblock the pipeline" that was creating some delays in delivering the Capital Programme.

Platform 5: Leadership of our places

- **Building our relationships with partners:** Developing the Councils' relationship with our partners remains a central element in realising our objectives. We are facilitating the development of our place leaders and providing opportunities to share their expertise. We need to review how we can continue to share information to provide positive outcomes for our clients and our communities.
- **Supporting our elected members:** Providing opportunities for our elected members to develop their skills has been and will be a focus. Elected members have had the opportunity to take part in safeguarding training and a new programme lead by the LGA to recognise the changing role of elected Councillors in the 21st Century. We will build on this work with a new induction programme for elected members following the 2018 local elections.
- **Developing the Leaders in our Place:** The Councils have delivered a range of activities to provide learning and upskill our communities on a diverse range of topics - safeguarding training for elected members and taxi drivers, developing leadership within our community and our elected members, and facilitating the sharing of best practice among businesses.
- **Improving the Understanding of our Places:** The Councils have developed a Communities and Wellbeing Evidence and Intelligence Framework and Economic databanks and economic profiles. The Intelligence Framework has informed the priorities for the Community Safety Partnership, while the economic databanks and profiles formed the evidence base for the Economic Strategy.
- **Engaging with the City Region**: Adur District and Worthing Borough Councils continue to actively participate in the Greater Brighton Economic Board. At the Greater Brighton Charette (28-29 Sept) the Councils' membership of the Economic Board provided an opportunity to promote Adur and Worthing across the City Region and to representatives from DCLG and DCMS.
- **Developing shared leadership**: Through the secondment of senior members of staff to the NHS, we are able to bring our skills and capacity to bear for the benefit of Adur and Worthing and the Coastal West Sussex Region. In turn, these staff are able to bring the insights in improving health and wellbeing, and organisational development back to the Councils.

Monitoring commitments

The "Platforms for our Places" programme (and detailed commitments) can be found at: https://www.adur-worthing.gov.uk/platforms-for-our-places/

The full monitoring reports to JSC in 2017/18 may be viewed at:

Joint Strategic Committee report 11th July 2017 (6 month progress update)

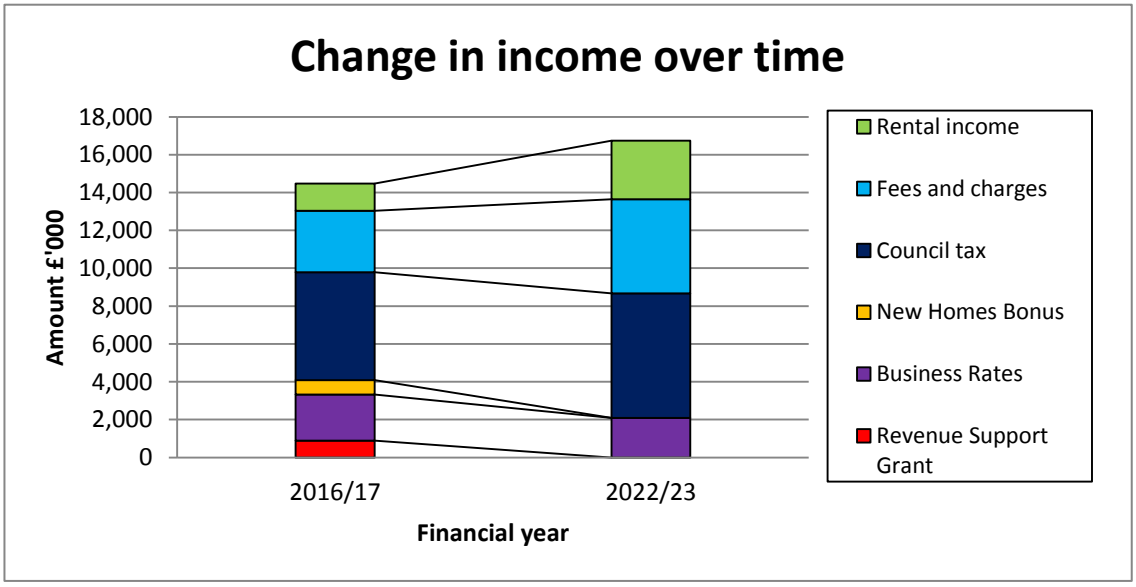
Joint Strategic Committee report 9th January 2018

Platforms for our Places - Adur & Worthing Councils

4. *THE REVENUE BUDGET 2017/18 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2017/18

The budget for 2017/18 was compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget and the local government settlement. The Council has seen a significant decline in recent years in overall government income with increasing amounts being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.



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 which 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.

The Council agreed a budget strategy to meet this challenge in 2017/18 through 3 major work streams – developing commercial income, investing in property, and the delivery of a new customer and digital strategy. In addition the council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.1m as part of the 2017/18 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2017.

Council Tax

The Council chose to increase Council Tax for 2017/18 by an average of 1.98%

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

Band D Council Tax	2016/17	2017/18	Change
	£	£	%
Adur District Council	264.42	269.55	1.94
West Sussex County Council	1,207.89	1,255.59	3.95
Sussex Police & Crime Commissioner	148.91	153.91	3.36
	1,621.22	1,679.05	3.57
Parish precepts and other adjustments:			
Lancing Parish Council	46.44	46.08	-0.80
Sompting Parish Council	30.51	30.51	0.00
Special Expenses (charged in all areas except Lancing Parish Council)	17.82	18.18	2.02

Council Tax base

The Council Tax base for 2017/18 was 20,707.30 which was an increase on the previous year‘s number of Band D equivalents of 186.7. This in part reflects the Council’s support for local house building and economic regeneration.

Band D Council Tax	2016/17	2017/18
	£	£
Number of Band D equivalent dwellings	20,520.6	20,707.3

Overall the Council benefited from £6.2m income from Council Tax in 2017/18.

Budget Strategy for 2018/19 to 2022/23

In preparing the budget strategy for 2018/19 to 2022/23, the aim was to deliver the Council’s priorities outlined in ‘Platforms for our Places’. 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 budget was approved by Council on 11th July 2017 and it set the strategic direction to address the significant challenges not only for 2018/19 but onwards.

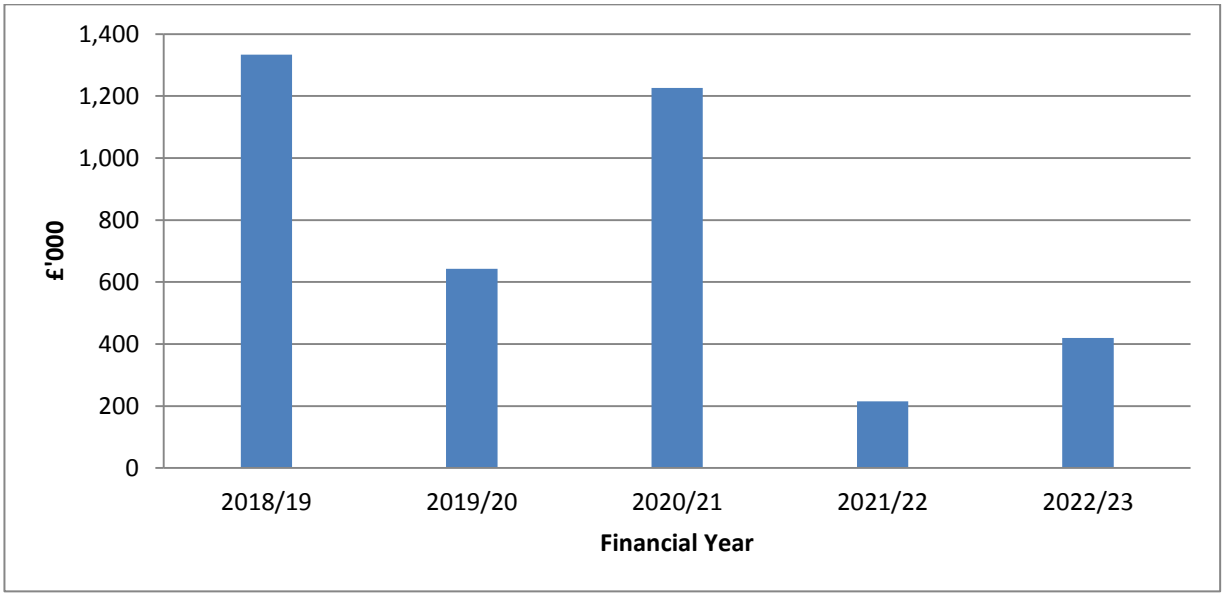
The fall in government funding included in the forecasts highlighted that the Council needs:

1. To transform services through the use of digital technology and by putting the customer at the heart of our business;

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 report *Towards a Sustainable Future - Budget Strategy for the 2018/19 Budget*, which was considered on 13th July 2017 at the Joint Strategic Committee.

The link for this report is:
https://www.adur-worthing.gov.uk/media/media,145062,en.pdf

Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any areas of concern are 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.

5. *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 10th July 2018 Joint Strategic Committee reports "Joint Revenue Outturn 2017/18" and the "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18". These are available on the joint Adur District Council and Worthing Borough Council website 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.

Revenue Spend in 2017/18

A more detailed summary of the Council's financial results for 2017/18 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. In 2017/18 Adur District Council reported an underspend of £495,000 against a budget of £9,165,860.

Revenue Spend in 2017/18

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

	£000s
Reduction in borrowing costs	(283)
Increased net income from commercial activities	(78)
Increased income from commercial property	(74)
Other changes	(60)
	(495)

Where such items were identified when the 2018/19 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.

How the money was spent and how services were funded

SUMMARY FINAL REVENUE OUTTURN			
CABINET MEMBER PORTFOLIOS	**ESTIMATE 2017/18**	**OUTTURN 2017/18**	**(UNDER)/ OVERSPEND**
	£	**£**	**£**
CM for Environment	2,923,980	2,904,564	(19,416)
CM for Health & Wellbeing	1,090,760	1,002,320	(88,440)
CM for Customer Services	1,390,270	1,486,629	96,359
Leader	626,870	583,779	(43,091)
CM for Regeneration	1,592,190	1,345,284	(246,906)
CM for Resources	1,763,980	2,132,249	368,269
Support Service Holding Accounts	200,590	-	(200,590)
TOTAL CABINET MEMBERS	**9,588,640**	**9,454,825**	**(133,815)**
Credit Back Depreciation	(1,378,220)	(1,512,074)	(133,854)
Minimum Revenue Provision	984,630	712,431	(272,199)
Additional Non Ring Fenced Grants	-	33,938	33,938
Financial Instrument Adjustment	-	2,270	2,270
	9,195,050	**8,691,390**	**(503,660)**
Transfer to/from reserves:			
Contribution to/from reserves	(29,190)	(20,553)	8,637
General Fund Working balance		110,000	110,000
Underspend transferred to Capacity Issues Reserve		385,023	385,023
Total Budget requirement before External Support from Government	**9,165,860**	**9,165,860**	**-**

Approved use of the underspend:	**£000s**
Carry Forwards	41
Balance of Net Underspend available to transfer to Capacity Issues Reserve	344
	385

The Council's net budget is funded by income from:

1. Funding from Central Government

The Council's share of Revenue Support Grant is £0.271m for 2017/18.

2. Funding from Local Taxpayers

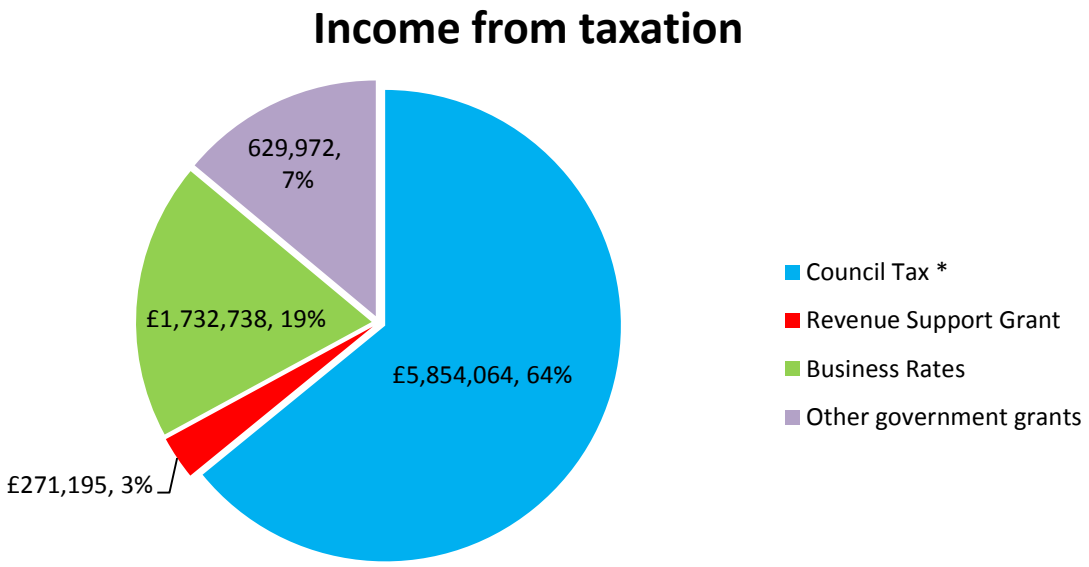
The Council collected £34.2m of Council Tax relating to 2017/18 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Council. This represented 97.89% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 74.21%, Sussex Police & Crime Commissioner 9.10% and Adur District Council 16.69%. The Council benefitted from £5.8m of Council Tax income in 2017/18.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £17.1m 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.

Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.4m of business rate income in 2017/18 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

The Council retained £1.7m of Business Rate income locally.

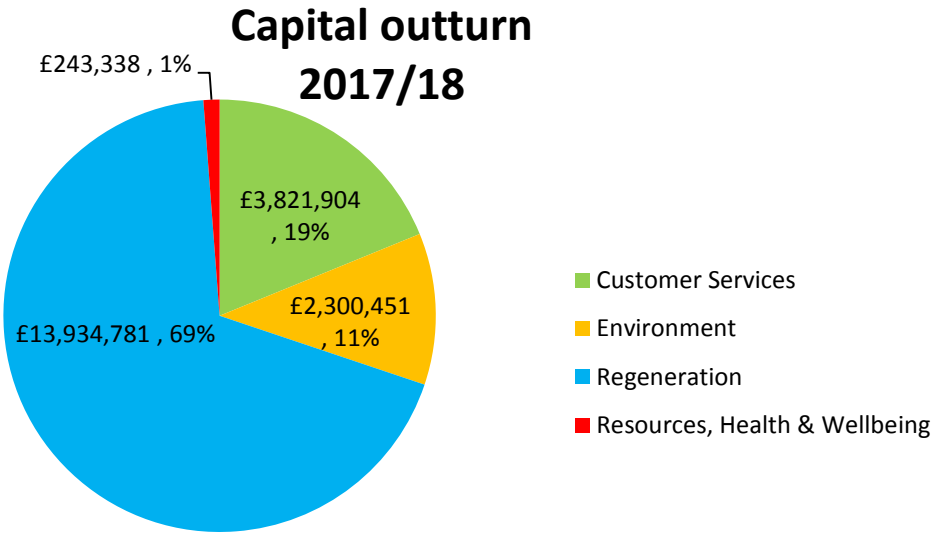


* Net of budgeted Collection Fund surplus/deficit.

CAPITAL INVESTMENT PLANS

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.

Capital Spend in 2017/18



The capital investment programme for all Adur Portfolios was originally estimated at £25,985,130. Subsequent approvals and re-profiling of budgets to produce a total revised budget of £20,384,640. Actual expenditure in the year totalled £20,300,474, a decrease of £84,166 on the revised estimate, comprising net budget brought forward from future years of £12,060 and a net underspend of £96,226. 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 33 schemes did not complete as planned in 2017/18.

Expenditure in 2017/18 was financed as follows:

	2017/18
	£
Government grants	1,549,701
Other contributions	937,936
Capital Receipts	583,578
Revenue Contributions and Reserves	2,925,979
Borrowing	14,303,280
TOTAL	**20,300,474**

Council's asset values have been increased as a result of the above capital investment.

Significant investments in 2017/18 included:

- The purchase of a new refuse and recycling fleet.

- Improvements to Council homes including the installation of new kitchens and bathrooms
- Supporting the delivery of new affordable homes within the area with our Housing Association partners
- Purchase of a commercial property to deliver a long-term income stream to the Council.
- Demolition of the old Adur Civic Centre to prepare the site for development

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18" which was considered on the 10th July 2018. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk

Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks are contained in Note 14 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 10th July 2017 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Housing Revenue Account

The Council operates a ring-fenced landlord's account.

- The Council owns approximately 2,500 homes which are worth £172m.
- In 2017/18 the Council collected £12.1m in dwelling rents (£12.3m in 2016/17).
- The Council is planning to spend £21.8m over the next 3 years to increase the supply of affordable homes and improve the condition of existing housing stock.

Capital Investment Plans 2018/19 – 2020/21

The Council plans to invest £139m in its capital assets over the next 3 years (including £21.8m on Council Homes).

The ambitious programme is designed to deliver a range of benefits including:

- The acquisition and development of temporary and emergency accommodation;
- Support for the delivery of affordable homes by Housing Associations;
- Delivery of new rental units within the Housing Revenue Account;
- Expenditure on improvements to Council homes to address backlog maintenance issues;
- Improvements to leisure and play facilities throughout the District;
- Coast Protection works along the river Adur;
- Development of a new office block on the old Adur Civic Centre car park;
- Purchase of commercial property to produce a sustainable income stream for the future.

	3-year plan			
Expenditure by Portfolio	**2018/19** £,000	**2019/20** £,000	**2020/21** £,000	**Total** £,000
Customer Services	13,656	8,287	8,888	30,831
Environment	1,740	468	460	2,668
Health and Wellbeing	188	224	17	429
Regeneration	51,249	27,382	25,238	103,869
Resources	582	363	309	1,254
Total Expenditure	**67,415**	**36,724**	**34,912**	**139,051**
Funded by:				
Capital grants and contributions	4,348	1,491	588	6,427
Revenue contributions and reserves	5,906	4,482	4,482	14,870
Borrowing	55,121	28,881	27,836	111,838
Capital receipts	2,040	1,870	2,006	5,916
Total Funding	**67,415**	**36,724**	**34,912**	**139,051**

6. TOP STRATEGIC RISKS

Strategic Risk		Mitigation
Welfare Reform: Welfare reform is changing benefits are calculated and paid. In particular: • There is a 5-6 week gap before Universal Credit (UC) is paid. • Local systems are now unable to track individuals in need, as the system is centralised and data is no longer available to the Council • Housing costs are not being met by the level of out of work benefits.	•	• Work closely with DWP to understand and support the roll out of UC, and for A&W staff to respond effectively. • Identify residents who may be affected and endeavour to engage with them before the roll out. • Support the move for existing Housing Benefit customers being able to claim via the DWP's Digital platform • Use Wellbeing hubs and IT Junctions to increase digital capability as UC can only be applied for on-line • Roll out information in accessible formats, • Create an operational employability group • Support landlords to apply for alternative payment arrangements • Support landlords to choose to provide affordable accommodation Adur Homes • Focus efforts on rent arrears and rental income. • A new strategy to deal with historic arrears has been approved by Councillors.

Strategic Risk	Impact	Mitigation
Economic uncertainty	• Lower Business Rates revenues; • Lower employment rates and resultant pressure on other Council services; • Delays to development programmes across Adur and Worthing.	• The Councils have adopted an Economic Strategy, setting out clear priorities to ensure that opportunities for growth are delivered in a way that contributes positively to our places. Our Platforms for our Places commitments highlight the opportunity to be a trusted partner to support the retention of local business; • Make the best use of our existing assets to support local economic activity (including delivery of major sites);Secure new revenue income streams; and • Position the Councils so that we are well placed to attract public and private investment.
Housing supply: Limited housing supply in all areas and all tenure types is a key risk for the Council in terms of: • discharging its statutory duty to prevent homelessness and support those at risk, • placing critical additional budgetary pressures on the Councils.	• Managing housing demand is challenging and places additional capacity pressures on the operational teams • Emergency and Temporary Accommodation (EA/TA) - the lack of EA/TA supply at affordable rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations. • The lack of affordable move-on accommodation means that clients remain in temporary accommodation for extended periods • The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets. • Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.	• EA/TA - Funds have been allocated to purchase/develop TA solutions that reduce the need for B&B placements. • A number of long term lease arrangements have been agreed and the team have supported the development of a 37 bed hostel in Worthing. These will all alleviate some of the emergency accommodation challenges • Demand and process management - The digital tool for making a housing application is now live and the backlog of casework has been dealt with. This will free up valuable officer resource to deal with homelessness applications and provide the type of casework that may prevent homelessness instead of relying solely on increasing supply. • The A&W Housing Strategy has been approved and we are working with developers, agents, landlords and RSLs to explore all avenues to increase the supply of homes where possible. A strategy is in place to bring forward development on HRA land in Adur. Two sites are in development and work is underway to bring others on stream.

Strategic Risk	Impact	Mitigation
Locally hosted applications - Hosting applications locally carries increasing risks given the pace of technological change. The Council has limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.	• The risk of failure within the data centre leading to inaccessible data and services. • The risk of malicious virus or hacking from external sources. • Loss of productivity and reputation resulting from IT failure	• Undertake a full disaster recovery test in June 2018 to ensure current recovery arrangements are effective. • Implement the cloud migration project (IaaS) to migrate services and data to a resilient provider
Major project delivery – Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant.	• Considerable potential for reputational damage given the high priority attached to these programmes by local communities	• A solution based approach working with key partners in the 'development sector to unlock challenging sites. • Imaginative use of the Councils assets to attract necessary additional investment. • Develop a portfolio approach to securing public monies to support the provision of infrastructure. Access to new investment markets and use of tools such as Compulsory Purchase Orders. • Use of Local Growth Funding to bring forward key brownfield sites for development and will help to facilitate development on sites such as Teville Gate and Union Place as well as Grafton.

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 underspend 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 2019/20 budget. The intention is to build in recurring under spends into the 2019/20 budget where possible and so avoid the need for unnecessary service reductions.

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.

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 for their endeavours during the financial year.

Sarah Gobey, Chief Financial Officer, CPFA

EXPLANATION OF FINANCIAL STATEMENTS

The statement of accounts sets out the Council's income and expenditure for the year and its overall financial position as at 31st March 2018. It comprises of core and supplementary statements together with disclosure notes.

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 2017/18 (the Code), supported by the International Financial Reporting Standards (IFRS).

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.

Collection Fund **111-113**

The Council is required to maintain a separate Collection Fund to detail monies received as a billing authority in relation to the Council Tax and Business Rates and accounts for the distribution of Council Tax to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund.

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

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2017/18:

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 37 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 decreased by £6.2m 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 a change 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 37.

Provisions, contingencies and material events

This council has provided for contingencies and these are laid out in Note 38.

There are no material income or expenditure items to disclose in 2017/18. Note 5 to the 2017/18 accounts confirms that there have been no material events after the balance sheet date. The provisions made in 2017/18 are laid out in Note 19.

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 2017/18 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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, 2018

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 2017/18 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 31st July, 2018.

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 31st March, 2018 and its income and expenditure for the year ended on that date.

SARAH GOBEY
Chief Financial Officer **Dated: 31st July 2018**

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 31st July 2018.

GEORGE BARTON
Chairman, Joint Governance Committee **Dated: 31st July 2018**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note that shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax, and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18 Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjustments between Funding and Accounting Basis (see Note 25)	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement	2016/17 Expenditure Chargeable to the General Fund Balance	2016/17 Adjustments between Funding and Accounting Basis (see note 25)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Leader	574	45	619	867	46	913
Environment	2,167	2,176	4,343	2,599	853	3,452
Health & Wellbeing	1,038	87	1,125	1,037	861	1,898
Customer Services	812	975	1,787	(55)	269	214
Regeneration	1,095	523	1,618	2,270	1,215	3,485
Resources	2,158	321	2,479	2,005	240	2,245
HRA	(2,850)	(1,094)	(3,944)	(4,624)	711	(3,913)
Net Cost of Services	**4,994**	**3,033**	**8,027**	**4,099**	**4,195**	**8,294**
Other income and expenditure	(5,301)	(282)	(5,583)	(4,152)	(264)	(4,416)
(Surplus) or deficit on provision of services	**(307)**	**2,751**	**2,444**	**(53)**	**3,931**	**3,878**
Other	(1)	-	(1)	17	-	17
Opening General Fund & HRA Reserve Balance at 31st March	(5,448)			(5,412)		
Deficit/(surplus) in Year	(307)			(53)		
Closing General Fund & HRA Reserve Balance at 31st March *	**(5,756)**			**(5,448)**		

* For a split of this balance between the General Fund and HRA – see the Movement in Reserves Statement.

MOVEMENT IN RESERVES STATEMENT

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.

Single Entity (England and Wales)	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2016	**(407)**	**(1,011)**	**(2,074)**	**(1,920)**	**(3,528)**	**-**	**(2,823)**	**(11,763)**	**(99,916)**	**(111,679)**
Movement in Reserves 2016/17										
Surplus or (deficit) on provision of services	3,260	-	618	-	-	-	-	3,878	-	3,878
Other Comprehensive Expenditure & Income	17	-	-	-	-	-	-	17	(6,554)	(6,537)
Total Comprehensive Expenditure Income	**3,277**	**-**	**618**	**-**	**-**	**-**	**-**	**3,895**	**(6,554)**	**(2,659)**
Adjustments between accounting and funding basis under Regs.	(3,182)	-	(749)	-	104	-	19	(3,808)	3,808	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**95**	**-**	**(131)**	**-**	**104**	**-**	**19**	**87**	**(2,746)**	**(2,659)**
Transfers to/from Earmarked Reserves (Note 7)	(96)	96	131	(131)	-	-	-	-	-	-
Increase/Decrease in Year	**(1)**	**96**	**-**	**(131)**	**104**	**-**	**19**	**87**	**(2,746)**	**(2,659)**
Balance at 31st March 2017 c/fwd	**(408)**	**(915)**	**(2,074)**	**(2,051)**	**(3,424)**	**-**	**(2,804)**	**(11,676)**	**(102,662)**	**(114,338)**
Movement in Reserves 2017/18										-
Surplus or (deficit) on provision of services	1,642	-	802	-	-	-	-	2,444	-	2,444
Other Comprehensive Expenditure & Income	(1)			-	-	-	-	(1)	(10,392)	(10,393)
Total Comprehensive Expenditure and Income	**1,641**	**-**	**802**	**-**	**-**	**-**	**-**	**2,443**	(10,392)	(7,949)
Adjustments between accounting basis and funding basis under regulations (Note 6)	(2,149)	-	(602)	-	637	(1,677)	(87)	(3,878)	3,878	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(508)**	**-**	**200**	**-**	**637**	**(1,677)**	**(87)**	**(1,435)**	(6,514)	(7,949)
Contribution to Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-
Transfers to/from Earmarked Reserves (Note 7)	398	(398)	(65)	65	-	-	-	-	-	-
Increase/Decrease in Year	**(110)**	**(398)**	**135**	**65**	**637**	**(1,677)**	**(87)**	**(1,435)**	(6,514)	(7,949)
Balance at 31st March 2018	**(518)**	**(1,313)**	**(1,939)**	**(1,986)**	**(2,787)**	**(1,677)**	**(2,891)**	**(13,111)**	(109,176)	(122,287)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2017/18 Gross Expenditure	2017/18 Gross Income	Note	2017/18 Net Expenditure	2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Net Income/ Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
The Leader	958	(339)		619	1,157	(244)	913
Environment	7,781	(3,438)		4,343	5,757	(2,305)	3,452
Health & Wellbeing	1,837	(712)		1,125	2,283	(385)	1,898
Customer Services	23,534	(21,747)		1,787	22,249	(22,035)	214
Regeneration	3,009	(1,391)		1,618	4,615	(1,130)	3,485
Resources	3,432	(953)		2,479	2,776	(531)	2,245
Net Cost of General Fund Services	40,551	(28,580)		**11,971**	**38,837**	**(26,630)**	**12,207**
Housing Revenue Account	9,185	(13,129)		(3,944)	9,646	(13,559)	(3,913)
Net Cost of Services	49,736	(41,709)		**8,027**	**48,483**	**(40,189)**	**8,294**
Other Operating Expenditure			8	2,582			2,088
Financing and Investment Income and Expenditure			9	3,146			3,687
Taxation and non-specific grant income			10	(11,311)			(10,191)
(Surplus) or Deficit on Provision of Services				**2,444**			**3,878**
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			21	(3,435)			(13,314)
(Surplus)/Deficit arising on revaluation of available for sale financial assets				32			-
Remeasurements of the net defined pension benefit liability			21	(6,989)			6,760
Other				(1)			17
Other Comprehensive Income and Expenditure				**(10,393)**			**(6,537)**
Total Comprehensive Income and Expenditure				**(7,949)**			**(2,659)**

BALANCE SHEET

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

	See Note No:	As at 31st March 2018	As at 31st March 2017
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	11	226,288	212,297
Heritage Assets	12	224	224
Investment Property	13	542	431
Intangible Assets		209	217
Long Term Investments/Available for sale financial assets	14	1,048	2,080
Long Term Debtors	15	106	108
Total Long Term Assets		**228,417**	**215,357**
Current Assets:			
Short Term Investments	14	9,053	8,042
Assets Held For Sale	17	-	58
Inventories		100	99
Short Term Debtors	15	5,629	5,097
Cash & Cash Equivalents	16	1,037	5,917
Total Current Assets		**15,819**	**19,213**
Current Liabilities:			
Short Term Borrowing	14	(3,247)	(2,445)
Short Term Creditors	18	(5,962)	(8,246)
Provisions	19	(853)	(1,025)
Grants Received in Advance Revenue	32	(410)	(672)
Total Current Liabilities		**(10,472)**	**(12,388)**
Long Term Liabilities:			
Long Term Borrowing	14	(82,717)	(72,874)
Other Long Term Liabilities	36	(28,760)	(34,970)
Total Long Term Liabilities		**(111,477)**	**(107,844)**
Net Assets		**122,287**	**114,338**
Financed By Reserves:			
Usable Reserves	20	(13,111)	(11,676)
Unusable Reserve	21	(109,176)	(102,662)
Total Reserves		**(122,287)**	**(114,338)**

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:	**2017/18**	**2016/17**
		£'000	**£'000**
Net (surplus) or deficit on provision of services	22	(2,444)	(3,878)
Adjustments to net surplus or deficit on the provision of services for non cash movements	22	7,253	10,044
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(3,396)	(2,247)
Net cash flows from Operating Activities	22	**1,413**	**3,919**
Investing Activities	23	(14,499)	589
Financing Activities	24	8,206	921
Net increase or decrease in cash and cash equivalents		**(4,880)**	**5,429**
Cash and cash equivalents at the beginning of the reporting period		5,917	488
Cash and cash equivalents at the end of the reporting period	16	**1,037**	**5,917**

NOTES TO THE ACCOUNTS

NOTE 1: ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES 2017/18

General

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom – 2017/18 Accounts, which is based on International Reporting Standards (IFRS).

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 and Business 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, tariff payments and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Business rates, tariff payments 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 Business Rates 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 Business Rates and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection
Fund Statement.

NOTE 1: ACCOUNTING POLICIES

Tax Income (Council Tax and Business Rates)

Revenue relating to such things as council tax, Business 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.

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.

NOTE 1: ACCOUNTING POLICIES

ENHANCED QUALITATIVE CHARACTERISTICS

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 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.

COSTS OF SUPPORT SERVICES

The net cost of support services are allocated to reflect the use by each service. 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:

Admin Buildings	Headcount
Human Resources inc training	Headcount
Payroll	Headcount
ICT	Headcount
Customer Services	Number of calls multiplied by length of time per call
Cashiers	Number of transactions
Exchequer Services	Number of transactions
Insurance - Employees	Headcount
Insurance - Premises	Premises Valuation
Insurance - Vehicles	Number of Vehicles

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those 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 activity of the operation.

NOTE 1: ACCOUNTING POLICIES

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.

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 receipts in advance. 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.

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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 liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are 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, 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).

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 revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases 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 (eg there is a rent-free period at the commencement of the lease).

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.

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 (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.

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. Rental income is credited to 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 (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

Expenditure and Valuation principles

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 1st 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.

  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 2017/18 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 they are included in the rolling revaluation programme.

NOTE 1: ACCOUNTING POLICIES

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.

Disposals

Assets are removed from the Balance Sheet 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.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

Charges to Revenue for non-current Assets

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:

Buildings	8-68 years except when impairment has occurred.
Vehicles	7-10 years
Equipment	from over 1 to 25 years
Intangible Assets, Software	from over 1 to 7 years
Infrastructure Assets	5-25 years
Community Assets	Held in perpetuity
Assets (Finance Leases)	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

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 1st 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.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

Componentisation of Assets

In accordance with the Code, significant components are recognised as assets are acquired, enhanced or revalued from 1st 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 1st April 2010. The following component categories are used:

- Land
- Main building structures
- 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.

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

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.

NOTE 1: ACCOUNTING POLICIES

HERITAGE ASSETS

Definition of Heritage Assets

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 Disclosure notes.

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).

Valuation of Heritage Assets

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

NOTE 1: ACCOUNTING POLICIES

CAPITALISATION OF BORROWING COSTS

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.

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

This council has accounted for inventories (stock) 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.

RESERVES

Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service revenue account in that year to go against the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then appropriated back to the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for property, plant and equipment and retirement benefits and do not represent usable resources for the council.

PROVISIONS

The Council establishes provisions for specific expenses that are certain to be incurred but the amount of which cannot yet be determined accurately.

Provisions are charged to the appropriate service revenue account in the year that the a council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account. The Council maintains earmarked reserves to meet future spending programmes.

NOTE 1: ACCOUNTING POLICIES

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.

CONTINGENT ASSETS

Contingent assets are possible assets arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council.

Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

Business 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 information received from the Valuation Office 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.

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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial Liabilities

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 1: ACCOUNTING POLICIES

Soft Loans

The Code has 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 that 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 eligible for 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.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs – unobservable inputs for the asset

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

NOTE 1: ACCOUNTING POLICIES

Available-for-Sale Assets

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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.

For the purpose of classifying cash equivalents within Financial Instruments, 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.

NOTE 1: ACCOUNTING POLICIES

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.

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.

Employees of the Council are members of a pension scheme (unless they chose to opt out):

> 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:

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Pension Costs

- 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 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;

  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.

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

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.

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 can 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 and involves the payment of termination benefits.
- Redundancy costs are recognised in the year in which the decision is made.

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.

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.

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) 2017/18 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. For the 2017/18 Statement of Accounts there are the following accounting changes to be reported:

- IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Council's financial position is likely to be immaterial. The main financial assets held by the Council will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Council for its investment counterparties is likely to see an immaterial expected credit loss position.

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

However the Council currently holds an investment of £0.5m in the CCLA Property Fund, which, under the revised arrangements, will no longer be classified as Available for Sale, but Fair Value through Profit and Loss. This will mean that any capital gains or losses will have a direct impact on the General Fund Balance. There are indications that the Government will introduce a statutory over-ride to protect short term fluctuations from impacting on the General Fund Balance, although details of this arrangement have not yet been formalised.

- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* - This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

- Amendments to IAS 12 *Income Taxes*: (Recognition of Deferred Tax Assets for Unrealised Losses) – applies to deferred tax assets related to debt instruments measured at fair value. The Council does not have such debt instruments.

- Amendment to IAS 7 *Statement of Cash Flows*: (Disclosure Initiative) - Potential requirement for additional analysis of Cash Flows from Financing Activities in future years,

The amendments are not expected to have material effect on the Council's Statement of Accounts.

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 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 31st March 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. 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. There would also be a corresponding decrease in the carrying amount of the assets. Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2017/18 the Council's actuaries advised that the net pensions liability has decreased by a net £6.209m. £0.780m increase as a result of estimates being corrected as a result of experience and a decrease of £6.989m attributable to updating of the assumptions.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At March 2018 the Council had a net balance of debtors due (excluding government departments) of £4.73m. A review of significant balances suggested that an impairment for doubtful debt of £1.5m was appropriate .	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.
Non-Domestic Rate Appeals Provision	At March 2018 the total provision for the impact of appeals on business rate income is £983k, the Council share of this is £393k. The provision is based on the appeals lodged with the Valuation Office which is then reviewed 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: 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, 31st March 2018 and the date when the Statement of Accounts is authorised for issue 31st July 2018.

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 6: 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.

2017/18 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
Adjustments primarily involving the Capital						
Reversal of items debited or credited to the Comprehensive Income & Expen. Statement						
Charges for depreciation and impairment of non current assets (Note 11 and 21)	(1,454)	(4,539)	-	-	-	**5,993**
Revaluation losses on Property Plant and Equipment (Note 21)	33	642	-	-	-	**(675)**
Movements in the market value of investment Properties (Note	111	-	-	-	-	**(111)**
Amortisation of intangible assets (Note 21)	(58)	(7)	-	-	-	**65**
Capital grants and contributions applied (Note 21)	1,386	-	-	-	-	**(1,386)**
Adjustments primarily involving the Capital						
Revenue Expenditure funded from capital under statute (Note 21)	(2,293)	-	-	-	-	**2,293**
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	(213)	(1,920)	-	-	-	**2,133**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory and voluntary provision for the financing of capital investment (Note 21)	712	-	-	-	-	**(712)**
Capital expenditure charged against the General Fund and HRA balances	57	-	-	-	-	**(57)**

NOTE 6: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2017/18 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
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,189	-	-	-	(1,189)	-
Repayment of Capital Grant	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,102	**(1,102)**
Adjustment primarily involving the Capital Receipts Reserve Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	55	757	(812)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 34)	-	-	584	-	-	**(584)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 8)	(865)	-	865	-	-	-
Transfer from **Deferred Capital Receipts Reserve** upon receipt of cash	-	-	-	-	-	-
Adjustments involving the Major Repairs Reserve						-
Transferof depreciation to the Major Repairs Reserve (HRA Note 5)	-	4,546	-	(4,546)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,869	-	**(2,869)**

NOTE 6: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2017/18 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
Adjustments involving the Financial Instruments Adjustment Account						
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)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	(3,537)	(81)	-	-	-	**3,618**
Employers Pension Contributions and direct payments to pensioners	2,838	-	-	-	-	**(2,838)**
Adjustments involving the Collection Fund Adjustment Account:						
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	(111)	-	-	-	-	**111**
TOTAL ADJUSTMENTS 2017/18	**(2,149)**	**(602)**	**637**	**(1,677)**	**(87)**	**3,878**

NOTE 6: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17 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
Adjustments primarily involving the Capital						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets (Note 11 and 21)	(1,254)	(4,344)	-	-	-	**5,598**
Revaluation losses on property plant and equipment	(1,741)	354	-	-	-	**1,387**
Movements in the market value of investment properties	47	-	-	-	-	**(47)**
Amortisation of intangible assets	(41)	(11)	-	-	-	**52**
Capital grants and contributions applied	781	-	-	-	-	**(781)**
Movement in the Donated Assets Account	-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Revenue Expenditure funded from capital under statute	(317)	-	-	-	-	**317**
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	(181)	(2,069)	-	-	-	**2,250**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	889	1,717	-	-	-	**(2,606)**
Capital expenditure charged against the General Fund &	64	9	-	-	-	**(73)**

NOTE 6: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17 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
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	341	-	-	-	(341)	**-**
Repayment of Capital Grant	-	-	-	-	360	**(360)**
Application of grants to capital financing transferred to the Capital Adjustment Accounts	-	-	-	-	-	**-**
Adjustment primarily involving the Capital Receipts Reserve Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	23	1,088	(1,111)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	648	-	-	**(648)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(568)	-	568	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(1)	-	-	**1**
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA (HRA Note 5)	-	2,370	-	(2,370)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,370	-	**(2,370)**

NOTE 6: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17 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
Adjustments involving the Financial Instruments Adjustment Account						
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)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 21)	(2,948)	137	-	-	-	**2,811**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 21)	2,657	-	-	-	-	**(2,657)**
Adjustments involving the Collection Fund Adjustment Account:						
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	(935)	-	-	-	-	**935**
TOTAL ADJUSTMENTS 2016/17	**(3,182)**	**(749)**	**104**	**0**	**19**	**3,808**

NOTE 7: MOVEMENTS IN 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 2017/18.

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

Movement in Earmarked Reserves	Balance at 01.04.16	Decrease 2016/17	Increase 2016/17	Balance at 31.03.17	Decrease 2017/18	Increase 2017/18	Balance at 31.03.18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	122	(23)	22	121	(107)	444	458
Insurance Fund	182	(32)	31	181	(36)	30	175
New Technology Fund*	22	-	-	22	(22)	-	-
Special & Other Emergency	86	-	-	86	(5)	-	81
Local Plan	44	(44)	-	-	-	-	-
Health and Safety*	33	-	-	33	(33)	-	-
Investment Property Maintenance Fund	41	(3)		38	-	-	38
Election Reserve	8	-	-	8	-	-	8
Grants & Contributions	473	(148)	101	426	(168)	295	553
Total General Fund	**1,011**	**(250)**	**154**	**915**	**(371)**	**769**	**1,313**
Housing Revenue Account							
New Development & Acquisition Reserve	1,554	(8)	215	1,761	-	-	1,761
Discretionary Assistance Fund	116	-	-	116	-	-	116
Business Improvement Reserve	250	(76)	-	174	(65)	-	109
Total Housing Revenue Account	**1,920**	**(84)**	**215**	**2,051**	**(65)**	**-**	**1,986**
Total Earmarked Reserves	**2,931**	**(334)**	**369**	**2,966**	**(436)**	**769**	**3,299**

*These small reserves have been consolidated into the Capacity Issues Fund.

NOTE 7: MOVEMENTS IN EARMARKED RESERVES

RESERVE	PURPOSE OF RESERVE
Special and Other Emergency Expenditure Reserve	This will be used to cover future risks, including legal costs, liabilities arising on contractor bankruptcy etc.
Local Plan Reserve	This reserve was used to fund the costs associated with the Adur Local Plan.
Capacity Issues Fund	To cushion the impact of the recession and fund one-off initiatives for the community.
Insurance Fund	To fund uninsured losses.
New Technology	To fund additional IT equipment. This small reserve has been consolidated into the Capacity Issues Fund.
Health and Safety	To offset unexpected costs arising from Health and Safety legislation. This small reserve has been consolidated into the Capacity Issues Fund.
Investment Property Maintenance Fund	Fund to offset future maintenance costs of investment property.
Elections	To replace and update election equipment that previously had been funded by government.
Grants and Contributions	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.
Housing Revenue Account	A ring fenced reserve for Housing Revenue Account surplus.
New Development & Acquisition Reserve	Earmarked reserve specifically for new development and refurbishment of council housing**.**
Business Improvement Reserve	A new reserve to fund new digital technologies and business transformation to generate efficiencies in the Adur Homes service.
Discretionary Assistance Fund	Earmarked reserve to provide financial assistance to tenants who may require support not otherwise available.

NOTE 8: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2017/18	2016/17
	£'000	£'000
Parish Council Precepts	385	365
De-recognition of Assets	1,678	1,644
Payments to the Government Housing Capital Receipts Pool	865	568
(Gains)/losses on the disposal of non-current assets	(346)	(489)
TOTAL	**2,582**	**2,088**

NOTE 9: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2017/18	2016/17
	£'000	£'000
Interest payable & similar charges	3,198	3,071
Pensions interest cost & expected return on pensions assets	875	945
Interest receivable & similar income	(170)	(88)
Income and expenditure in relation to investment properties	(510)	(102)
Changes in fair value of investment properties	(111)	(47)
Other investment income (Trading Operations Note 26)	(136)	(92)
TOTAL	**3,146**	**3,687**

NOTE 10: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2017/18	2016/17
	£'000	£'000
Council Tax Income (including Parish Council Precepts)	(6,239)	(6,056)
Non Domestic Rates income and expenditure	(1,733)	(1,591)
Non-ringfenced Government Grants	(1,545)	(1,960)
Capital Grants and Contributions	(1,794)	(584)
Repayment of Capital Grants	-	-
TOTAL	**(11,311)**	**(10,191)**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
1st April 2017	173,794	29,649	5,643	6,273	1,764	1,864	218,987
Additions	2,797	11,983	1,638	16	-	1,984	18,418
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,142	756	-	13	-	-	2,911
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,809)	595	-	-	-	-	(3,214)
Derecognition - Other	(1,520)	(227)	(1,270)	(2)	-	-	(3,019)
Assets reclassified (to)/from Held for Sale	(388)	-	-	-	-	-	(388)
Reclassifications to other categories - Intangible Assets and Revenue Expenditure Funded from Revenue Sources	-	-	-	(112)	-	(357)	(469)
Reclassifications between PPE asset classes	(1,133)	156	1	-	-	976	-
As at 31st March 2018	**171,883**	**42,912**	**6,012**	**6,188**	**1,764**	**4,467**	**233,226**
Accumulated Depreciation and Impairment							
1st April 2017	-	(839)	(3,797)	(2,054)	-	-	(6,690)
Depreciation charge	(4,422)	(746)	(612)	(213)	-	-	(5,993)
Depreciation written out to the Revaluation Reserve	522	1	-	-	-	-	523
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,810	79	-	-	-	-	3,889
Derecognition - Other	61	9	1,261	2	-	-	1,333
Reclassifications between PPE asset classes	29	-	-	-	-	(29)	-
As at 31st March 2018	**-**	**(1,496)**	**(3,148)**	**(2,265)**	**-**	**(29)**	**(6,938)**
Net Book Value at 31st March 2018	**171,883**	**41,416**	**2,864**	**3,923**	**1,764**	**4,438**	**226,288**
Net Book Value at 31st March 2017	**173,794**	**28,810**	**1,846**	**4,219**	**1,764**	**1,864**	**212,297**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

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

Movements in 2017/18	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
1st April 2017	4,852	102	4,954
Transfer out of Joint Account	(16)	-	(16)
Additions	1,617	184	1,801
Reclassifications	1	(11)	(10)
Derecogniton - Other	(1,264)	-	(1,264)
at 31st March 2018	**5,190**	**275**	**5,465**
Accumulated Depreciation and Impairment			
1st April 2017	(3,377)	-	(3,377)
Transfer out of Joint Account	16	-	16
Depreciation charge	(553)	-	(553)
Derecognition - Other	1,255	-	1,255
at 31st March 2018	**(2,659)**	**-**	**(2,659)**
Net Book Value at 31st March 2018	**2,531**	**275**	**2,806**
Net Book Value at 31st March 2017	**1,475**	**102**	**1,577**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Comparative Movements 2016/17

Movements in 2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2016	162,877	29,914	5,735	6,067	1,764	2,660	286	209,303
Additions	2,791	237	175	369	-	-	1,100	4,672
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13,739	226	-	2	-	-	(1,097)	12,870
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,677)	(591)	-	-	-	-	(968)	(5,236)
Derecognition - Other	(1,529)	(165)	(311)	(187)	-	-	-	(2,192)
Assets reclassified (to)/from Held for Sale	(430)	-	-	-		-	-	(430)
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-
Reclassifications between asset classes, including transfers to intangible assets	23	28	44	22	-	(2,660)	2,543	-
As at 31st March 2017	**173,794**	**29,649**	**5,643**	**6,273**	**1,764**	**-**	**1,864**	**218,987**
Accumulated Depreciation and Impairment								
At 1st April 2016	-	(310)	(3,600)	(2,020)	-	-	-	(5,930)
Depreciation charge	(4,237)	(640)	(496)	(208)	-	(17)	-	(5,598)
Depreciation written out to the Revaluation Reserve	440	3	-	-	-	-	1	444
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,732	101	-	-	-	-	16	3,849
Derecognition - Other	65	7	299	174	-	-	-	545
Reclassifications between asset classes, including transfers to intangible assets	-	-	-	-	-	17	(17)	-
As at 31st March 2017	**-**	**(839)**	**(3,797)**	**(2,054)**	**-**	**-**	**-**	**(6,690)**
Net Book Value								
As at 31st March 2017	**173,794**	**28,810**	**1,846**	**4,219**	**1,764**	**-**	**1,864**	**212,297**
As at 31st March 2016	**162,877**	**29,604**	**2,135**	**4,047**	**1,764**	**2,660**	**286**	**203,373**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Comparative Movements 2016/17

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

Movements in 2016/2017	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
At 1st April 2016	4,948	44	4,992
New assets transferred from Adur District Council	129	102	231
Additions	44	(44)	-
Derecogniton - Other	(269)	-	(269)
At 31st March 2017	**4,852**	**102**	**4,954**
Accumulated Depreciation and Impairment			
At 1st April 2016	(3,202)	-	(3,202)
Depreciation charge	(432)	-	(432)
Derecognition - Other	257	-	257
At 31st March 2017	**(3,377)**	**-**	**(3,377)**
Net Book Value at 31st March 2017	**1,475**	**102**	**1,577**
Net Book Value at 31st March 2016	**1,746**	**44**	**1,790**

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: 5 - 25 years

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Capital Commitments

At 31st March 2018 the Council has entered into 6 significant contracts for the acquisition, development and enhancement of assets in future years estimated to cost £8,886,318. The significant commitments at 31st March 2017 were £1,903,111. The significant commitments at 31st March 2018 are:

- Elmgrove Play Area Improvements - £70,000
- Quayside Play Area Replacement - £77,712
- Southern Water compliance works to the Council's parks' water stand pipes - £50,910
- Lower Beach (Riverside) car park enhancements - £85,000
- Housing Stock fire doors – Extendable on an annual basis for 5 years £300,000 per annum.
- Adur Civic Centre Redevelopment Phase 1 - £8,302,696

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 6th Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets, and for vehicles, plant and equipment. Assets under construction are valued at cost.

The significant assumptions applied in estimating the current values are:

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

	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	11,494	2,864	3,923	1,764	4,438	24,483
Valued at current value as at:							
31st March 2018	171,883	6,887	-	-	-	-	178,770
31st March 2017	-	2,775	-	-	-	-	2,775
31st March 2016	-	20,260	-	-	-	-	20,260
Total Cost or Valuation	**171,883**	**41,416**	**2,864**	**3,923**	**1,764**	**4,438**	**226,288**

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

There were no surplus assets at 31st March 2017 or 31st March 2018.

NOTE 12: 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 2017/18	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2017	11	28	185	224
As at 31st March 2018	**11**	**28**	**185**	**224**
As at 31st March 2017	**11**	**28**	**185**	**224**

COMPARATIVE MOVEMENTS 2016/17

Movements in 2016/17	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2016	11	28	185	224
As at 31st March 2017	**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

NOTE 13: 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.

	2017/18	2016/17
	£'000	£'000
Rental income from investment property	(1,055)	(537)
Direct operating expenses arising from investment property	545	435
Net (gain)/loss	**(510)**	**(102)**

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.

	2017/18	2016/17
	£'000	£'000
Balance at start of the year	431	384
Additions:		
New Lease Granted	72	-
Net gains/losses from fair value adjustments:		
General Fund	39	47
Balance at end of the year	542	431

Fair Value Measurement of Investment Property

Details of the authority's investment properties and information about the fair value hierarchy as at 31st March 2018 and 31st March 2017 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 31st March 2018
	£'000	£'000	£'000	£'000
Land	-	542	-	542
TOTAL	-	542	-	542

NOTE 13: 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 31st March 2017
	£'000	£'000	£'000	£'000
Land	-	431	-	431
TOTAL	-	431	-	431

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.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at 1st 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 14: 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. There has been no change in the valuation technique used during the year for the financial instruments.

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
	£'000	**£'000**	**£'000**	**£'000**
Borrowings				
Financial liabilities (principal amount)	(82,289)	(72,443)	(2,849)	(2,109)
Accrued interest	-	-	(398)	(336)
Other accounting adjustments	(428)	(431)	-	-
Financial liabilities at Amortised Cost	**(82,717)**	**(72,874)**	**(3,247)**	**(2,445)**
Creditors - Financial Liabilities	**-**	**-**	**(2,420)**	**(1,846)**
Investments				
Loans and receivables (principal amount)	30	2,030	9,000	8,000
Accrued interest	-	-	53	42
Loans and receivables at Amortised Cost	**30**	**2,030**	**9,053**	**8,042**
Available-for-Sale financial assets	1,018	50	-	-
Total Investments	**1,048**	**2,080**	**9,053**	**8,042**
Debtors				
Loans and Receivables	106	108	1,775	1,682
Cash & Cash Equivalents	-	-	1,037	5,917
Total Debtors	**106**	**108**	**2,812**	**7,599**

Accrued interest on Long Term assets and liabilities is included in the Current columns because it is receivable or payable within 12 months.

NOTE 14: FINANCIAL INSTRUMENTS

Items of income, expense, gains and losses

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

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000
Interest Expense	(3,198)		-	(3,198)
Decrease/(Increase) in Impairment	-	(58)	-	(58)
Total expense in Surplus or Deficit on the Provision of Services	**(3,198)**	**(58)**	**-**	**(3,256)**
Interest Income, dividend income	-	129	41	170
Total income in Surplus or Deficit on the Provision of Services	**-**	**129**	**41**	**170**
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	(32)	(32)
Surplus/deficit arising on revaluation of financial assets in Other Comprehansive Income and Expenditure	-	**-**	**(32)**	**(32)**
Net Gain/(Loss) for the year	**(3,198)**	**71**	**9**	**(3,118)**

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2016/17	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000
Interest Expense	(3,054)	-	-	(3,054)
Decrease/(Increase) in Impairment	-	42	-	42
Total expense in Surplus or Deficit on the Provision of Services	**(3,054)**	**42**	**-**	**(3,012)**
Interest Income	-	160	-	160
Total income in Surplus or Deficit on the Provision of Services	**-**	**160**	**-**	**160**
Net Gain/(Loss) for the year	**(3,054)**	**202**	**-**	**(2,852)**

The increase in impairment, which relates solely to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies, has been re-stated for 2016-17. This is due to a post-audit increase of £99k in the bad debt provision for Leaseholder Major Repairs. The loss on revaluation in the Available-for-Sale category relates to the Council's investment in the CCLA Property Fund and is the difference between the original investment and the bid value of units as at 31 March 2018.

NOTE 14: FINANCIAL INSTRUMENTS

Fair Values of Financial Assets

Available-for-Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value on a recurring basis. These fair values are based on public price quotations where there is an active market for the instrument. The fair value of the £1m investment in the CCLA Property Fund, which is included in the Available-for-Sale assets, is categorised as a Level 1 input, as explained in the Accounting Policy Note 1. The valuation technique used is the bid value of the units in the Fund as at 31 March 2018.

There were no transfers between input levels during the year.

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, described above, all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The following tables show the fair values of the liabilities and assets, which are all currently within the Level 2 category of the valuation hierarchy. This uses “other significant observable inputs” to arrive at the fair value.

The fair value of the reported carrying amounts at 31st March 2018 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment rates, highlighting the impact of the alternative valuation.

- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value.

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value.

- No early repayment or impairment is recognised.

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Fair Values – Financial Liabilities

The fair values for Financial Liabilities are compared with the carrying amounts as follows:

NOTE 14: FINANCIAL INSTRUMENTS

	31st March 2018		31st March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities				
PWLB Debt	(67,536)	(81,828)	(56,886)	(72,877)
Non-PWLB Debt	(18,428)	(32,967)	(18,433)	(33,402)
Total Borrowing	**(85,964)**	**(114,795)**	**(75,319)**	**(106,279)**
Trade & Other Payables	(2,420)	(2,420)	(1,846)	(1,846)
Total	**(88,384)**	**(117,215)**	**(77,165)**	**(108,125)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of trade and other payables is taken to be the invoiced or billed amount. The disclosure for Financial Liabilities excludes statutory creditors, consequently the creditors figures differ from those in the Balance Sheet and the Creditors disclosure note.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £134.06m, which is calculated using early repayment discount rates. The Council 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

Financial Assets	31st March 2018		at 31st March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash & Cash Equivalents	1,037	1,037	5,917	5,917
Short term investments	9,053	9,070	8,042	8,061
Long term investments	80	80	2,080	2,112
Short term debtors	1,775	1,775	1,682	1,682
Long term debtors	106	106	108	108
Total	**12,051**	**12,068**	**17,829**	**17,880**

The fair value of the financial assets is higher than the carrying amount because the Council's fixed rate loans held at 31st March, 2018 are at interest rates higher than the rates for similar loans in the market at the Balance Sheet date. They show a notional future gain (based on economic conditions at 31st March 2018) arising from a right to receive interest above current market rates.

The fair value of trade and other receivables is taken to be the invoice or billed amount. The disclosure for Financial Assets excludes statutory debtors, such as Council Tax, consequently the debtors figures differ from those in the Balance Sheet and the Debtors disclosure note.

NOTE 14: FINANCIAL INSTRUMENTS

Nature and Extent of Risks Arising From Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Adur-Worthing shared service, under policies approved by the Council in the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Standard and Poor's and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located within each category.

Examples of the credit criteria in respect of financial assets held by the Council are:

- Credit ratings of Short Term of F1, Long Term A-, Support AA- (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government
- The top five Building Societies by asset size

Examples of the limits on the size and length of time of deposits are:

- Banks - £4m for a maximum of 5 years;
- Building Societies - £4m for the Nationwide and £2m for the others on the approved list, for a maximum of 5 years;

NOTE 14: FINANCIAL INSTRUMENTS

Nature and Extent of Risks Arising From Financial Instruments

- Money Market Funds (MMF) AAA rated - £3m (for any one MMF) for short term operational cash flow purposes. Total investments in MMFs shall not exceed £5m or 30% of the total investment portfolio, whichever is the higher, for more than one week at any one time;

The full investment strategy for 2017/18 was approved by the Council on 23rd February 2017 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Credit Risk

The Council's maximum exposure to credit risk in relation to its total investments of £9,800,000 in banks, building societies and money market funds 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. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2018 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk Exposure	Carrying Amount at 31-Mar-18	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-18	Estimated Maximum Exposure to Default and Uncollect-ability at 31-Mar-18	Estimated Maximum Exposure at 31-Mar-17
	£'000	%	%	£'000	£'000
Customers*	1,881	43.29%	48.00%	903	746

*Excluding statutory debtors – Council Tax/NNDR

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers. Generally therefore, all amounts outstanding (apart from those amounts raised as accruals at 31st March 2018 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 15.

Collateral – During the reporting period the Council held no collateral as security.

NOTE 14: FINANCIAL INSTRUMENTS

Liquidity Risk

The Council manages its liquidity positions through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy Statement and Annual Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedure, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs. The Council has set a maximum limit of 50% for investments for more than 1 year.

The maturity analysis of financial liabilities is as follows:

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2018	Actual 31 March 2018	Actual 31 March 2017	Actual 31 March 2017
				£'000s		£'000s
Maturing within one year	0%	10%	4%	3,247	3%	2,445
Maturing in 1-2 years	0%	15%	3%	2,854	3%	2,109
Maturing in 2-5 years	0%	20%	10%	8,176	8%	6,326
Maturing in 5-10 years	0%	30%	16%	13,558	13%	10,047
Maturing in 10-20 years	0%	35%	26%	22,557	23%	17,111
Maturing in 20-30 years	0%	30%	8%	6,904	12%	8,597
Maturing in more than 30 years	0%	45%	33%	28,668	38%	28,684
TOTAL			**100%**	**85,964**	**100%**	**75,319**

All trade and other payables are due to be paid in less than one year.

NOTE 14: FINANCIAL INSTRUMENTS

Market Risk

(a) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. All current borrowing is at fixed rates, although the Council has set a maximum limit of 25% for variable rate borrowing.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

NOTE 14: FINANCIAL INSTRUMENTS

Market Risk

(a) Interest Rate Risk

According to this assessment strategy, at 31st March 2018, if all 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	33
Impact on Surplus or Deficit on the Provision of Services	33
Share of overall impact credited or debited to the HRA	19
Decrease in fair value of fixed rate investment assets	34
Impact on Other Comprehensive Income and Expenditure	34
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)	15,918

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Fair Value of Assets and Liabilities tables.

(b) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. In April 2017 the Council invested £1m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. However this is classified as an Available-for-Sale asset, meaning that all movements in price will impact on gains and losses recognised in the Available-for-Sale Reserve.

(c) Foreign Exchange Risk

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

NOTE 15: DEBTORS

	31-Mar-18	31-Mar-17
Amounts falling due in one year net of bad debt impairment provision:	**£'000s**	**£'000s**
Central Government Bodies	904	945
Other Local Authorities	1,068	809
NHS Bodies	30	2
*Other Entities and Individuals	3,627	3,341
	5,629	5,097
*** Of which £1.6m relates to net Housing Benefit overpayment arrears**		

NOTE 15: DEBTORS

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

Overall Aged Debt Analysis	31-Mar-18	31-Mar-17
	£'000	£'000
Under 1 year	5,337	4,803
1 - 2 years	42	55
2 - 3 years	27	77
Over 3 years	223	162
	5,629	5,097

Long Term Debtors

Long term debtors disclosed in the balance sheet comprise of:

Long Term Debtors	31-Mar-18	31-Mar-17
	£'000s	£'000s
Private sector house purchase	-	-
Council house purchase	1	1
Car loans	105	107
TOTAL	**106**	**108**

NOTE 16: CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31-Mar-18	31-Mar-17
	£'000	£'000
The balance is made up of the following elements:		
Cash held/(overdrawn) by the Council	1	1
Bank Current Accounts	236	566
Call Accounts and Money Market Funds	800	5,350
Total Cash & Cash Equivalents	**1,037**	**5,917**

NOTE 17: ASSETS HELD FOR SALE

	Current 2017/18	*Restated Current 2016/17	Non Current 2017/18	Non Current 2016/17
	£'000	£'000	£'000	£'000
Balance outstanding at start of year 1st April 2017	58	228	-	-
Assets newly classified as held for sale:				
From Property, Plant and Equipment	388	430	-	-
Assets sold:	(446)	(600)	-	-
Balance outstanding at year-end	**-**	**58**	**-**	**-**

* 2016/17 restated for a rounding adjustment

The Authority recognised the following assets as held for sale during 2017/2018

- 7 Council Dwellings being sold under 'Right to Buy' Regulations were reclassified as held for sale.
- 8 sales of 'Right to Buy' Council dwellings completed in 2017/2018.

NOTE 18: CREDITORS

	31-Mar-18	31-Mar-17
	£'000s	£'000s
Central Government Bodies	1,813	3,303
Other Local Authorities	1,482	2,613
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	2,667	2,330
TOTAL	**5,962**	**8,246**

NOTE 19: PROVISIONS

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

	Balance at 31-Mar-17	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused Amounts Reversed in 2017/18	Balance at 31-Mar-18
	£'000	£'000	£'000	£'000	£'000
Census Partnership	-	69	-	-	69
Courtfields Major works	277	80	-	-	357
Insurance Provision	25	-	-	-	25
Land Charges Provision	9	-	-	-	9
Business Rates Appeals	714	-	(321)	-	393
	1,025	**149**	**(321)**	**-**	**853**

NOTE 19: 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 1st 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 settled, leaving just interest and legal costs to be agreed.

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 £80,495. 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 £982,558, Adur Council's share is £393,023, being 40% of the total.

Census Partnership cessation costs:

A provision has been made for the impact of the withdrawal from the CenSus Revenues & Benefits contract.

Insurance Provision – A provision for outstanding claims at year end.

NOTE 20: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 27.

NOTE 21: UNUSABLE RESERVES

31st March 2017	UNUSABLE RESERVES	31st March 2018
£'000s		**£'000s**
(76,538)	Revaluation Reserve	(79,142)
-	Available for Sale Financial Instruments Reserve	32
(61,752)	Capital Adjustment Account	(59,594)
433	Financial Instruments Adjustment Account	431
(1)	Deferred Capital Receipts Reserve	(1)
34,961	Pension Reserve	28,752
235	Collections Fund Adjustment Account	346
(102,662)	**TOTAL UNUSABLE RESERVES**	**(109,176)**

NOTE 21: 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 1st 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	2017/18	2016/17
	£'000	£'000
Balance at 1st April	(76,538)	(63,994)
Upward revaluation of assets	(8,005)	(15,676)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,570	2,362
Surplus or deficit on revaluation of non-current assets charged to other comprehensive income and expenditure	**(3,435)**	**(13,314)**
Difference between fair value depreciation and historical cost depreciation	655	578
Accumulated gains on assets sold	176	192
Amount written off to Capital Adjustment Account	**831**	**770**
Balance at 31st March	**(79,142)**	**(76,538)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

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.

NOTE 21: UNUSABLE RESERVES

Capital Adjustment Account

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

Capital Adjustment Account	2017/18	2016/17
	£'000	£'000
Balance at 1st April	**(61,752)**	**(63,700)**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	5,993	5,598
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	(675)	1,387
Amortisation of intangible assets	65	52
Revenue expenditure funded from capital under statute 17-18	1,834	317
Revenue expenditure funded from capital under statute Prior Years	459	-
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	2,133	2,250
Net written out amount of the cost of non-current assets consumed in the year	**9,809**	**9,604**
Adjusting amounts written out of the Revaluation Reserve	(831)	(770)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital	(583)	(648)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,869)	(2,370)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	(1,386)	(781)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,102)	(361)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(712)	(2,606)
Capital expenditure charged against the General Fund and HRA balances	(57)	(73)
	(7,540)	**(7,609)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(111)	(47)
Balance at 31st March	**(59,594)**	**(61,752)**

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.

NOTE 21: 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.

Pensions Reserve	2017/18	2016/17
	£'000	£'000
Balance at 1st April	34,961	28,047
Remeasurements of the net defined benefit liability / (asset)	(6,989)	6,760
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	3,618	2,811
Employer's pension contributions and direct payments to pensioners payable in the year	(2,838)	(2,657)
Balance at 31st March	28,752	34,961

NOTE 22: CASH FLOW - OPERATING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	159	89
Interest paid	(3,138)	(3,071)
Total	**(2,979)**	**(2,982)**

NOTE 22: CASH FLOW - OPERATING ACTIVITIES

Cash Flow – Net Cash Flow From Operating Activities

	Net 2017/18	Net 2016/17
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(2,444)**	**(3,878)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	5,993	5,598
Impairment and downward valuations	(675)	1,387
Amortisation	65	52
Increase/(Decrease) in Creditors	(636)	(486)
(Increase)/Decrease in Debtors	(120)	1,104
(Increase)/Decrease in Inventories	(1)	-
Movement in Pension Liability	779	154
Contributions to/(from) Provisions	(172)	32
Provision for Equal Pay		
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	2,133	2,250
Movement in Investment property values	(113)	(47)
	7,253	**10,044**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(822)	(1,125)
Net capital Grants credited to surplus or deficit on the provision of services	(2,574)	(1,122)
	(3,396)	**(2,247)**
Net Cash Flows from Operating Activities	**1,413**	**3,919**

NOTE 23: CASH FLOW - INVESTING ACTIVITIES

The 2016/17 figures have been restated to show the purchase and proceeds from short term investments during the year. Previously these were shown net within the proceeds from short term and long term investments.

NOTE 23: CASH FLOW - INVESTING ACTIVITIES

	Net 2017/18	Restated Net 2016/17
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(17,898)	(4,739)
Purchase of short-term and long-term investments	(103,120)	(93,577)
Other payments for investing activities	(100)	(86)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	822	1,126
Proceeds from short-term and long-term investments	103,120	96,596
Other receipts from investing activities	2,677	1,269
Net cash flows from investing activities	**(14,499)**	**589**

NOTE 24: CASH FLOW - FINANCING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
Cash receipts of short- and long-term borrowing	13,368	284
Repayments of short- and long-term borrowing	(2,782)	-
Other payments for financing activities	(2,380)	637
Net cash flows from financing activities	**8,206**	**921**

NOTE 25: EXPENDITURE FUNDING ANALYSIS

2017/18 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	10	35	-	45
Environment	1,967	209	-	2,176
Health & Wellbeing	1	86	-	87
Customer Services	912	63	-	975
Regeneration	376	147	-	523
Resources	266	55	-	321
Housing Revenue Account	(403)	(691)	-	(1,094)
Net Cost of Services	**3,129**	**(96)**	**-**	**3,033**
Other income and expenditure from the Funding Analysis	(1,268)	875	111	(282)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**1,861**	**779**	**111**	**2,751**

NOTE 25: EXPENDITURE FUNDING ANALYSIS

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	29	17	-	46
Environment	772	81	-	853
Health & Wellbeing	838	23	-	861
Customer Services	297	(28)	-	269
Regeneration	1,185	30	-	1,215
Resources	233	7	-	240
Housing Revenue Account	1,631	(920)	-	711
Net Cost of Services	**4,985**	**(790)**	**-**	**4,195**
Other income and expenditure from the Funding Analysis	(2,144)	945	935	(264)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**2,841**	**155**	**935**	**3,931**

Income and Expenditure analysed by nature	2017/18	2016/17
	£'000	£'000
Employee Expenses*	4,735	4,025
Depreciation, amortisation, impairment	5,272	6,990
Precepts	385	365
Payments to the Government Housing Capital Receipts Pool	865	568
Other service expenditure	45,369	43,081
Total Expenditure	56,626	55,029
Grants and contributions	(3,954)	(2,544)
Fees, charges and other service income	(40,780)	(40,189)
(Gain)/loss on disposal of non current assets	(346)	(489)
Income from council tax and business rates	(7,972)	(7,647)
Interest and Investment Income	(816)	(282)
Surplus on Business Combination - Pension Fund*	(314)	-
Total Income	(54,182)	(51,151)
Deficit or surplus on Provision of Services	2,444	3,878

*2017/18 employee costs include the pension costs of staff that have transferred from the CenSus partnership.

These are partially offset by the surplus on the CenSus pension fund that has been transferred to the Council following this business combination.

The other service expenditure figure includes the Councils share of the Joint Service costs including the employee expenses.

NOTE 26: 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 one trading account as shown below:

	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure	2016/17 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	451	(587)	(136)	(92)

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.

NOTE 27: AGENCY SERVICES

Adur District Council have entered into an Agency Agreement with West Sussex County Council to provide the Parking Enforcement for the District. In 2017/18 income collected was £143,425 (2016/17 £143,338) and expenditure was £173,128 (2016/17 £144,231) . 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.

NOTE 28: MEMBERS' ALLOWANCES

The total allowances paid to Members were as follows:

2017/18	2016/17
£	£
200,180	195,326

NOTE 29 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. 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:-

NOTE 29 OFFICERS' REMUNERATION

Remuneration Bands	Number of Employees	
	2017/18	2016/17
£50,000 to £54,999	6	13
£55,000 to £59,999*	4	4
£60,000 to £64,999*	5	4
£65,000 to £69,999*	4	4
£70,000 to £74,999	6	4
£75,000 to £79,999	2	-
£80,000 to £84,999*	1	1
£85,000 to £89,999	-	-
£90,000 to £94,999*	3	1
£95,000 to £99,999	1	2
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
	33	**34**

* These include redundancy, efficency of service and settlement payments relating to 2017/18 and 2016/17. Please see the exit packages table at the end of this note and Note 30 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 2017/18 and in 2016/17.

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 2017/18 or 2016/17.

NOTE 29 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, Fees and Allowances**	**Compensation for loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contribution - Employer Only**	**Total Remuneration including Pension Contributions**	**Net Cost bourne by Worthing B.C. and paid to Adur D.C.**	**Net Cost borne by Adur D.C. Employing Authority**
Chief Executive							
2017/18	120,438	-	120,438	25,412	145,849	72,925	72,925
2016/17	116,150	-	116,150	20,462	136,612	68,306	68,306
Director for Communities							
2017/18	92,920	-	92,920	19,606	112,526	60,201	52,325
2016/17 from 25.10.16	40,065		40,065	7,293	47,358	25,336	22,022
2016/17 to 25.10.16	20,694	25,000	45,694	2,057	47,751	25,547	22,204
Director for Digital & Resources							
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
2016/17 to 25.10.16	95,726	-	95,726	19,427	115,153	68,355	46,798
Director for the Economy							
2017/18	93,849	-	93,849	19,802	113,651	77,283	36,368
2016/17 to 25.10.16	93,849	-	93,849	14,629	108,478	74,850	33,628
Director for Customer Services							
2017/18	50,326	44,000	94,326	9,559	103,886	62,331	41,554
2016/17 to 25.10.16	98,848	-	98,848	19,815	118,663	71,198	47,465
Head of Finance							
S151 Officer							
2017/18	73,448	-	73,448	15,498	88,946	48,209	40,737
2016/17	71,575	-	71,575	13,879	85,454	46,316	39,138
Head of Legal							
Monitoring Officer							
2017/18	68,144	-	68,144	14,540	82,684	40,912	41,772
2016/17	66,304	-	66,304	13,648	79,952	42,838	37,114
Head of Growth							
Strategic Planning							
2017/18	70,465	-	70,465	14,868	85,333	43,520	41,813
2016/17	72,948	-	72,948	15,053	88,001	44,881	43,120
Head of Housing							
Strategic Housing							
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354
2016/17 from 22.2.17	7,362		7,362	1,524	8,886	1,333	7,553
2016/17 to 7.10.96	39,274	20,000	59,274	1,872	61,146	9,172	51,974

NOTE 30 OFFICERS' REMUNERATION - EXIT PACKAGES AND TERMINATION BENEFITS

EXIT PACKAGES

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

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
							£	**£**
£0 - £20,000	2	2	17	2	19	4	188,195	28,931
£20,000 - £40,000	-	1	3	4	3	5	81,796	151,380
£40,000 - £60,000	-	-	-	2	-	2	-	96,065
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings	2	3	20	8	22	11	269,991	276,376
Total cost included in CIES	2	3	20	8	22	11	269,991	276,376

These redundancy costs are shared between Adur & Worthing Council's in proportion to the service allocation. The total cost of £276,376 in the table above includes **£130,177** for exit packages that have been charged to the Adur's Comprehensive Income and Expenditure Statement in the current year.

TERMINATION BENEFITS

	Adur
	£
Redundancy costs	130,177
Enhanced Pension Benefits	56,322
Total termination benefit 2017/18	186,499
Termination benefits 2016/17	255,929

Of this total £130,177 is payable in the form of compensation for loss of office and £56,322 is the 2017/18 cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 31: EXTERNAL AUDIT COSTS

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

	2017/18	2016/17
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	48	48
Fees payable to external auditors for the certification of grant claims and returns for the year	27	12
Proportionate share of Adur and Worthing Joint Committee	-	-
	75	60
Less: Refund from the Audit Commission		
TOTAL	**75**	**60**

NOTE 32: GRANT INCOME

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

	2017/18	2016/17
	£'000s	£'000s
Credited to Taxation and Non specific Grant Income		
Council Tax Transistion Grant	73	73
New Homes Bonus Scheme	557	767
Non Domestic Rates Reconciliation	317	-
Revenue Support	271	774
Section 31 Grant	327	320
Other	-	6
	1,545	**1,940**
Credited to Taxation and Non specific Grant Income		
S106 Other Contributions	613	11
	613	**11**
Capital Grants & Donations - Specific		
Local Enterprise Partnership Funding	1,113	517
MHCLG Disabled Facilities Grant	615	511
Worthing Borough Council	90	23
Other Grants & Donations	144	60
	1,962	**1,111**
Credited to Services - General Fund Grants		
Brighton & Hove City Council - Heat Delivery Unit	30	-
Cabinet Office - IER s31 grant	13	13
Department of Work and Pensions	67	45
MHCLG - Growth Point for Shoreham Harbour	259	87
MHCLG - Flexible Homelessness Support	184	-
MHCLG - Other	70	84
Other Grants	1	-
WSCC - Think Family Infrastructure Support	55	18
Grants recognised in the Joint Committee	474	558
	1,153	**805**
TOTAL	**5,273**	**3,867**

NOTE 32: GRANT INCOME

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:

	2017/18	2016/17
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Brighton& Hove City Council - Heat Network Delivery Unit	51	81
MHCLG - Eco-Town Shoreham Harbour	-	103
MHCLG - Growth Point for Shoreham Harbour	-	157
MHCLG - Other	63	28
WSCC - LEAP funding	87	71
Grants recognised in the Joint Committee	209	232
TOTAL	**410**	**672**

NOTE 33: 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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 32. Grant receipts which remain to be used at 31st March 2018 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies**.** The total of members' allowances paid in 2017/18 is shown in Note 28. During 2017/18 there were no related party transactions declared by Councillors. In 2017/18 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 2017/18.

Other Public Bodies

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

Adur had 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. These arrangements ended in 2017/18.

Transactions and balances relating to these partnerships are summarised in Note 41**.**

NOTE 33: RELATED PARTIES

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 £160,000 was made to Impulse Leisure Trust in 2017/18. The value of this receipt is material to the Leisure Centre Trust.

NOTE 34: 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.

	2017/18	2016/17
	£'000	£'000
Opening Capital Financing Requirement	75,012	76,822
Capital Investment		
Property, Plant and Equipment	18,418	4,673
Intangible Assets	49	38
Revenue Expenditure Funded from Capital Under Statute	1,834	317
Sources of Finance		
Capital receipts	(584)	(648)
Government grants and other contributions	(2,488)	(1,141)
Sums set aside from revenue:		
Direct revenue contributions	(51)	(62)
MRP/loans fund principal	(712)	(2,606)
Revenue funding	(2,875)	(2,381)
Closing Capital Financing Requirement	**88,603**	**75,012**
Explanation of movements in year		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	13,591	(1,810)
Increase/(decrease) in Capital Financing Requirement	**13,591**	**(1,810)**

NOTE 35: 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

Future minimum lease payments are calculated using current payment contract information. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-18	31-Mar-17
	£'000	£'000
Not later than one year	1,311	548
Later than one year and not later than five years	1,936	1,470
Later than five years	3,075	3,088
	6,322	5,106

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 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities		31-Mar-18	31-Mar-17
	See Note No.	£'000s	£'000s
Commuted Sums		(8)	(8)
Pension Reserve Liability	37	(28,752)	(34,962)
TOTAL		**(28,760)**	**(34,970)**

NOTE 37: 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.

NOTE 37: DEFINED BENEFIT PENSION PLANS

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:

Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Adur 2017/18	Joint Comm'tee 2017/18	Total 2017/18	2016/17
	£'000s	£'000s	£'000s	£'000s
Cost of services				
Current service cost	(587)	(2,535)	(3,122)	(1,856)
Past service cost	(17)	(29)	(46)	(10)
(gain)/loss from settlements	-	-	-	-
Effect of business combination	-	425	425	-
Financing & Investment Income &				
Net Interest cost	(829)	(46)	(875)	(945)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(1,433)**	**(2,185)**	**(3,618)**	**(2,811)**
Other post employment benefit charged to the CI&E Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest	2,731	1,713	4,444	15,825
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	3,594
Actuarial gains and losses arising on changes in financial assumptions	1,183	918	2,101	(10,927)
Other (if applicable)	444	-	444	(15,252)
Total remeasurements recognised in the other comprehensive income	**4,358**	**2,631**	**6,989**	**(6,760)**
Total post-employment benefits charged to the CI&E statement	**2,925**	**446**	**3,371**	**(9,571)**

NOTE 37: DEFINED BENEFIT PENSION PLANS

Transactions Relating to Post-employment Benefits

Movement in Reserves Statement	Adur 2017/18	Joint Comm'tee 2017/18	Total 2017/18	Total 2016/17
	£'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	(1,433)	(2,185)	(3,618)	(2,811)
Actual amounts charged against the General Fund balance for pensions in the year:				
Employer's contributions payable to the scheme	1,345	1,340	2,685	2,498
Retirement benefits payable to pensioners	153	-	153	159
Total charged against the General Fund balance	1,498	1,340	2,838	2,657

Pension Assets and Liabilities

Pensions Assest and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2017/18			2016/17		
	Adur	Joint C'ttee	Total	Adur	Joint Cttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(91,639)	(42,232)	(133,871)	(94,106)	(38,941)	(133,047)
Fair value of plan assets	62,459	42,660	105,119	60,503	37,582	98,085
Net liability arising from defined benefit obligation	**(29,180)**	**428**	**(28,752)**	**(33,603)**	**(1,359)**	**(34,962)**

NOTE 37: DEFINED BENEFIT PENSION PLANS

Pension Assets and Liabilities

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
Opening fair value of scheme assets	60,503	37,582	98,085	51,453	29,156	80,609
Interest income	1,483	1,008	2,491	1,709	1,070	2,779
Remeasurement gain / (loss):			-			-
The return on plan assets, excluding the amount included in the net interest expense	2,731	1,713	4,444	9,656	6,170	15,826
Contributions from employer	1,498	1,340	2,838	1,461	1,196	2,657
Contributions from employees into the scheme	92	427	519	90	392	482
Benefits paid	(3,848)	(394)	(4,242)	(3,866)	(402)	(4,268)
Effect of Business Combination	-	984	984	-	-	-
Closing fair value of scheme assets	**62,459**	**42,660**	**105,119**	**60,503**	**37,582**	**98,085**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities: LGPS					
	2017/18			2016/17		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1st April	(94,106)	(38,941)	(133,047)	(77,309)	(31,348)	(108,657)
Current service cost	(587)	(2,535)	(3,122)	(405)	(1,451)	(1,856)
Interest cost	(2,312)	(1,054)	(3,366)	(2,570)	(1,154)	(3,724)
Contributions from scheme members	(92)	(427)	(519)	(90)	(392)	(482)
Remeasurement (gains) and losses:						
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	2,907	687	3,594
Actuarial gains / losses arising from changes in financial assumptions	1,183	918	2,101	(12,903)	(7,661)	(20,564)
Other experience	444	-	444	(7,592)	1,976	(5,616)
Past service cost	(17)	(29)	(46)	(10)	-	(10)
Benefits paid	3,848	395	4,243	3,866	402	4,268
Liabilities extinguished on settlements	-	(559)	(559)	-	-	-
Closing balance at 31st March	**(91,639)**	**(42,232)**	**(133,871)**	**(94,106)**	**(38,941)**	**(133,047)**

NOTE 37: DEFINED BENEFIT PENSION PLANS

Pension Assets and Liabilities

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	2017/18			2016/17		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,607.4	1,097.9	2,705.3	1,557.1	967.2	2,524.3
Equity instruments:						
Consumer	8,885.6	6,068.9	14,954.5	8,607.3	5,346.5	13,953.8
Manufacturing	5,708.8	3,899.1	9,607.9	5,530.0	3,435.0	8,965.0
Energy and Utilities	3,016.4	2,060.2	5,076.6	2,921.9	1,815.0	4,736.9
Financial Institutions	10,173.0	6,948.2	17,121.2	9,854.6	6,121.2	15,975.8
Health and Care	4,327.7	2,955.8	7,283.5	4,192.1	2,604.0	6,796.1
Information Technology	8,535.2	5,829.6	14,364.8	8,267.9	5,135.6	13,403.5
Other	2,877.7	1,965.4	4,843.1	2,787.6	1,731.5	4,519.1
Sub-total equity	**43,524.4**	**29,727.2**	**73,251.6**	**42,161.4**	**26,188.8**	**68,350.2**
Debt Securities:						
UK Government	1,158.2	791.0	1,949.2	1,121.9	696.8	1,818.7
Investment Funds and Unit Trusts:						
Bonds	7,826.3	5,345.4	13,171.7	7,581.2	4,709.1	12,290.3
Property:						
UK Property	4,925.6	3,364.2	8,289.8	4,771.3	2,963.7	7,735.0
Overseas Property	-	-	-	-	-	-
Sub-total property	**4,925.6**	**3,364.2**	**8,289.8**	**4,771.3**	**2,963.7**	**7,735.0**
Private equity	2,685.0	1,833.9	4,518.9	2,600.9	1,615.6	4,216.5
Other investment funds	732.1	500.0	1,232.1	709.2	440.5	1,149.7
Total assets	**62,459.0**	**42,659.5**	**105,118.5**	**60,503.0**	**37,581.7**	**98,084.7**

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 31st March, 2018.

The significant assumptions used by the actuary have been:

NOTE 37: DEFINED BENEFIT PENSION PLANS

	Local Government Pension Scheme	
	2017/18	**2016/17**
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	23.6	23.6
Female	25.0	25.0
Longevity at 65 for future pensioners		
Male	26.0	26.0
Female	27.8	27.8
Rate of inflation		
Rate of increase in salaries	3.1%	3.1%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

Change in assumptions at 31st March 2018	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	7%	6,112
0.5% increase in Salary Increase Rate	0%	123
0.5% increase in the Pension Increase Rate	7%	5,962

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increase or decreases for men and women. In practise, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Council's Cash Flow:

The Council anticipates paying £1,372,000 contributions to the scheme in 2018/19, and approximately £1,292,000 contributions to the Adur-Worthing Joint Services scheme (40% share).

NOTE 38: 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.

NOTE 38: CONTINGENT LIABILITIES

Contract Dispute – Adur District Council is in dispute regarding a Boiler replacement and servicing contract for Adur Homes regarding indexation applied to the contract since 2010.

NOTE 39: 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.

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 40: 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.

NOTE 41: JOINT BUDGETS

All Services (except for services relating to the Housing Revenue Account) 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.

	Gross Expenditure 2017/18	Gross Income 2017/18	Net Expenditure 2017/18
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost Of General Fund Services	20,657	(6,663)	13,994
Holding Accounts	9,229	(501)	8,728
NET COST OF SERVICES	**29,886**	**(7,164)**	**22,722**
Financing and Investment income and expenditure			115
Funded by:			
Adur District Council			(8,356)
Worthing Borough Council			(12,280)
(Surplus) or deficit on provision of services			**2,201**
Remeasurement of the net refined pension benefit liability			(5,040)
Other Comprehensive Income & Expenditure			**(5,040)**
Total Comprehensive Income and Expenditure			**(2,839)**

NOTE 41: JOINT BUDGETS

Census Partnership

The CenSus partnership for both ICT and Revenue and Benefits dissolved by 31st March 2018. The Revenues and Benefits service was transferred back to Adur Distrcit Council on 1st October 2017.

Income and Expenditure Accounts:

Memorandum Accounts for Census Revenues and Benefits for the period 1st April to 1st October 2017

Census Revenues & Benefits	Mid Sussex District Council	Horsham District Council	Adur District Council	TOTAL
	£'000	£'000	£'000	£'000
Expenditure				
Salary costs	2,874		-	2,874
Transport costs	40	-	-	40
Supplies and Services	760	47	(10)	797
Total Expenditure	**3,674**	**47**	**(10)**	**3,711**
Income				
Grant Income	(84)	(57)	(27)	(168)
Fees and charges	(292)	(1)	(217)	(510)
Total Income	**(376)**	**(58)**	**(244)**	**(678)**
Net Exp'iture incurred by each council	3,298	(11)	(254)	3,033
Proportional Share of Costs	**1,279**	**1,223**	**439**	**2,941**

Memorandum Accounts for Census ICT for the period 1st April to 31st March 2018

Census ICT	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	£'000	£'000
Net Operating Expenditure for CenSus ICT Services incurred by each Council	99	1,189	87	-	**1,375**
Proportional Share of Costs	**452**	**381**	**217**	**325**	**1,375**

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 42: PRIOR YEAR ADJUSTMENT

In the 2016/17 statement of accounts the 'Cashflow – Investing Activities' note disclosed the net cash movement of the purchase and proceeds of short term and long term investments. In the 2017/18 accounts the same note (25) has restated the 2016/17 comparative purchase and proceed movements separately.

The effect on note 25 is:

	2016/17	**2016/17 as restated in 2017/18**
	£'000	£'000
Purchase of short term and long-term investments	-	(93,577)
Proceeds from short term and long term investments	3,019	96,596
	3,019	3,019

HOUSING REVENUE ACCOUNT (HRA)
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	HRA Note	2017/18 Net Expenditure		2016/17 Net Expenditure	
INCOME		**£'000**	**£'000**	**£'000**	**£'000**
Dwelling rents		(12,122)		(12,254)	
Non-dwelling rents		(524)		(508)	
Charges for services and facilities		(483)		(797)	
Contributions towards expenditure		-		-	
Total Income			**(13,129)**		**(13,559)**
EXPENDITURE					
Repairs and maintenance		2,855		3,243	
Supervision and management		2,325		2,368	
Rents, rates, taxes and other charges		24		12	
Depreciation	5&9	4,546		4,355	
Revaluation and impairment of non-current assets	10	(642)		(354)	
Movement in the allowance for bad		77		22	
Total Expenditure			**9,185**		**9,646**
Net (Income) / Cost of HRA Services as included in the whole authority CI&E Statement			**(3,944)**		**(3,913)**
HRA services share of Corporate and Democratic Core			588		475
Net (Income) / Cost of HRA Services			**(3,356)**		**(3,438)**
HRA share of the operating income and exp'iture included in the CI&E Statement					
(Gain) or loss on sale of HRA non-current assets	1	(311)		(489)	
Derecognition of assets	1	1,474		1,470	
Revaluation of investment properties		-		-	
Interest payable and similar charges		2,268		2,324	
HRA Interest and Investment income		(46)		(32)	
Net interest on the net defined benefit liability (asset)		773		783	
Capital grants and contributions receivable		-		-	
			4,158		4,056
Deficit / (surplus) for the year on HRA Services			**802**		**618**

HOUSING REVENUE ACCOUNT (HRA) NOTES

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	2017/18	2016/17
	£'000s	**£'000s**
Balance on the HRA at the end of the previous reporting	(2,074)	(2,074)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	802	618
Adjustments between accounting basis and funding basis under statute	(601)	(758)
Net Increase or (Decrease) before transfers to reserves	201	(140)
Net transfers (to) or from Earmarked Reserves		
Contribution to New Development & Acquisition Reserve	-	215
Transfer to/(from) HRA Business Improvement Reserve	(65)	(75)
Total net transfers to/from earmarked reserves	(65)	140
Balance on the HRA at the end of the current reporting period	**(1,938)**	**(2,074)**

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.

NOTE 1: STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT

	2017/18	2016/17
	£'000s	£'000s
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA statement for the year.		
Gain or loss on sale of HRA non-current assets	311	489
Derecognition of assets	(1,474)	(1,470)
HRA share of contributions to or from the Pensions Reserve	(81)	137
Transfers to/(from) Capital Adjustment Account	(3,903)	(4,001)
Voluntary Provision for Repayment of Debt	-	1,717
Transfers to/(from) Major Repair Reserve	4,546	2,370
Net additional amount required to be debited or (credited) to the Housing Revenue Account balance for the year.	**(601)**	**(758)**

NOTE 2: NUMBER OF TYPES OF DWELLING IN THE HOUSING STOCK

	31st March 2018	31st March 2017
	Number	Number
Houses	1,009	1,010
Bungalows	169	169
Flats	1,413	1,420
TOTAL DWELLINGS	**2,591**	**2,599**

NOTE 3: TOTAL BALANCE SHEET VALUE OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HRA

	31st March 2018	31st March 2017
	£'000s	£'000s
Council Dwellings	171,883	173,794
Other Land and Buildings	5,588	4,994
Infrastructure	24	25
Assets Under Construction	1,171	-
Assets Held for Sale	-	58
Total Balance Sheet Value of Land, Houses and the Other Property	**178,666**	**178,871**

NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA AT 1ST APRIL

	2017/18	2016/17
	£	£
Vacant Possession Value of Dwellings within the HRA at 1st April	526,648	493,565

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

	2017/18	2016/17
	£'000s	£'000s
Balance at 1st April	-	-
Capital expenditure funded from Major Repairs Reserve	(2,869)	(2,370)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	4,546	4,355
Transfer from the MRR to abate the depreciation charge to the value of the Notional Major Repairs Allowance	-	(1,985)
Balance of Major Repairs Reserve at 31st March	**1,677**	**-**

From 2017/18 contributions made to the Major Repairs Reserve are equivalent to the depreciation charge made. This is a cash backed reserve that can be used to fund capital expenditure or repay debt.

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	2017/18	2016/17
	£'000s	£'000s
Balance at 1st April	116	116
Expenditure in the year	-	-
BALANCE AT 31ST MARCH	**116**	**116**

NOTE 7: CAPITAL EXPENDITURE AND FINANCING WITHIN THE HRA

	2017/18	2016/17
EXPENDITURE	**£'000s**	**£'000s**
Council Dwellings	2,797	2,791
Other Properties	17	9
Infrastructure	-	25
Assets Under Construction	105	-
Equipment (Including Intangible Assets)	18	-
TOTAL CAPITAL EXPENDITURE	**2,937**	**2,825**
FINANCING		
Capital Grants and Contributions	48	20
HRA usable Capital Receipts	20	427
HRA Revenue Contributions to capital	-	8
Major Repairs Reserve	2,869	2,370
TOTAL CAPITAL EXPENDITURE FINANCED	**2,937**	**2,825**

NOTE 8: CAPITAL RECEIPTS

	2017/18	2016/17
Capital Receipts from the disposal of HRA property	**£'000s**	**£'000s**
Sale of Council Dwellings	767	1,101
Less Administration Costs	(10)	(13)
Mortgage Receipts received from previous years sale of Council Dwellings	-	1
	757	**1,089**
Retained for capital investment	490	521
Paid to central government	267	568
	757	**1,089**

NOTE 9: DEPRECIATION FOR THE LAND, HOUSES, OTHER PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS WITHIN THE HRA IN YEAR

	2017/18	2016/17
	£'000s	**£'000s**
Council Dwellings	4,422	4,237
Other Land and Buildings	86	78
Infrastructure	1	-
Equipment	30	29
Intangible Assets	7	11
TOTAL DEPRECIATION IN YEAR	**4,546**	**4,355**

NOTE 10: REVALUATIONS

In 2017/18 the revaluation of the Housing Revenue Account dwellings by external valuers at 1st April, 2017 resulted in a decrease in the Authorities housing stock value by £3.7m. This was due to a variation in the expected increase in valuation during 2016/17 which was included in the 2016/17 Statement of Accounts. At 31st March, 2018 the external valuers advised that residential properties had risen by 2% during the financial year and this increase has been reflected in the Authorities HRA.

Revaluations of Council dwellings in 2017/18 totalled £2.7m; £2,663,714 was added to the HRA revaluation reserve and an upward revaluation of £805 was included in the HRA income and expenditure account. Revaluations in 2017/18 for HRA other land and property totalled £667,718; £26,041 was added to the Revaluation Reserve and £641,677 was included in the HRA income and expenditure account.

NOTE 11: HRA SHARE OF CONTRIBUTIONS TO OR FROM THE PENSION RESERVE

Under the provisions of IAS19, £772,912 has been debited to the Housing Revenue Account in respect of the portion/share of contributions allocated to the Pension Reserve.

NOTE 12: RENT ARREARS

	31st March 2018	31st March 2017
	£'000s	£'000s
Gross arrears as at 31st March	714	763
Bad Debt provision for uncollectable debts	305	286

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2018

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 business 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 - COUNCIL TAX AND BUSINESS RATES						
	2017/18			2016/17		
	Business Rates	Council Tax	TOTAL	Buiness Rates	Council Tax	TOTAL
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	35,606	35,606	-	34,217	34,217
Business Rates Receivable	17,172	-	17,172	17,591	-	17,591
TOTAL INCOME (C) = (A+B)	**17,172**	**35,606**	**52,778**	**17,591**	**34,217**	**51,808**
EXPENDITURE (D)						
Contrib'n From Previous Year Surplus						
Central Government	217	-	217	476	-	476
Adur District Council	175	34	209	380	8	388
West Sussex County Council	43	146	189	95	34	129
Sx Police & Crime Commissioner	-	18	18	-	4	4
	435	**198**	**633**	**951**	**46**	**997**
Precepts, Demands & Shares (E)						
Central Government	8,782	-	8,782	9,435	-	9,435
Adur District Council:	7,025	-	7,025	7,548	-	7,548
Adur DC (Excl. Parish Precept)	-	5,848	5,848	-	5,683	5,683
Lancing Parish Council	-	302	302	-	282	282
Sompting Parish Council	-	83	83	-	83	83
West Sussex County Council	1,756	26,000	27,756	1,887	24,787	26,674
Sussex Police and Crime Commissioner	-	3,187	3,187	-	3,056	3,056
	17,563	**35,420**	**52,983**	**18,870**	**33,891**	**52,761**
Charges to Collection Fund (F)						
Less: Write off of uncollectable amounts	87	125	212	145	163	308
Less: Inc / Dec (-) in Bad Debt Provision	11	35	46	(128)	(2)	(130)
Less: Inc / Dec (-) in Provision for Appeals	(802)	-	(802)	55	-	55
Less: Cost of Collection	85	-	85	87	-	87
	(619)	**160**	**(459)**	**159**	**161**	**320**
TOTAL EXPENDITURE (G) = (D+E+F)	**17,379**	**35,778**	**53,157**	**19,980**	**34,098**	**54,078**
Sur. / Def. (-) arising during the year (C-G)	**(207)**	**(172)**	**(379)**	**(2,389)**	**119**	**(2,270)**
Surplus / Deficit (-) b/fwd. 01.04.17	**(609)**	**48**	**(561)**	**1,780**	**(71)**	**1,709**
Surplus / Deficit (-) c/fwd. 31.03.18	**(816)**	**(124)**	**(940)**	**(609)**	**48**	**(561)**

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, 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. The Council Tax Base for 2017/18 was 20,707.3 band D equivalents.

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.

	Demand or Precept £		Council Tax Base	Band D Council Tax £
West Sussex County Council	£25,999,878.81	÷	20,707.3	1,255.59
Sussex Police & Crime Commissioner	£3,187,060.54	÷	20,707.3	153.91
Adur District Council	£5,848,160.00	÷	20,707.3	282.42

NOTE 2: BUSINESS RATES

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 2017/18 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 2017/18 is £3.4m. The retained levy paid into the pool was £597k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the Local Economic Partnerships (LEPS) and other invest to save initiatives. The levy payment is shown within the Comprehensive Income and Expenditure Statement.

Business 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 46.6p in 2017/18 (48.4p in 2016/17) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £46.7m (£45.3m in 2016/17).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £1,020k and £364k for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2017/18 in line with Adur District Council's accounting policy for maintaining the provision.

NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF COUNCIL TAX

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

Apportionment of Balances to Major Preceptors				
	West Sussex County Council	**Sussex Police & Crime Commissioner**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Demand on Collection Fund 2018/19	27,572,175	3,471,368	6,084,260	**37,127,803**
Apportionment based on 2018/19	74.26%	9.35%	16.39%	**100%**
Council Tax Arrears	1,581,700.94	199,142.28	349,020.83	**2,129,864.05**
Provision for Bad Debts	(757,527.95)	(95,375.71)	(167,157.41)	**(1,020,061.07)**
Receipt in Advance	(450,798.17)	(56,757.23)	(99,473.89)	**(607,029.29)**
(Surplus)/Deficit	91,277.86	11,492.24	20,141.52	**122,911.62**
Balance as at 31st March 2018	**464,652.68**	**58,501.58**	**102,531.05**	**625,685.31**

NOTE 5: APPORTIONMENT OF BUSINESS RATES BALANCES TO MAJOR PRECEPTORS

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	**West Sussex County Council**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Business Rates Arrears	13,891.84	2,778.14	11,113.65	**27,783.63**
Provision for Bad Debts	(181,734.79)	(36,346.95)	(145,387.82)	**(363,469.56)**
Provision for Appeals	(491,278.96)	(98,255.79)	(393,023.17)	**(982,557.92)**
Receipt in Advance	(139,959.39)	(27,991.88)	(111,967.51)	**(279,918.78)**
(Surplus)/Deficit	408,046.70	81,609.41	326,437.36	**816,093.47**
Balance as at 31st March 2018	**(391,034.60)**	**(78,207.07)**	**(312,827.49)**	**(782,069.16)**

ANNUAL GOVERNANCE STATEMENT

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.

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 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

At least once a year, Local Authorities are statutorily required to review their governance arrangements. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils this requirement.

A copy of the code is on our website at 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 31st March 2018 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 are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

- Provides leadership and develops the Councils vision of its purpose and intended outcome for residents and service users.
- Develops the vision into objectives for the Council and its partnerships

Decision making

- All decisions are made in the open
- Decisions are recorded on the Council website
- The scheme of delegations which details the decision making arrangements is regularly updated
- The monitoring Officer ensures that all decisions made comply with relevant laws and regulations

Risk Management

- Risk registers identify both operational and strategic risks
- Key risks and opportunities are considered by the Corporate Leadership Team every quarter
- Risks and opportunities are reported to the Joint Governance Committee every quarter and inform the work of the internal audit team

Scrutiny and Review

- The Joint Overview and Scrutiny Committee reviews Council policy and can challenge the decisions made.
- The Joint Governance Committee undertakes all of the core functions of an audit committee.
- The Joint Governance Committee is responsible for review and approving the Councils Governance arrangements and undertakes the role of a Standards Committee ensuring that members comply with the Code of Conduct

Corporate Leadership Team

- The Council's Corporate Leadership Team comprises of the Chief Executive and three Directors who are responsible for the delivery of the Councils aims and objectives
- The head of paid service is the Chief Executive who is responsible for all Council Staff and leading an effective Corporate Leadership Team.
- CLT seeks advice from the Council's Chief Financial Officer who is responsible for safeguarding the Council's financial position
- CLT seeks advice from the Monitoring Officer who is the Head of Legal Services. They are responsible for enduring legality and promoting high standards of public conduct.

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the new Framework during 2017/18.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework gives the Members and the Organisation, in a number of ways, the confidence and 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.

WHAT WE NEED TO DO	HOW WE DO IT
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• The Constitution • The Monitoring Officer • Section 151 Officer • Codes of conduct • Whistleblowing Policy • Bribery Act 2010 policy guidance • Corporate anti-fraud work • Procurement Strategy
Principle B Ensuring openness and comprehensive stakeholder engagement	• Consultations • Terms of reference for partnerships • Freedom of information requests • Complaints procedure
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	• Organisational goals • Service planning • Performance Management • Community Strategy • Procurement Strategy
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	• Service planning • Performance Management • Options appraisals • Whole life costing
Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it	• Robust interview and selection process • Training and development • Workforce planning • Succession planning • Performance development reviews • Talent management • HR Policies & procedures
Principle F Managing risks and performance through robust internal control and strong public financial management	• Effective member scrutiny function • Financial management and MTFP • Corporate risk register • Annual audit plan • Information Security policies • Compliance with the requirements of the Public Service Network (PSN)
Principle G Implementing good practices in transparency reporting and audit to deliver effective accountability	• Reports are held on the website • Annual audited financial statements are publically available • Annual Governance Statement • Effective Internal Audit Service

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:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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.

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.

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.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff.

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.

All reports and details of decisions made can be found on the Council's website at https://www.adur-worthing.gov.uk/meetings-and-decisions/

Freedom of Information enquiries

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.

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 and Worthing Councils have developed a Consultation Policy which can be found at About consultation in Adur & Worthing - Adur & Worthing Councils 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 . Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

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 district-wide consultations is available on the council website.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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.

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.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Joint Corporate Priorities

The Councils have recently agreed a new plan 'Platforms for our Places' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2017-2020).

The Councils have agreed programmes of work for 2017/18 under five themes or 'Platforms' which set out their aspirations for the town.

- **Our financial economies**
- **Our social economies**
- **Stewarding our natural resources**
- **Services and solutions for our places**
- **Leadership of our places**

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at Platforms for our Places - Adur & Worthing Councils

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places. There is a mid-term review underway, and strategic actions are being assessed and refreshed for approval in July 2018.

Community Strategy

The Waves Ahead Partnership is a strategic partnership for Adur and Worthing. The Partnership, non-statutory since 2010, is made up of key interested parties from the public and private sectors, community, voluntary and faith-based groups and local residents. The aim is to work more effectively through collaboration, adding value to local initiatives, projects and ideas.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Community Strategy

Together, partners have produced a collective vision for future which is captured in the Waves Ahead Sustainable Community Strategy. The Strategy has four themes:

- better health and wellbeing for all
- feeling safe and included
- strengthening the local economy and improving job prospects
- a better place to live, work and enjoy, with quality amenities.

This strategy can be found on the internet at http://www.wavesahead.org.uk/

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

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, increasing income from commercial activity and efficiency savings the Council has made significant savings over the past five years and needs to find a further £1.7m by 2022/23 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.

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

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, 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 development and review

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.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Effective scrutiny

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by it's 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.

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

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.

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. These risks are regularly reported to CLT and the Joint Governance Committee.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

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.

Internal audit

The Head of Internal audit is a qualified accountant who has full access to senior management and the Joint Governance Committee (which fulfils the role of an audit committee). The audit team is properly resourced. The Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010).

The Head of internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Annual accounts

The Council publishes full audited accounts each year which are published on the website at https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/ .

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, and the Joint Overview and Scrutiny 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 three 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;
- Development of contract management guidance; and
- A corporate review of procurement.

SIGNIFICANT GOVERNANCE ISSUES

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. There is now a high level plan in place which considers major causes of failure. The disaster recovery plan is due to be tested in June 2018. If successful, this issue can be removed from future Annual Governance Statements.

iii) Housing management procedures and processes;

The Council identified the need to improve its management of the Housing Repairs Service and other key housing management policies and processes such as those governing leaseholder charges following an in depth review. An internal working group was convened. To support the work of this group, several additional audits were commission from the Internal Audit team by the working group in conjunction with the Head of Housing. Actions are being taken to improve the service by way of:

- Improvements to the internal control environment to ensure that all works are properly commissioned and paid for;
- A major review of all the inspection regimes.
- A review of the staffing and management of the service.
- A review of the contractual arrangements for the housing repairs service including letting new contracts for services where appropriate.
- A review of all of the policies and procedures relating to service and leaseholder charges
- A new digital repairs management system which will radically improve communications with tenants, and provide the ability to easily and comprehensively monitor service levels and drive further improvement.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2017 review together with any issues which have been identified during the current review.

The governance requirements as detailed 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 via regular meetings 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: 31st May 2018

Signed: _____

Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 31st May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

Opinion

We have audited the financial statements of Adur District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- and the related notes 1 to 42
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such

material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer' Responsibilities set out on page 25, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Adur District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Adur District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Adur District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Adur District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2018

The maintenance and integrity of the **Adur District Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GLOSSARY OF ACCOUNTING TERMS

The following is a brief explanation of the technical terms used in this publication:-

ACCOUNTING PERIOD	The period of time covered by the accounts. The current year is 2017/18 which means the year commencing 1st April 2017 and ending 31st March 2018. The end of the accounting period is the date at which the balance sheet is drawn up.
ACCRUAL	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.
ACTUARIAL ASSUMPTION	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.
ACTUARIAL GAINS AND LOSSES	Actuarial gains and losses which may result from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
ASSET	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.
AMORTISED COST	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.
BALANCE SHEET	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
CAPITAL CHARGE	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.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS	The proceeds from the sale of fixed assets.
CASH EQUIVALENTS	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.
COMMUNITY ASSETS	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.
CONSISTENCY	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENT LIABILITY	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.
CREDITORS	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
CURRENT ASSETS/LIABILITIES	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
CURRENT SERVICE COST	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.
CURTAILMENT	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
DEBTORS	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
DEFINED BENEFIT SCHEME	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).
DEPRECIATION	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
EXPENDITURE	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

FAIR PRESENTATION	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.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
FINANCE LEASE	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.
FINANCIAL INSTRUMENT	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
IMPAIRMENT OF ASSETS	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
INFRASTRUCTURE ASSETS	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
INTANGIBLE ASSETS	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	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.
INVESTMENTS	Current asset investments that are readily disposable by the Council without disrupting its business.
INVESTMENT PROPERTIES	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
LIQUID RESOURCES	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.
NET BOOK VALUE	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.

OPERATING LEASE	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.
POST BALANCE SHEET EVENTS	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.
PROVISION	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.
PRIOR YEAR ADJUSTMENT	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
PRUDENCE	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.
PUBLIC WORKS LOAN BOARD (PWLB)	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.
REMUNERATION	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.
RESERVES	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.
TO DEBIT	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
TO CREDIT	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
TRUE AND FAIR VIEW	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
VIREMENT	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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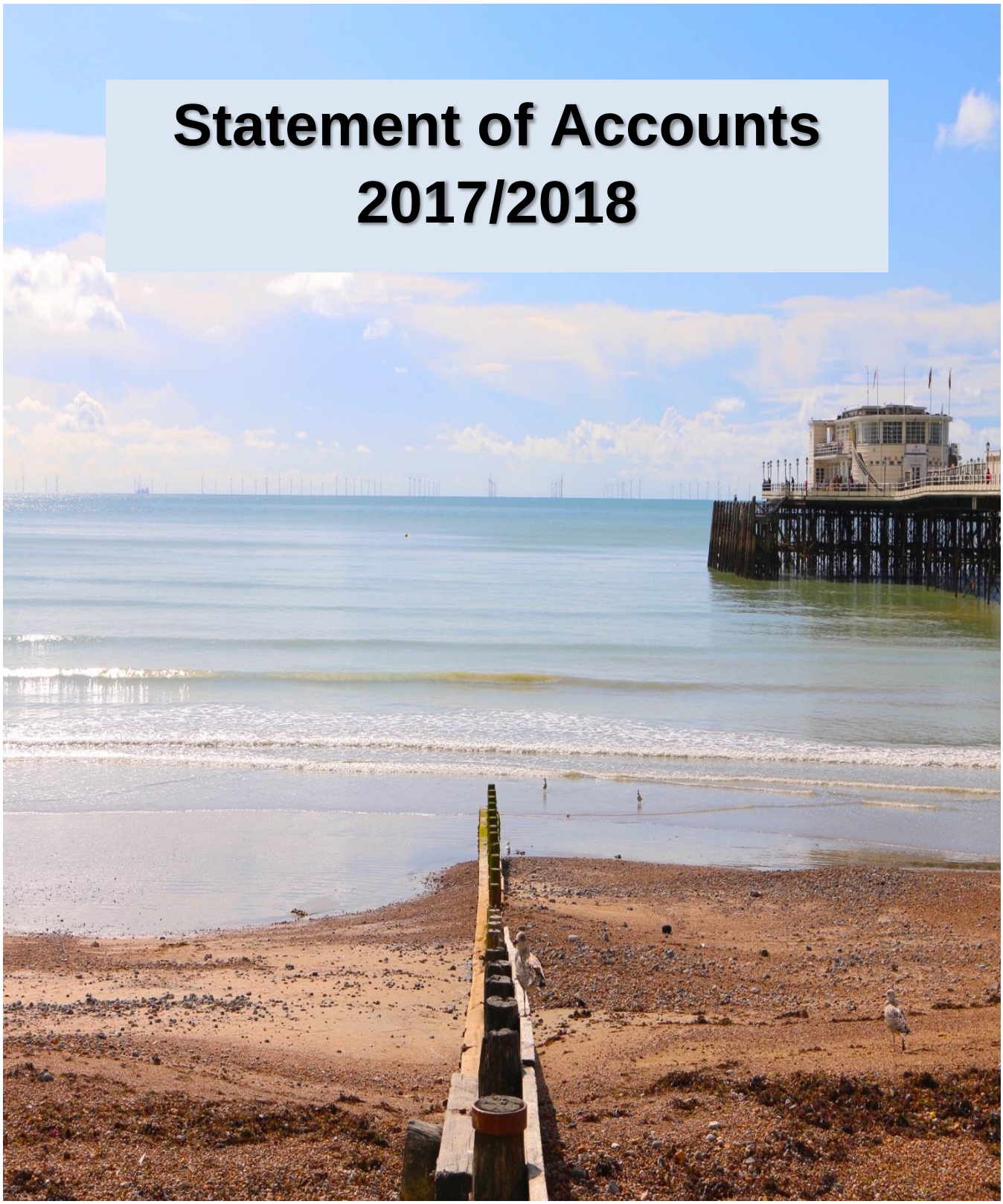
WORTHING BOROUGH
COUNCIL

Statement of Accounts 2017/2018



W O R T H I N G B O R O U G H C O U N C I L

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2018

C O N T E N T S

NARRATIVE REPORT

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 2017/18;
- Have confidence that the public money with which the Council has been entrusted has been used well 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 31st March 2018. It provides a summary of the financial position as at 31st March 2018 and is structured as below:

- Introduction To Worthing as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2017/18
- The 2017/18 revenue budget process and medium term financial plan
- Financial Overview of the Council 2017/18
    - Revenue spend in 2017/18
    - Capital strategy and Capital Programme 2017/18 to 2020/21
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO WORTHING AS A PLACE

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^2. The Council shares its boundaries with Adur District Council to the east, and Arun District Council to the west. It is located at the foot of the South Downs at the southern edge of the beautiful South Downs National Park.

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 3,313 businesses within the area. Business rate income was £30.9m in 2017/18 of which the Council keeps £2.6m (8.4%). 10% of the income is paid to the County Council with the remainder paid to Government.

2. 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 2017/18 Municipal Year

Worthing has 37 Councillors representing 13 wards. In 2017/18 the political make-up of the Council was:

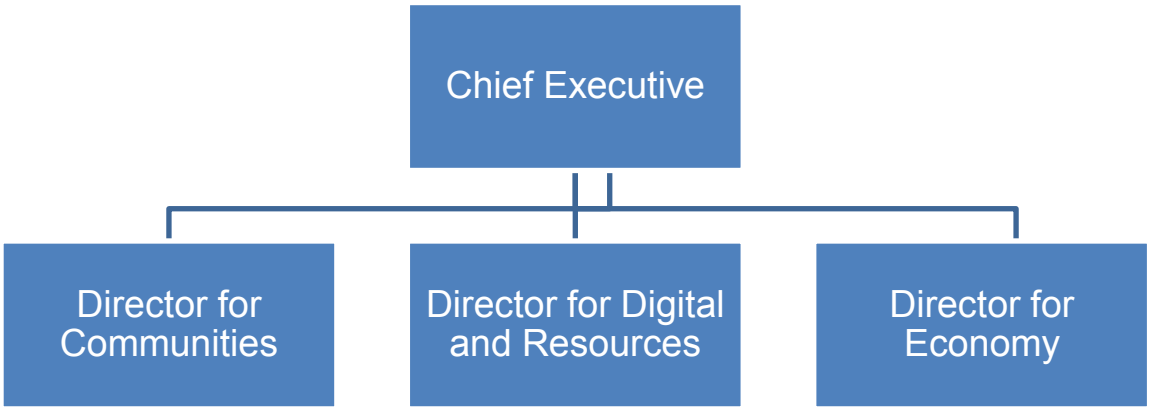
Conservative Party	30 Councillors
Liberal Democrat Party	2 Councillors
UK Independent Party	2 Councillors
Independent	1 Councillor
Green	1 Councillor
Labour	1 Councillor

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 2017/18, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Daniel Humphreys.

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.



Worthing Borough Council:

- √ Collects £30.9m business rates per year but only retains £2.6m (8.4%) to spend on services
- √ Holds £152m of assets to support service delivery and investment
- √ Generates £19m of income (excluding Housing Benefit Subsidy) to help deliver services and keep council tax down.
- √ Has set a balanced budget each year despite allocated funding from revenue support grants and retained business rates falling each year. In 2017/18 government funding (RSG and New Homes Bonus) made up 10% of total income (excluding Housing Benefit Subsidy) which reduces to 6% in 2018/19.

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 Worthing Borough and Adur District 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 budget of £20.7m for 2017/18. 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 net expenditure with the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

3. *COUNCIL PLANS AND PERFORMANCE*

PLATFORMS FOR OUR PLACES

Unlocking the power of people, communities and local geographies

The Councils priorities are laid out in 'Platforms for our Places' which was agreed early in 2017. The plan details how over the period 2017 – 2020 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities.

Five Platforms for our Communities

Platform 1: Our Financial Economies

There are a number of supportive elements which we need to create, in partnership with our commercial sector, to ensure that our financial economies remain resilient and thrive. These include:

- Clearly understand our financial economies
- Wise regulation
- Build infrastructure to support the local economy
- Taking a stake
- Positioning ourselves to seize advantages

Platform 2: Our Social Economies

Together with our partners we will develop a range of elements to help our enterprising communities thrive through:

- Fully understanding the nature of our communities
- Tackling the challenge of insufficient supply of housing
- Continue to run a careful safety net of services
- Targeting our services toward the prevention of problems and to equip people with the skills, knowledge and ability to thrive independently of the state
- Actively promoting social innovation and social financing
- Supporting a range of interventions that deliver long-term health and wellbeing for individuals and communities
- Developing our role as civic social entrepreneurs
- Creating new social business vehicles where a strong focus on social outcomes can be driven by a commercial business model for the benefit of our people, communities and places.

Platform 3: Stewarding our natural resources

The Platform that we will create, develop, and curate will include:

- Ensuring we can do more with less, reducing our emissions, efficiently using water and reducing the amount of waste we send to landfill
- Working with the communities
- Buying less, buying better and buying local
- Smarter infrastructure
- Encouraging the celebration and custodianship of nature by developing new walking routes, cycling routes, and furthering biodiversity.

Platform 4: Services and solutions for our places

The Platform that we will develop will be one in which:

- It's easy for people to get what they need from us first time with the minimum amount of faff.
- We will use new technologies and data to design services around the interests of individuals and communities and continue to improve our digital capabilities;
- Where practical we combine our service offer with other institutions;
- We will further develop our financial strategy and capacity given the changing role and nature of local government financing
- We will seek real procurement savings across services

Platform 5: Leadership of our places

The Platform for leading our places well includes:

- Place branding – being clear about what we are, attracting skills, assets and other resources that we require to be successful across all the platforms.
- Conserving and developing the fabric and institutions that make up our place.
- Ensuring that we have the right reputation and relationships to leverage the value that we need
- Ensuring great networks within Adur and Worthing
- Ensuring our democratic processes remain relevant, trusted and open to all.

Achievements in 2017/18

Although financial times are challenging for the Council and the sector as a whole, progress has been made across all of the 'Platforms'. A selection of updates on the Council's commitments is as follows:

Platform 1: Our Financial Economies

- **Adur and Worthing Economic Strategy:** The Economic Strategy for Adur and Worthing has been adopted.
- **Enabling our creative economy to thrive :** We are seeing a positive response to our programmes at Worthing Theatres and Worthing Museum and Gallery, with a 11 per cent increase in ticket sales for the theatre and a 5 per cent increase in footfall at the Museum.
- **Working towards an enhanced Worthing Townscape:** We have developed a strong partnership with West Sussex County Council to prepare a series of detailed, costed public realm improvements.
- **Investing in our digital future:** Adur & Worthing Councils have successfully led the Gigabit West Sussex project which has secured £4.66 million investment from the Department for Digital, Culture, Media and Sport's Local Full Fibre Network Fund. Procurement has started and the contract was awarded in April 2018. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables.
- **Demolition of Teville Gate**: We have agreed terms for the demolition of Teville Gate MSCP and adjoining buildings. The proactive decision by the Council to demolish Teville Gate car park is the culmination of significant work by Officers to expedite development using funds provided by the Coast to Capital LEP.

Demolition - Before

Demolition – During

Platform 2: Our Social Economies

- **Delivering our Housing Strategy:** In the last six months we have completed several housing related commitments under our new Housing Strategy, including revised policies for Temporary Accommodation and how we use our Disabled Facilities Grants, as well as agreeing a co-designed and widely owned Community Homelessness Strategy.
- **Engaging with our community:** Our Community Engagement work now spans Wellbeing, Environment, Waste and Housing teams, reducing duplication and focussing on important messages such as recycling, improving community resilience and building innovative ways of engagement such as through the recently launched 'Growing Communities' project with external community partner The Conservation Volunteers.
- **Working with Strategic Partners:** Supporting our Communities to live well remains a key focus and strategically we are working closely with health partners and WSCC to drive forward integrated work around young people and mental health, reducing social isolation and preventing homelessness.
- **Safeguarding with the taxi industry:** 460 taxi drivers across Adur and Worthing have now completed Child Sexual Exploitation Training, the remaining 46 are due to attend by early 2018.
- **Freeing-up Primary Health through community-based solutions**: "Going Local", the social prescribing programme, has now completed its first year having supported over 600 clients.
- **Supporting our Community and Voluntary Sector**: Between July and October, Community Works provided support to 182 unique community organisations across A&W in areas such as governance & fundraising, including targeted support with organisations in some of our priority areas. CW more than doubled their A&W membership base in these three months and have continued to push their involvement in wider integration agendas, particularly supporting the development of the NHS Local Community Networks in A&W.

Platform 3: Stewarding our natural resources

- **Renewable Energy:** Solar panels have been installed at Portland House. Eight electric vehicle charging points are being installed imminently, and energy use is being analysed at a building by building level to determine how best to reduce usage and cost.
- **Engaging with our Community:** Our Environment and Waste teams have continued to engage with our whole community and specific groups in projects and programmes that support our natural environment and ensure that we sustain our places for generations to come. This ranges from developing active community groups on specific projects to encouraging the whole of our communities to reduce waste and recycle.
- **Council fleet innovation**: HiyaCar, the "Airbnb for business car travel" has been launched.
- **Managing our urban forest**: We have surveyed 3,200 trees across Adur and Worthing, with particular attention on high profile parks, open spaces and Adur Homes Land.

- **Developing the role of our Communities**: The Growing Communities Project was launched by The Conservation Volunteers (TCV) following a successful £660,000 funding bid from the Big Lottery for the project across Adur & Worthing for the next three years
- **Brooklands Lake:** Dredging has started at Brooklands Lake and the 'Friends of Brooklands Park' group is now well established and is supported by Parks and Conservation Volunteers to be a powerful stakeholder in the park's future.

  Brooklands Lake Improvements –

  Dredging works – Removing 19,000 tonnes of silt

  Brooklands lake – After

- **Enhancing our natural heritage**: Successfully awarded £98,000 from the Heritage Lottery Fund to develop community engagement at our flagship garden Highdown. This we hope is a precursor to a larger bid to HLF in 2018.

Platform 4: Services and solutions for our places

- **Delivering our Digital Platforms**: The last year has seen some key projects being successfully delivered, including housing register digital self-service.
- **Engaging with our Staff:** Internal and external communications have been vastly improved, and our "Let's Talk" and "Get Involved" staff engagement programmes have been successful.
- **Commercialism:** Our attempts to increase commercial income is progressing well and is forecast to deliver £828,000 (against a £600,000 target in 2018/19). Providing valuable additional income to protect front-line services in line with our budget strategy.
- **Innovation in Service Design:** "SameRoom" is now established as our change methodology using accredited customer service design principles. This is effectively helping services undergo deeper transformations by involving customers and frontline staff.
- **Improving services with our digital platform:** Our digital platform strategy is proving effective, with same day response times in waste, online housing triage and a new digital housing repairs service ready for launch.
- **Modernising our HR Policies:** HR policies & practices have been modernised, and the learning & development programme has been re-designed.
- **Building capacity for capital projects:** A new professional services framework is helping create capacity for delivering property & construction projects and "unblock the pipeline" that was creating some delays in delivering the Capital Programme.

Platform 5: Leadership of our places

- **Building our Relationship with Partners:** Developing the Council's relationship with our partners remains a central element in realising our objectives. We are facilitating the development of our place leaders and providing opportunities to share their expertise. We need to review how we can continue to share information to provide positive outcomes for our clients and our communities.
- **Supporting our Elected Members:** Providing opportunities for our elected members to develop their skills has been and will be a focus. Elected members have had the opportunity to take part in safeguarding training and a new programme lead by the LGA to recognise the changing role of elected Councillors in the 21st Century. We will build on this work with a new induction programme for elected members following the 2018 local elections.
- **Developing the Leaders in our Place:** The Councils have delivered a range of activities to provide learning and upskill our communities on a diverse range of topics - safeguarding training for elected members and taxi drivers, developing leadership within our community and our elected members, and facilitating the sharing of best practice among businesses.
- **Improving the Understanding of our Places:** The Councils have developed a Communities and Wellbeing Evidence and Intelligence Framework and economic databanks and economic profiles. The Intelligence Framework has informed the priorities for the Community Safety Partnership, while the economic databanks and profiles formed the evidence base for the Economic Strategy.
- **Engaging with the City Region**: Adur District and Worthing Borough Council continue to actively participate in the Greater Brighton Economic Board. At the

Greater Brighton Charrette (28-29 Sept) the Councils membership of the Economic Board provided an opportunity to promote Adur and Worthing across the City Region and to representatives from DCLG and DCMS.

- **Developing shared leadership**: Through the secondment of senior members of staff to the NHS, we are able to bring our skills and capacity to bear for the benefit of Adur and Worthing and the Coastal West Sussex Region. In turn, these staff are able to bring the insights in improving health and wellbeing, and organisational development back to the Councils.

Monitoring commitments

The "Platforms for our Places" programme (and detailed commitments) can be found:at https://www.adur-worthing.gov.uk/platforms-for-our-places/

The full monitoring reports to JSC in 2017/18 may be viewed at:

Joint Strategic Committee report 11th July 2017 (6 month progress update)

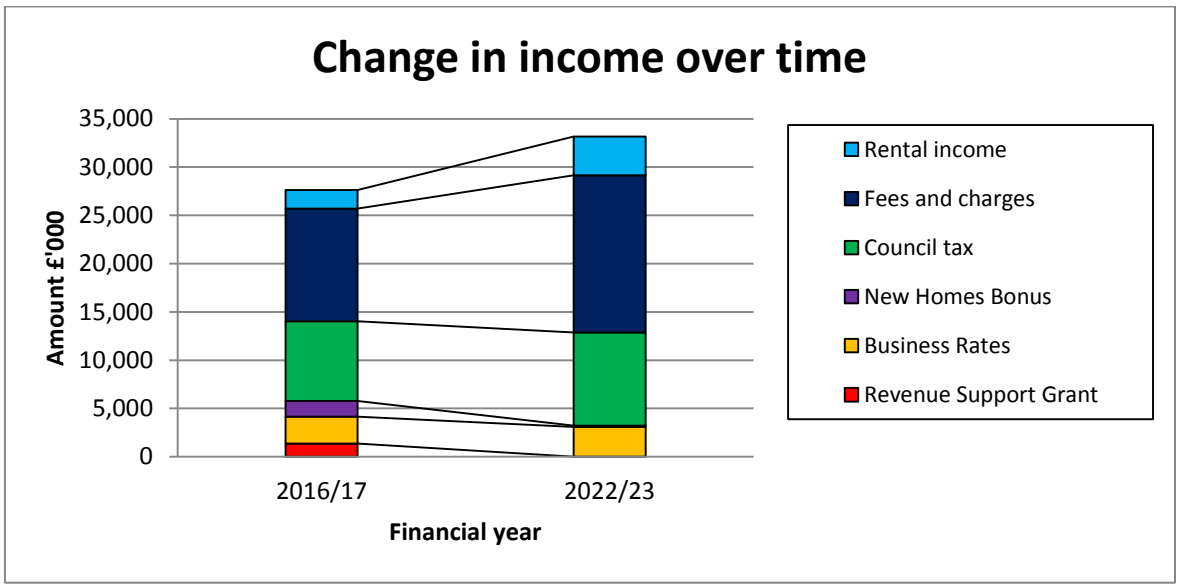
Joint Strategic Committee report 9th January 2018

Platforms for our Places - Adur & Worthing Councils

4. *THE REVENUE BUDGET 2017/18 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2017/18

The budget for 2017/18 was compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget and the local government funding settlement. The Council has seen a significant decline in recent years in overall government funding with increasing amounts being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.



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 which 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 have agreed a budget strategy to meet this challenge in 2017/18 through 3 major work streams – developing commercial income, investing in property, and the delivery of a new customer and digital strategy. In addition the council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.7m as part of the 2017/18 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2017.

Council Tax

The Council chose to increase Council Tax for 2017/18 by 1.98%

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

Band D Council Tax	2016/17	2017/18	Change
	£	£	%
Worthing Borough Council	220.27	224.64	1.98
West Sussex County Council	1,207.89	1,255.59	3.95
Sussex Police & Crime Commissioner	148.91	153.91	3.36
	1,577.07	1,634.14	3.61

Council Tax base

The Council Tax base for 2017/18 was 37,829.30 which was an increase of 469 on the previous year‘s number of Band D equivalents. This in part reflects the Council’s support for local house building and economic regeneration.

Band D Council Tax	2016/17	2017/18
	£	£
Number of Band D equivalent dwellings	37,360.30	37,829.30

Overall the Council collected £62.2m of Council Tax during 2017/18 on behalf of the Council, West Sussex County Council and Sussex Police and Crime Commissioner, generating £8.5m of income for the Council.

Budget Strategy for 2018/19 to 2022/23

In preparing the budget strategy for 2018/19 to 2022/23, the aim was to deliver the Council's priorities outlined in 'Platforms for our Places'. 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 budget was approved by Council on 11th July 2017 and it set the strategic direction to address the significant challenges not only for 2018/19 but onwards.

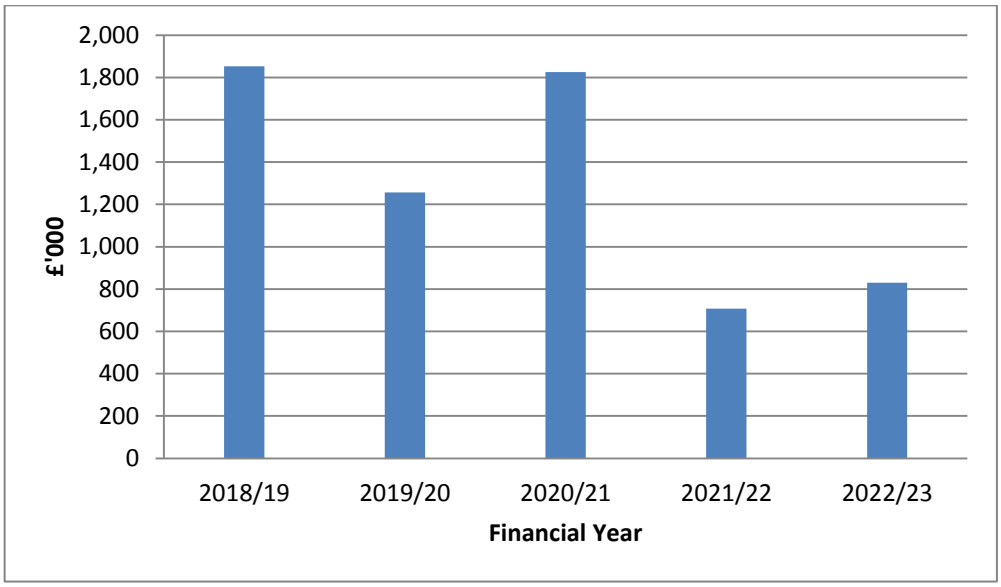
The fall in government funding included in the forecasts highlighted that the Council needs :

1. To transform services through the use of digital technology and by putting the customer at the heart of our business;

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 of £6.5m over the five years as follows:



Further details around the most recent forecasts for both Councils are contained in the report *Towards a Sustainable Future - Budget Strategy for the 2018/19 Budget*, which was considered on 13th July 2017 at the Joint Strategic Committee.

The link for this report is:

https://www.adur-worthing.gov.uk/media/media,145062,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 of 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.

5. *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 10th July 2018 Joint Strategic Committee reports "Joint Revenue Outturn 2017/18" and the "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18". These are available on the joint Adur District Council and Worthing Borough Council website 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.

Revenue Spend in 2017/18

A more detailed summary of the Council's financial results for 2017/18 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. In 2017/18 Worthing Borough Council reported an underspend of £812,788 against a budget of £13,468,630.

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

	£000s
Reduction in borrowing costs	(423)
Shortfall in net income from commercial services	250
Increasing number of homeless clients	146
Delayed commissioning of studies	(200)
Additional income from commercial property	(77)
Increased recovery of housing benefit overpaqyments	(121)
Other	(388)
	(813)

Revenue Spend in 2017/18

Where such items were identified when the 2018/19 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.

How the money was spent and how services were funded

EXECUTIVE MEMBER PORTFOLIOS	REVISED ESTIMATE 2017/18	OUTTURN 2017/18	UNDER/ OVERSPEND
	£	£	£
Leader	1,054,600	1,079,948	25,348
CM for Environment	2,890,240	3,408,498	518,258
CM for Health & Wellbeing	1,286,210	1,304,543	18,333
CM for Customer Services	5,425,580	5,196,703	(228,877)
CM for Regeneration	2,621,670	2,699,126	77,456
CM for Resources	2,519,070	1,746,447	(772,623)
Holding Accounts	(165,700)	-	165,700
Total Cabinet Members	**15,631,670**	**15,435,265**	**(196,405)**
Credit Back Depreciation	(3,323,380)	(3,531,618)	(208,238)
Minimum Revenue Provision	1,072,620	809,289	(263,331)
Other grants	-	(270,026)	(270,026)
	13,380,910	**12,442,910**	**(938,000)**
Transfer to/from reserves:			
Transfer from reserves to fund specific expenditure	87,720	212,932	125,212
Net Underspend Transferred to Reserves	-	812,788	812,788
Total Budget requirement before External Support from Government	**13,468,630**	**13,468,630**	**(0)**

Approved Use of Underspends	**£'000**
Unspent 2017/18 budget approved for use in 2018/19	129
Net Underspend Transferred to Capacity Issues Reserve	684
Underspend declared in year	813

The Council's net budget is funded by income from:

1. **Funding from Central Government Support**

   The Council's share of Revenue Support Grant is £0.453m for the year 2017/18.

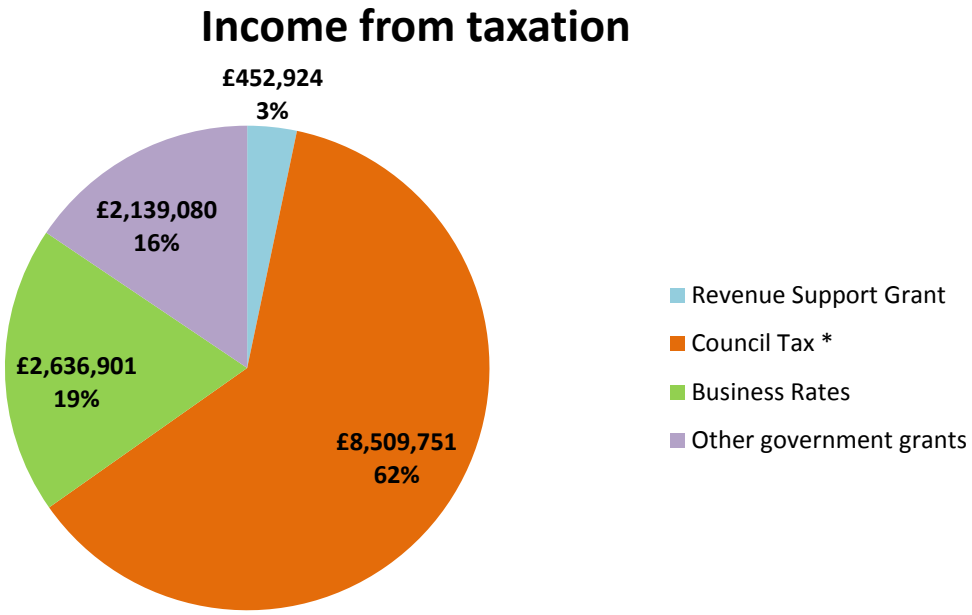
2. **Funding from Local Taxpayers**

The Council collected £62.2m of Council Tax in 2017/18, this represented 97.42% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.84%, Sussex Police & Crime Commissioner 9.67% and Worthing Borough Council 13.49%. The Council retained £8.5m in 2017/18.

3. **Funding from Local Businesses**

The Council also collects Business Rates from local businesses. Of the £30.9m 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. The Council retained £2.6m of Business Rate income in 2017/18.

Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.4m of business rate income in 2017/18 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

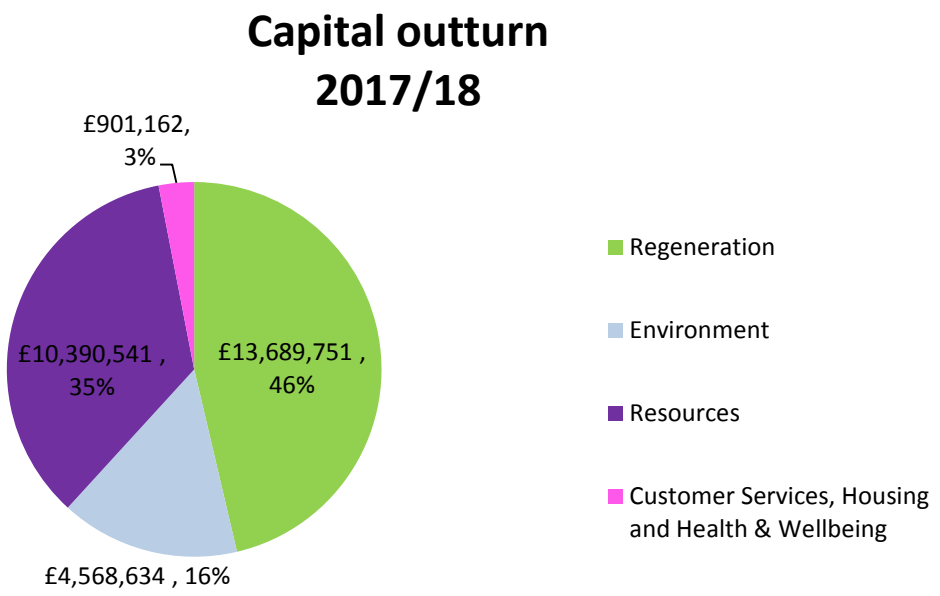


* Net of budgeted Collection Fund surplus/deficit.

CAPITAL INVESTMENT PLANS

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.

Capital Spend in 2017/18



The capital investment programme for all Worthing Portfolios was originally estimated at £29,277,630. Subsequent approvals and re-profiling of budgets to produce a total revised budget of £32,843,230. Actual expenditure in the year totalled £29,550,088, a decrease of £3,293,142 on the revised estimate, comprising of slippage of £2,563,690 and a net underspend of £729,452. 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 34 schemes did not complete as planned in 2017/18.

Expenditure in 2017/18 was financed as follows:

	2017/18
	£'000
Capital Receipts	5,226
Grants and Contributions	6,542
Prudential Borrowing	17,575
Revenue Contributions and Reserves	207
TOTAL	29,550

Council's asset values have been increased as a result of the above capital investment.

Significant investments in 2017/18 included:

- The purchase of a new refuse and recycling fleet.

- Supporting the delivery of new affordable homes within the area with our Housing Association partners
- Purchase of a commercial property to deliver a long-term income stream to the Council.
- Environmental improvements to Brooklands Lake
- Planned structural repairs to the Multi-Storey Car Parks
- Acquisition of Union Place land

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18" which was considered on the 10th July 2018. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk

Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks are contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 10th July 2017 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Capital Investment Plans 2018/19 – 2020/21

The Council plans to invest £122m in its capital assets over the next 3 years.

The ambitious programme is designed to deliver a range of benefits including:

- The acquisition and development of temporary and emergency accommodation;
- Support for the delivery of affordable homes by Housing Associations;
- Improvements to leisure and play facilities throughout the District;
- Improvements to the multi storey car parks;
- Purchase of commercial property to produce a sustainable income stream for the future;
- Provision of new burial spaces

	3-year plan			
Expenditure by Portfolio	**2018/19** £,000	**2019/20** £,000	**2020/21** £,000	**Total** £,000
Customer Services	5,955	4,058	3,924	13,937
Environment	4,585	2,190	622	7,397
Health and Wellbeing	208	40	35	283
Regeneration	48,649	25,450	25,017	99,116
Resources	953	465	331	1,749
Total Expenditure	**60,350**	**32,203**	**29,929**	**122,482**
Funded by:				
Capital grants and contributions	1,408	1,706	767	3,881
Revenue contributions and reserves	257	210	199	666
Borrowing	57,551	29,287	27,963	114,801
Capital receipts	1,134	1,000	1,000	3,134
Total Funding	**60,350**	**32,203**	**29,929**	**122,482**

6. TOP STRATEGIC RISKS

Strategic Risk	Impact	Mitigation
Welfare Reform: *Welfare reform is changing how benefits are calculated and paid. In particular:* • *There is a 5-6 week gap before Universal Credit (UC) is paid.* • *Local systems are now unable to track individuals in need, as the system is centralised and data is no longer available to the Council* • *Housing costs are not being met by the level of out of work benefits.*	Increased homelessness presentations	• Work closely with DWP to understand and support the roll out of UC, and for A&W staff to respond effectively. • Identify residents who may be affected and endeavour to engage with them before the roll out. • Support the move for existing Housing Benefit customers being able to claim via the DWP's Digital platform • Use Wellbeing hubs and IT Junctions to increase digital capability as UC can only be applied for on line • Roll out information in accessible formats, • Create an operational employability group • Support landlords to apply for alternative payment arrangements • Support landlords to choose to provide affordable accommodation
Economic uncertainty	• Lower Business Rates revenues; • Lower employment rates and resultant pressure on other Council services; • Delays to development programmes across Adur and Worthing.	• The Councils have adopted an Economic Strategy, setting out clear priorities to ensure that opportunities for growth are delivered in a way that contributes positively to our places. Our Platforms for our Places commitments highlight the opportunity to be a trusted partner to support the retention of local business; • Make the best use of our existing assets to support local economic activity (including delivery of major sites);Secure new revenue income streams; and • Position the Councils so that we are well placed to attract public and private investment.

Strategic Risk	Impact	Mitigation
Housing Supply: Limited housing supply in all areas and all tenure types is a risk for the Council in terms of: • Discharging its statutory duty to prevent homelessness and support those at risk. • Placing critical additional budgetary pressures on the Councils.	• Managing housing demand is challenging and places additional capacity pressures on the operational teams. • Emergency and temporary accommodation (EA/TA) – the lack of EA/TA supply at affordable rates means that the Councils are paying for costs B&B accommodation whilst assessing custom,ers for statutory obligations. • The lack of affordable move-on accommodation means that clients remain in temporary accommodation for extended periods. • The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Council sin terms of demand and budgets. • Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.	• EA/TA - Funds have been allocated to purchase/develop solutions that reduce the need for B&B placements. • A number of long term lease arrangements have been agreed and the team have supported the development of a 37 bed hostel in Worthing. These will all alleviate some of the emergency accommodation challenges. • Demand and process management- The digital tool for making a housing application is ow live and the backlog of casework has been dealt with. This will free up valuable officer resource to deal with homelessness applications and provide the type of casework that may prevent homelessness instead of relying solely on increasing supply. • The A&W Housing Strategy has been approved and we are working with developers, agents, landlords and RSLs to explore all avenues to increase the supply of homes where possible.

Strategic Risk	Impact	Mitigation
Locally hosted applications - Hosting applications locally carries increasing risks given the pace of technological change. The Council has limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.	• The risk of failure within the data centre leading to inaccessible data and services. • The risk of malicious virus or hacking from external sources. • Loss of productivity and reputation resulting from IT failure	• Undertake a full disaster recovery test in June 2018 to ensure current recovery arrangements are effective. • Implement the cloud migration project (IaaS) to migrate services and data to a resilient provider
Major project delivery – Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant.	• Considerable potential for reputational damage given the high priority attached to these programmes by local communities	• A solution based approach working with key partners in the development sector to unlock challenging sites. • Imaginative use of the Councils assets to attract necessary additional investment. • Develop a portfolio approach to securing public monies to support the provision of infrastructure. Access to new investment markets and use of tools such as Compulsory Purchase Orders. • Use of Local Growth Funding to bring forward key brownfield sites for development and will help to facilitate development on sites such as Teville Gate and Union Place as well as Grafton.

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 underspend 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 2019/20 budget. The intention is to build in recurring under spends into the 2019/20 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.

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, CPFA

EXPLANATION OF ACCOUNTING STATEMENTS

The statement of accounts sets out the Council's income and expenditure for the year and it's overall financial position as at 31st March 2018. It comprises of cosr and supplementary statements together with disclosure notes.

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 2017/18 (the Code), supported by the International Financial Reporting Standards (IFRS).

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:

Collection Fund **110-112**

The Council is required to maintain a separate Collection Fund to detail monies received as a billing authority in relation to the Council Tax and Business Rates and accounts for the distribution of Council Tax to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund.

The Business Rate Retention Scheme allows the Council to retain a proportion of the total Business Rates received. The Worthing share is 40% with the remainder paid to other bodies - West Sussex County Council (10%) and Department of Communities and Local Government (50%).

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2017/18:

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 37 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 decreased by £7.4m 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 a change 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 37.

Provisions, contingencies and material events

This council has provided for contingencies and these are laid out in Note 38.

There are no material income or expenditure items to disclose in 2017/18, note 5 confirms that there have been no material events after the balance sheet date. The provisions made in 2017/18 are laid out in Note 19.

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 2017/18 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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, 2018

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 2017/18 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 31st July, 2018.

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 31st March, 2018 and its income and expenditure for the year ended on that date.

SARAH GOBEY **Dated: 31st July 2018**
Chief Financial Officer

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 31st July 2018.

LIONEL HARMAN
Chairman, Joint Governance Committee **Dated: 31st July 2018**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, Council Tax, and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18 Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjust - ments between Funding and Accounting Basis (Note 25)	2017/18 Net Expenditure in the Comprehen- sive Income and Expenditure Statement	2016/17 Restated Net Expenditure Chargeable to the General Fund Balance	2016/17 Restated Adjust - ments between Funding and Accounting Basis (Note 25)	2016/17 Restated Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
The Leader	1,013	130	1,143	944	87	1,031
Environment	1,534	(235)	1,299	2,144	(2,022)	122
Health & Wellbeing	1,387	110	1,497	1,294	161	1,455
Customer Services	2,828	1,094	3,922	2,681	(2,788)	(107)
Regeneration	2,368	716	3,084	2,140	628	2,768
Resources	2,711	(1,007)	1,704	3,363	33	3,396
Net Cost of Services	**11,841**	**808**	**12,649**	**12,566**	**(3,901)**	**8,665**
Other income and expenditure	(12,744)	(7,316)	(20,060)	(12,574)	(8,093)	**(20,667)**
Surplus or deficit	**(903)**	**(6,508)**	**(7,411)**	**(8)**	**(11,994)**	**(12,002)**
Opening balance on General Fund reserves as at 1 April	(3,032)			(3,024)		
Deficit/surplus on General Fund in Year	(903)			(8)		
Closing balance on reserves as at 31 March *	**(3,935)**			**(3,032)**		

* For an analysis of the balance on reserves, please see the Movement in Reserves Statement on page 29.

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
Restated Balance at 31.03.16	(844)	(2,180)	(4,373)	(2,382)	(9,779)	(59,588)	(69,367)
Restated Movement in Reserves during 2016/17							
Restated Total Comprehensive Expenditure and Income	(12,002)	-	-	-	(12,002)	2,088	(9,914)
Restated Adjustments between accounting and funding basis under regulation (Note 6)	11,994	-	(726)	(841)	10,427	(10,427)	-
Restated Net Increase/Decrease before Transfers to Earmarked Reserves	(8)	-	(726)	(841)	- (1,575)	(8,339)	- (9,914)
Transfers to/from Earmarked Reserves (Note 7)	8	(8)	-	-	-	-	-
(Increase)/Decrease in Year	-	(8)	(726)	(841)	(1,575)	(8,339)	(9,914)
Restated Balance at 31.03.17 c/fwd	**(844)**	**(2,188)**	**(5,099)**	**(3,223)**	**(11,354)**	**(67,927)**	**(79,281)**
Movement in Reserves during 2017/18							
Total Comprehensive Expenditure and Income	(7,411)	-	-	-	(7,411)	(6,038)	(13,449)
Adjustments between accounting basis and funding basis under regulation (Note 6)	6,508		(361)	(949)	5,198	(5,198)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(903)	-	(361)	(949)	(2,213)	(11,236)	(13,449)
Transfers to/from Earmarked Reserves (Note 7)	903	(903)	-	-	-	-	-
(Increase)/Decrease in Year	-	(903)	(361)	(949)	(2,213)	(11,236)	(13,449)
Balance at 31.03.18 c/ fwd	**(844)**	**(3,091)**	**(5,460)**	**(4,172)**	**(13,567)**	**(79,163)**	**(92,730)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure	2016/17 Restated Gross Expenditure	2016/17 Restated Gross Income	2016/17 Restated Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	Note
NET EXPENDITURE ON SERVICES							
The Leader	1,421	(278)	1,143	1,258	(227)	1,031	
Environment	10,509	(9,210)	1,299	8,467	(8,345)	122	
Health and Wellbeing	2,659	(1,162)	1,497	2,474	(1,019)	1,455	
Customer Services	46,105	(42,183)	3,922	41,110	(41,217)	(107)	
Regeneration	4,758	(1,674)	3,084	4,205	(1,437)	2,768	
Resources	2,773	(1,069)	1,704	4,060	(664)	3,396	
Net Cost of Services	68,225	(55,576)	**12,649**	61,574	(52,909)	**8,665**	
Other operating expenditure			485			(1,259)	8
Financing and Investment Income and Expenditure			(520)			(1,224)	9
Taxation and non-specific grant income			(20,025)			(18,184)	10
(Surplus) or Deficit on Provision of Services			**(7,411)**			**(12,002)**	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			1,756			(1,999)	21
(Surplus)/Deficit arising on revaluation of Available for Sale Financial Assets			16			-	
Remeasurements of the net defined pension benefit liability			(7,810)			4,087	21
Other Comprehensive Income and Expenditure			**(6,038)**			**2,088**	
Total Comprehensive Income and Expenditure			**(13,449)**			**(9,914)**	

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 31 March 2018	Restated As at 31 March 2017	Restated As at 1 April 2016
		£'000	£'000	
Long Term Assets:				
Property, Plant & Equipment	11	122,943	107,396	97,865
Heritage Assets	12	11,991	11,991	11,991
Investment Properties	13	5,855	5,817	4,536
Intangible Assets		167	182	191
Assets Held for Sale	17	-	-	4,784
Long Term Investments/Available for sale financial assets	14	559	75	75
Long Term Debtors	15	10,009	10	10
Total Long Term Assets		151,524	125,471	119,452
Current Assets:				
Short Term Investments	14	8,026	6,016	5,010
Assets Held For Sale	17	-	4,784	-
Inventories		131	134	142
Short Term Debtors	15	16,432	13,454	9,566
Cash & Cash Equivalents	16	3,662	6,719	4,458
Total Current Assets		28,251	31,107	19,176
Current Liabilities:				
Short Term Borrowing	14	(8,423)	(12,418)	(11,934)
Short Term Creditors	18	(11,112)	(13,111)	(11,833)
Provisions	19	(875)	(919)	(1,063)
Grants Receipts In Advance - Revenue	32	(486)	(637)	(550)
Grants Receipts In Advance - Capital		(2)	(3)	-
Total Current Liabilities		(20,898)	(27,088)	(25,380)
Long Term Liabilities:				
Long Term Borrowing	14	(33,376)	(10,050)	(7,361)
Other Long Term Liabilities	36	(32,771)	(40,159)	(36,520)
Total Long Term Liabilities		(66,147)	(50,209)	(43,881)
Net Assets		**92,730**	**79,281**	**69,367**
Financed By Reserves:				
Usable Reserves		(13,567)	(11,354)	(9,779)
Unusable Reserves	21	(79,163)	(67,927)	(59,588)
Total Reserves		**(92,730)**	**(79,281)**	**(69,367)**

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:	2017/18	Restated 2016/17
		£'000	£'000
Net surplus or (deficit) on provision of services	22	7,411	12,002
Adjustments to net surplus or deficit on the provision of services for non cash movements	22	6,816	(8,290)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(13,085)	(7,032)
Net cash flows from Operating Activities	22	1,142	(3,320)
Investing Activities	23	(23,035)	1,186
Financing Activities	24	18,836	4,395
Net increase or decrease in cash and cash equivalents		(3,057)	2,261
Cash and cash equivalents at the beginning of the reporting period		6,719	4,458
Cash and cash equivalents at the end of the reporting period	16	3,662	6,719

NOTES TO THE ACCOUNTS

NOTE 1: ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES 2017/18

General

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom – 2017/18 Accounts, which is based on International Reporting Standards (IFRS).

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, Business Rates 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, tariff payments and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Tax Income (Council Tax, Business Rates and Rates)

Business rates, tariff payments 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 Business Rates 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 Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

NOTE 1: ACCOUNTING POLICIES

Tax Income (Council Tax, Business Rates And Rates)

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.

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.

NOTE 1: ACCOUNTING POLICIES

ENHANCED QUALITATIVE CHARACTERISTICS

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 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.

COSTS OF SUPPORT SERVICES

The net cost of support services are allocated to reflect the use by each service. 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:

Admin Buildings	Headcount
Human Resources inc training & Payroll	Headcount
ICT	Headcount
Customer Services	Number of calls multiplied by length of time per call
Cashiers & Exchequer Services	Number of transactions
Insurance - Employees	Headcount
Insurance - Premises	Premises Valuation
Insurance - Vehicles	Number of Vehicles

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those 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 activity of the operation.

NOTE 1: ACCOUNTING POLICIES

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.

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 receipts in advance. 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-ring fenced 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.

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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 liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

NOTE 1: ACCOUNTING POLICIES

The Council as Lessee - Finance Leases:

Lease payments are 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, 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).

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 revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessee - Operating Leases:

Rentals paid under operating leases 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 (eg there is a rent-free period at the commencement of the lease).

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:

- 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 (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.

NOTE 1: ACCOUNTING POLICIES

LEASES

The Council as Lessor - Finance Leases:

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 a Lessor - Operating Leases:

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. Rental income is credited to 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 (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 1st 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.

NOTE 1: ACCOUNTING POLICIES

Expenditure and Valuation principles

- 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.

  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 2017/18 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 they are included in the rolling revaluation programme.

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.

NOTE 1: ACCOUNTING POLICIES

Fair Value Measurement

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.

Disposals

Assets are removed from the Balance Sheet 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:

Buildings	8-68 years except when impairment has occurred.
Vehicles	7-10 years
Equipment	from over 1 to 25 years
Intangible Assets, Software	from over 1 to 7 years
Infrastructure Assets	5 - 25 years
Community Assets	Held in perpetuity
Assets (Finance Leases)	Up to 10 years

NOTE 1: ACCOUNTING POLICIES

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 removed from the Balance Sheet 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.

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 1st 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.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

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 1st 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 1st April 2010. The following component categories are used:

Land

Main building structures

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.

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.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

HERITAGE ASSETS

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 Disclosure notes.

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).

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

NOTE 1: ACCOUNTING POLICIES

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.

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

This council has accounted for inventories (stock) 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

RESERVES

Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service revenue account in that year to go against the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then appropriated back to the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for property, plant and equipment and retirement benefits and do not represent usable resources for the council.

PROVISIONS

The Council establishes provisions for specific expenses that are certain to be incurred but the amount of which cannot yet be determined accurately.

Provisions are charged to the appropriate service revenue account in the year that the a council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account. The Council maintains earmarked reserves to meet future spending programmes.

NOTE 1: ACCOUNTING POLICIES

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.

CONTINGENT ASSETS

Contingent assets are possible assets arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council..

Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

Business Rate 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 information received from the Valuation Office 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.

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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial Liabilities

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Financial Liabilities

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Soft Loans

The Code has 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 that 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 eligible for 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.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs – unobservable inputs for the asset

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Available-for-Sale Assets

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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.

For the purpose of classifying cash equivalents within Financial Instruments, 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.

NOTE 1: ACCOUNTING POLICIES

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.

PRIOR PERIOD ADJUSTMENTS

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.

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.

Employees of the Council are members of a pension scheme (unless they choose to opt out):

- 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.

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Pension Costs

- 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 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;
  - 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;

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Pension Costs

- 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.

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 can 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 and involves the payment of termination benefits.

- Redundancy costs are recognised in the year in which the decision is made.

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.

NOTE 1: ACCOUNTING POLICIES

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.

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.

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) 2017/18 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. For the 2017/18 Statement of Accounts there are the following accounting changes to be reported:

- IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Council's financial position is likely to be immaterial. The main financial assets held by the Council will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Council for its investment counterparties is likely to see an immaterial expected credit loss position.

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

However the Council currently holds an investment of £0.5m in the CCLA Property Fund, which, under the revised arrangements, will no longer be classified as Available for Sale, but Fair Value through Profit and Loss. This will mean that any capital gains or losses will have a direct impact on the General Fund Balance. There are indications that the Government will introduce a statutory over-ride to protect short term fluctuations from impacting on the General Fund Balance, although details of this arrangement have not yet been formalised.

- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* - This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

- Amendments to IAS 12 *Income Taxes*: (Recognition of Deferred Tax Assets for Unrealised Losses) – applies to deferred tax assets related to debt instruments measured at fair value. The Council does not have such debt instruments.

- Amendment to IAS 7 *Statement of Cash Flows*: (Disclosure Initiative) - Potential requirement for additional analysis of Cash Flows from Financing Activities in future years,

The amendments are not expected to have material effect on the Council's Statement of Accounts.

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 31st March 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. 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. There would also be a corresponding decrease in the carrying amount of the assets. Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2017/18, the Council's actuaries advised that the net pension liability has decreased by a net £7.38m. a £0.427m increase as a result of estimates being corrected as a result of experience and a decrease of £7.81m attributable to updating of the assumptions.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31st March 2018 the Council had a net balance of debtors due (excluding government departments) of £8.97m. A review of significant balances suggested that an impairment of doubtful debt of £1.96m was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.
Business Rate Appeals Provision	At March 2018 the total provision for the impact of appeals on business rate income is £1.904m, the Council share of this is £0.761m. The provision is based on the appeals lodged with the Valuation Office which is then reviewed t to establish the likely impact of the appeals on the business rate income. The provision includes £1.2m for potential NHS appeals related to mandatory charitable relief claims.	The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level appeals.

NOTE 5: 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, 31st March 2018 and the date when the Statement of Accounts is authorised for issue 31st July 2018.

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 6: 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.

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 11 & 21)	(3,392)	-	-	**3,392**
Revaluation losses on Property Plant and Equipment (note 11 & 21)	3,017	-	-	**(3,017)**
Movements in the market value of investment Properties (note 21)	66	-	-	**(66)**
Amortisation of intangible assets (note 21)	(59)	-	-	**59**
Capital grants and contributions applied (note 21)	5,975	-	-	**(5,975)**
Revenue Expenditure funded from capital under statute (note 21)	(941)	-	-	**941**
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 21)	(5,705)	-	-	**5,705**
Insertion of items not debited or credited to the Comprehensive Income & Exp'iture				
Statutory provision for the financing of capital investment (note 21)	809	-	-	**(809)**
Capital expenditure charged against the General Fund (note 21)	207	-	-	**(207)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,523	-	(1,523)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	574	**(574)**

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure	5,587	(5,587)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	5,226	-	**(5,226)**
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure	(4,887)	-	-	**4,887**
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,460	-	-	**(4,460)**
Adjustments involving the Collection Fund Adjustment Account:				
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	(152)	-	-	**152**
TOTAL ADJUSTMENTS 2017/18	**6,508**	**(361)**	**(949)**	**(5,198)**

2016/17 USABLE RESERVES	Restated General Fund Balance	Restated Capital Receipts Reserves	Restated Capital Grants Unapplied	Restated Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 11 & 21)	(3,020)	-	-	**3,020**
Revaluation losses on Property Plant and Equipment (note 11 & 21)	6,067	-	-	**(6,067)**

2016/17 USABLE RESERVES	Restated General Fund Balance	Restated Capital Receipts Reserves	Restated Capital Grants Unapplied	Restated Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Movements in the market value of investment Properties (note 21)	1,319	-	-	**(1,319)**
Amortisation of intangible assets (note 21)	(44)	-	-	**44**
Capital grants and contributions applied (note 21)	4,065	-	-	**(4,065)**
Donated Assets credited to the Comprehensive Income and Erxpenditure Account	(4)	-	4	**-**
Revenue Expenditure funded from capital under statute (note 21)	(785)	-	-	**785**
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 21)	(385)	-	-	**385**
Insertion of items not debited or credited to the Comprehensive Income & Exp'iture Statement				
Statutory provision for the financing of capital	977	-	-	**(977)**
Capital expenditure charged against the General Fund (note 21)	185	-	-	**(185)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,123	-	(1,123)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	278	**(278)**

2016/17 USABLE RESERVES	Restated General Fund Balance	Restated Capital Receipts Reserves	Restated Capital Grants Unapplied	Restated Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	1,849	(1,849)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	1,123	-	**(1,123)**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(3,875)	-	-	**3,875**
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,344	-	-	**(4,344)**
Adjustments involving the Collection Fund Adjustment Account:				
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 21)	178	-	-	**(178)**
TOTAL ADJUSTMENTS 2016/17	**11,994**	**(726)**	**(841)**	**(10,427)**

NOTE 7: 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 2017/18

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

Movement in Earmarked Reserves	Balance at 01.04.16	Decrease 2016/17	Increase 2016/17	Balance at 31.03.17	Decrease 2017/18	Increase 2017/18	Balance at 31.03.18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	456	(133)	522	845	(218)	814	1,441
Insurance	391	(33)	31	389	(125)	33	297
Joint Health Promotion	10	-	-	10	(2)	-	8
Leisure Lottery & Other Partnerships	78	(1)	-	77	-	1	78
Crematorium Improvement Reserve	-	-	-	-	(70)	70	-
Grants & Contributions	896	(424)	102	574	(157)	125	542
Museum Reserve	114	-	-	114	(16)	-	98
Business Rates Smoothing	-	-	-	-	-	425	425
Theatres Capital Maintenance	71	(64)	57	64	(1)	76	139
Planning Delivery Grant	49	(49)	-	-	-	-	-
Special & Other Emergency Expenditure	42	-	-	42	(8)	-	34
Total General Fund	**2,107**	**(704)**	**712**	**2,115**	**(597)**	**1,544**	**3,062**
Capital Expenditure Reserve	**73**	**-**	**-**	**73**	**(44)**	**-**	**29**
Total Earmarked Reserves	**2,180**	**(704)**	**712**	**2,188**	**(641)**	**1,544**	**3,091**

(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 Crematorium Improvement Reserve uses funds set aside from fees and charges towards crematorium improvements.

(vi) 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.

(vii) 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.

(viii) The Business Rates Smoothing Reserve was set up in 2017/18 to smooth the impact of changes to reliefs in-year.

(ix) The Theatres Capital Maintenance Reserve (formerly Theatres Ticket Levy) was set up in 2013/14, specifically to fund maintenance on Worthing Theatres.

(x) 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

(xi) 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.

(xii) 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 8: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	31-Mar-18	31-Mar-17
	£'000s	**£'000s**
De-recognition of assets	811	323
Gains/losses on the disposal of non-current assets	(326)	(1,582)
TOTAL	**485**	**(1,259)**

NOTE 9: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2017/18	2016/17
	£000	**£000**
Interest Payable & similar charges	538	271
Net interest on net defined benefit liability (asset)	995	1,214
Interest Receivable & similar income	(235)	(91)
Income and expenditure in relation to investment properties (Note 13)	(1,502)	(1,050)
Changes in fair value to investment properties	(66)	(1,319)
Trading Operations	(250)	(249)
TOTAL	**(520)**	**(1,224)**

NOTE 10: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2017/18	2016/17
	£'000s	£'000s
Council Tax Income	(8,510)	(8,281)
Non Domestic Rates	(2,637)	(2,545)
Non-ringfenced Government Grants	(2,592)	(3,307)
Capital Grants and Contributions	(6,286)	(4,051)
TOTAL	**(20,025)**	**(18,184)**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2017/18	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	91,333	9,088	5,228	4,963	6,585	581	117,778
Historic Cost Adjustment	-	12	75	-	-	-	87
Additions	4,771	2,877	525	-	-	10,402	18,575
Donated Assets	-	7	-	-	-	-	7
Revaluation increases/(decreases) recognised in the Revaluation Res've	(2,012)	-	74	-	-	-	(1,938)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,733	-	-	-	-	-	1,733
Derecognition - Other	(881)	(2,572)	-	-	-	-	(3,453)
Reclassifications between asset classes, including transfers to intangible assets	334	5	6	-	-	(355)	(10)
At 31 March 2018	**95,278**	**9,417**	**5,908**	**4,963**	**6,585**	**10,628**	**132,779**
Accu'lated Deprec'tion & Impairm't							
At 1 April 2017	(2,694)	(6,253)	(1,407)	-	(28)	-	(10,382)
Historic Depreciation Adjustment	-	(12)	(75)	-	-	-	(87)
Depreciation charge	(2,201)	(972)	(218)	-	(1)	-	(3,392)
Depreciation written out to the Revaluation Reserve	182	-	-	-	-	-	182
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,284	-	-	-	-	-	1,284
Derecognition - Other	20	2,539	-	-	-	-	2,559
At 31 March 2018	**(3,409)**	**(4,698)**	**(1,700)**	**-**	**(29)**	**-**	**(9,836)**
Net Book Value at 31 March 2018	**91,869**	**4,719**	**4,208**	**4,963**	**6,556**	**10,628**	**122,943**
Net Book Value at 31 March 2017	**88,639**	**2,835**	**3,821**	**4,963**	**6,557**	**581**	**107,396**

OPERATIONAL ASSETS

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

Movements in 2017/18	Vehicles, Furniture and Equipmen	Assets Under Construction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**
At 1 April 2017	7,803	93	7,896
Cost Adjustment	12	16	28
Additions	2,851	207	3,058
Reclassifications between asset categories	1	(11)	(10)
De-recognition - Other	(2,537)	-	(2,537)
At 31 March 2018	**8,130**	**305**	**8,435**
Accumulated Depreciation			
At 1 April 2017	(5,503)	-	(5,503)
Depreciation Adjustment	(12)	-	(12)
Depreciation charge	(872)	-	(872)
Derecognition - Other	2,511	-	2,511
At 31 March 2018	**(3,876)**	**-**	**(3,876)**
Net Book Value at 31 March 2018	**4,254**	**305**	**4,559**
Net Book Value at 31 March 2017	**2,300**	**93**	**2,393**

Comparative Movements 2016/17

Movements in 2016/17	RESTATED Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2016	80,104	9,292	4,785	4,963	6,553	649	106,346
Historic Cost Adjustment	-	245	-	-	-	-	245
Additions	3,687	258	389	-	-	482	4,816
Donated Assets	-	7	-	-	7	-	14
Revaluation increases/(decreases) recognised in the Revaluation Res've	1,849	6	-	-	-	-	1,855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,592	-	-	-	-	-	5,592
Derecognition - Other	(343)	(747)	-	-	-	-	(1,090)
Reclassifications between asset classes, including transfers to intangible assets	444	27	54	-	25	(550)	-
At 31 March 2017	**91,333**	**9,088**	**5,228**	**4,963**	**6,585**	**581**	**117,778**
Accu'lated Deprec'tion & Impairm't							
At 1 April 2016	(1,264)	(5,993)	(1,222)		(2)	-	(8,481)
Historic Depreciation Adjustment	-	(245)	-	-	-	-	(245)
Depreciation charge	(2,071)	(763)	(185)	-	(1)	-	(3,020)
Depreciation written out to the Revaluation Reserve	144	-	-	-	-	-	144
Deprecation written out to the Surplus/Deficit on the Provision of Services	475	-	-	-	-	-	475
Derecognition - Other	22	723	-	-	-	-	745
Reclassifications between asset classes, including transfers to intangible assets	-	25	-	-	(25)	-	-
At 31 March 2017	**(2,694)**	**(6,253)**	**(1,407)**	**-**	**(28)**	**-**	**(10,382)**
Net Book Value at 31 March 2017	**88,639**	**2,835**	**3,821**	**4,963**	**6,557**	**581**	**107,396**
Net Book Value at 31 March 2016	**78,840**	**3,299**	**3,563**	**4,963**	**6,551**	**649**	**97,865**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Comparative Movements 2016/17

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

Movements in 2016/17	Vehicles, Furniture & Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2016	8,010	-	52	8,062
Cost Adjustment	225	-	-	225
Additions	154	-	93	247
Reclassifications between asset	52	-	(52)	-
De-recognition - Other	(638)	-		(638)
At 31 March 2017	**7,803**	**-**	**93**	**7,896**
Accumulated Depreciation				
At 1 April 2016	(5,213)	-	-	(5,213)
Depreciation Adjustment	(225)	-		(225)
Depreciation charge	(689)	-	-	(689)
Derecognition - Other	624	-	-	624
At 31 March 2017	**(5,503)**	**-**	**-**	**(5,503)**
Net Book Value at 31 March 2017	**2,300**	**-**	**93**	**2,393**
Net Book Value at 31 March 2016	**2,797**	**-**	**52**	**2,849**

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**: 5 - 25 years

Capital Commitments

At 31st March 2018 the Authority has entered into 4 significant contracts for the acquisition and enhancement of assets in 2018/19. The significant contracts are estimated to cost £628,221. The significant commitments at 31st March 2017 were £7,768,169. The significant commitments at 31st March 2018 are:

- Brooklands Environmental Improvements - £57,355
- Teville Gate MSCP Redevelopment: £438,582

- Buckingham Road MSCP Lift Replacement - £65,284
- West Park Play Area Improvements - £67,000

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. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6th 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.

	Restated Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	3,454	4,719	4,208	4,963	-	10,628	27,972
Valued at current value as at:							
31st March 2018	45,302	-	-	-	-	-	45,302
31st March 2017	32,614	-	-	-	6	-	32,620
31st March 2016	10,499	-	-	-	6,550	-	17,049
Total Cost or Valuation	**91,869**	**4,719**	**4,208**	**4,963**	**6,556**	**10,628**	**122,943**

NON-OPERATIONAL PROPERTY, PLANT EQUIPMENT (SURPLUS ASSETS)

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2018 and 31st March 2017 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 2018
	£'000	£'000	£'000	£'000
Land	-	6,456	-	6,456
Office	-	18	-	18
Residential	-	5	-	5
Sub Stations	-	77	-	77
TOTAL	**-**	**6,556**	**-**	**6,556**

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 2017
	£'000	£'000	£'000	£'000
Land	-	6,456	-	6,456
Office	-	19	-	19
Residential	-	5	-	5
Sub Stations	-	77	-	77
TOTAL	**-**	**6,557**	**-**	**6,557**

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.

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.
- Land at Hollyacres which has limited development potential due to the size of the land.

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.

NOTE 12: HERITAGE ASSETS

Details of the Authority's Hertitage Assets are as follows:

Movements in 2017/2018	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaelogy and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2017	491	3,659	3,874	1,553	1,763	651	11,991
At 31 March 2018	**491**	**3,659**	**3,874**	**1,553**	**1,763**	**651**	**11,991**
Net Book Value at 31 March 2017	**491**	**3,659**	**3,874**	**1,553**	**1,763**	**651**	**11,991**

COMPARATIVE MOVEMENTS 2016/2017

Movements in 2016/2017	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaelogy and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2016	491	3,659	3,874	1,553	1,763	651	11,991
At 31 March 2017	**491**	**3,659**	**3,874**	**1,553**	**1,763**	**651**	**11,991**
Net Book Value at 31 March 2016	**491**	**3,659**	**3,874**	**1,553**	**1,763**	**651**	**11,991**

Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at valuation provided 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.

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 13: 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.

	2017/18	2016/17
	£'000	£'000
Rental income from investment property	(1,670)	(1,241)
Direct operating expenses arising from investment property	168	191
Net (gain)/loss	**(1,502)**	**(1,050)**

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.

	2017/18	2016/17
	£'000	£'000
Balance at start of the year 1st April	5,817	4,536
Disposals:	(28)	(38)
Net gains/(losses) from fair value adjustments:	66	1,319
Balance at end of the year	**5,855**	**5,817**

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2018 and 31st March 2017 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 2018
	£'000	£'000	£'000	£'000
Car Parking	-	231	-	231
Community Facility	-	25	-	25
Office	-	1,067	-	1,067
Retail	-	4,407	-	4,407
Residential	-	81	-	81
Workshop	-	44	-	44
TOTAL	-	5,855	-	5,855

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 2017
	£'000	£'000	£'000	£'000
Car Parking	-	202	-	202
Community Facility	-	36	-	36
Office	-	1,069	-	1,069
Retail	-	4,380	-	4,380
Residential	-	86	-	86
Workshop	-	44	-	44
TOTAL	-	5,817	-	5,817

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:

22 Marine Place First Floor – The property is currently used as a Yoga Studio. The highest and best use would be as a residential unit.

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.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at 1st 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 14: 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. There has been no change in the valuation techniques used during the year for the financial instruments.

NOTE 14: FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current		Total	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings						
Financial liabilities (principal amount)	(33,376)	(10,050)	(8,188)	(12,288)	(41,564)	(22,338)
Accrued interest	-	-	(235)	(130)	(235)	(130)
Financial liabilities at Amortised Cost	**(33,376)**	**(10,050)**	**(8,423)**	**(12,418)**	**(41,799)**	**(22,468)**
Creditors - Financial Liabilities	**-**	**-**	**(4,073)**	**(2,628)**	**(4,073)**	**(2,628)**
Investments						
Loans and Receivables	25	25	8,000	6,000	8,025	6,025
Accrued interest	-	-	26	16	26	16
Loans and Receivables at Amortised Cost	**25**	**25**	**8,026**	**6,016**	**8,051**	**6,041**
Available-for-sale financial assets	534	50	-	-	534	50
Total Investments	**559**	**75**	**8,026**	**6,016**	**8,585**	**6,091**
Debtors - loans and receivables	10,009	10	2,189	1,819	12,198	1,829
Cash and cash equivalents	-	-	3,662	6,719	3,662	6,719
Total Debtors	**10,009**	**10**	**5,851**	**8,538**	**15,860**	**8,548**

Accrued interest on Long Term assets and liabilities is included in the Current columns because it is receivable or payable within 12 months.

The long term debtors include a new £10m loan to Worthing Homes for 10 years, which is fully secured on property.

NOTE 14: FINANCIAL INSTRUMENTS

Items of income, expense, gains and losses

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

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000
Interest Expense	538		-	538
Decrease/(Increase) in Impairment	-	88		88
Total expense in Surplus or Deficit on the Provision of Services	**538**	**88**	**-**	**626**
Interest Income, dividend income	-	(214)	(21)	(235)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(214)**	**(21)**	**(235)**
Gains/Loss on revaluation	-	-	16	16
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**16**	**16**
Net Gain/(Loss) for the year	**538**	**(126)**	**(5)**	**407**

NOTE 14: FINANCIAL INSTRUMENTS

Items of income, expense, gains and losses

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2016/17	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000
Interest Expense	271	-	-	271
Decrease/(Increase) in Impairment	-	31	-	31
Total expense in Surplus or Deficit on the Provision of Services	**271**	**31**	**-**	**302**
Interest Income	-	(91)	-	(91)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(91)**	**-**	**(91)**
Net Gain/(Loss) for the year	**271**	**(60)**	**-**	**211**

Items of income, expense, gains and losses

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. The loss on revaluation in the Available-for-Sale category relates to the Council's investment in the CCLA Property Fund and is the difference between the original investment and the bid value of units as at 31 March 2018.

Fair Values of Financial Assets

Available-for-Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value on a recurring basis. These fair values are based on public price quotations where there is an active market for the instrument. The fair value of the investment in the CCLA Property Fund, which is included in the Available-for-Sale assets, is categorised as a Level 1 input, as explained in the Accounting Policy Note 1. The valuation technique used is the bid value of the units in the Fund as at 31 March 2018.

There were no transfers between input levels during the year.

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, described above, all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The following tables show the fair values of the liabilities and assets, which are all currently within the Level 2 category in the valuation hierarchy. This uses "other significant observable inputs" to arrive at the fair value.

NOTE 14: FINANCIAL INSTRUMENTS

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

The fair value of the reported carrying amounts at 31st March 2018 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Fair Values – Financial Liabilities

The fair values for Financial Liabilities are compared with the carrying amounts as follows:

Financial Liabilities	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Borrowing PWLB	(31,726)	(31,387)	(9,354)	(9,587)
Other Loans	(10,073)	(10,064)	(13,114)	(13,171)
Total Borrowing	**(41,799)**	**(41,451)**	**(22,468)**	**(22,758)**
Trade and Other Payables	(4,073)	(4,073)	(2,628)	(2,628)
Total	**(45,872)**	**(45,524)**	**(25,096)**	**(25,386)**

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders below current market rates.

The fair value of trade and other payables (creditors) is taken to be the invoiced or billed amount. The disclosure for Financial Liabilities excludes statutory creditors, consequently the creditors figures differ from those in the Balance Sheet and the Creditors disclosure note.

NOTE 14: FINANCIAL INSTRUMENTS

Fair Values – Financial Liabilities

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £43.63m, which is calculated using early repayment discount rates. The Council 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

Financial Assets	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash & Cash Equivalents	3,662	3,662	6,719	6,719
Short term investments	8,026	8,025	6,016	6,030
Long Term investments	75	75	75	75
Short term debtors	2,189	2,189	1,819	1,819
Long term debtors	10,009	10,009	10	10
Total	**23,961**	**23,960**	**14,639**	**14,653**

The fair value of the assets is almost the same as the carrying amount because the Council's fixed rate loans held at 31st March, 2018 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

The long term debtors include a new £10m loan to Worthing Homes for 10 years, which is fully secured on property.

The fair value of trade and other receivables is taken to be the invoiced or billed amount. The disclosure for Financial Assets excludes statutory debtors, such as Council Tax, consequently the debtors figures differ from those in the Balance Sheet and the Debtors disclosure note.

Nature and Extent of Risks Arising From Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

NOTE 14: FINANCIAL INSTRUMENTS

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Adur-Worthing shared service, under policies approved by the Council in the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Standard and Poor's and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located within each category.

Examples of the credit criteria in respect of financial assets held by the Council are:

- Credit ratings of Short Term of F1, Long Term A-, Support AA- (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government
- The top five Building Societies by asset size

Examples of the limits on the size and length of time of deposits are:

- Banks - £4m for a maximum of 5 years;
- Building Societies - £4m for the Nationwide and £2m for the others on the approved list, for a maximum of 5 years;
- Money Market Funds (MMF) AAA rated - £3m (for any one MMF) for short term operational cash flow purposes. Total investments in MMFs shall not exceed £5m or 30% of the total investment portfolio, whichever is the higher, for more than one week at any one time;

The full investment strategy for 2017/18 was approved by the Council on 21 February 2017 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its total investments of £11m in banks, building societies and money market funds 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. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2018 that this was likely to crystallise.

NOTE 14: FINANCIAL INSTRUMENTS

Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk Exposure	Carrying Amount at 31-Mar-18	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-18	Estimated Maximum Exposure to Default and Uncollect-ability at 31-Mar-18	Estimated Maximum Exposure at 31-Mar-17
	£'000	%	%	£'000	£'000
Customers*	2,189	5.90%	10.60%	232	144

*Excluding statutory debtors – Council Tax/Business Rates

The Council was in breach of its counterparty limit with its bankers, Lloyds Bank, from 1st to 4th September 2017 (a weekend). The Treasury Management Strategy Statement permits a maximum balance of £4m with Lloyds, but £5.8m was received after 3pm on 1st September in respect of a sale of land. There was no loss of Council funds resulting from the breach and it was reported to Members. No other credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2018 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 15.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity positions through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy Statement and Annual Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

NOTE 14: FINANCIAL INSTRUMENTS

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedure, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs. The Council has set a maximum limit of 50% for investments for more than 1 year.

The maturity analysis of financial liabilities is as follows:

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2018	Actual 31 March 2018	Actual 31 March 2017	Actual 31 March 2017
				£'000s		£'000s
Maturing within one year	0%	75%	20%	8,423	55%	12,418
Maturing in 1-2 years	0%	75%	10%	4,192	6%	1,250
Maturing in 2-5 years	0%	75%	18%	7,596	24%	5,350
Maturing in 5-10 years	0%	75%	39%	16,219	11%	2,500
Maturing over 10 years	0%	75%	13%	5,369	4%	950
TOTAL			**100%**	**41,799**	**100%**	**22,468**

All trade and other payables are due to be paid in less than one year.

Market Risk

(a) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

NOTE 14: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Borrowings are not carried at fair value, 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments

may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. All current borrowing is at fixed rates, although the Council has set a maximum limit of 25% for variable rate borrowing.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2018, 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	52
Impact on Surplus or Deficit on the Provision of Services	52
Decrease in fair value of fixed rate investment assets	21
Impact on Other Comprehensive Income and Expenditure	21
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)	2,114

(a) Interest Rate Risk

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Fair Value of Assets and Liabilities tables.

NOTE 14: FINANCIAL INSTRUMENTS

(b) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. In April 2017 the Council invested £0.5m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. However this is classified as an Available-for-Sale asset, meaning that all movements in price will impact on gains and losses recognised in the Available-for-Sale Reserve.

(c) Foreign Exchange Risk

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

NOTE 15: DEBTORS

	31-Mar-18	31-Mar-17
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies	7,466	3,906
Other Local Authorities	2,474	4,940
NHS Bodies	44	5
Other Entities and Individuals	6,448	4,603
TOTAL	16,432	13,454

The past due amounts for trade and rent debtors can be analysed as follows:

Overall Aged Debt Analysis	31-Mar-18	31-Mar-17
	£'000	£'000
Less than 1 Year	16,338	13,356
1-2 Years	14	50
2-3 years	39	28
Over 3 years	41	20
	16,432	**13,454**

NOTE 15: DEBTORS

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-18	31-Mar-17
	£'000s	£'000s
Council house purchase	8	8
Legal Charges	1	2
Worthing Homes Loan	10,000	-
TOTAL	**10,009**	**10**

NOTE 16: CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31-Mar-18	31-Mar-17
	£'000	£'000
The balance is made up of the following elements:		
Cash held by the Council	26	24
Bank Current Accounts	636	1,245
Call Accounts and Money Market Funds	3,000	5,450
Total Cash & Cash Equivalents	**3,662**	**6,719**

NOTE 17: ASSETS HELD FOR SALE

	Current 2017/18	Current 2016/17	Non Current 2017/18	Non Current 2016/17
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	4,784	-	-	4,784
Assets classified as Held for Sale:				
Transfers from Non Current Assets Held for Sale to Current Assets Held for Sale	-	4,784	-	(4,784)
Disposals	(4,784)	-	-	-
Balance outstanding at year-end	**-**	**4,784**	**-**	**-**

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 and planning permission has been obtained. The sale completed in 2017/18.

NOTE 18: CREDITORS

	31-Mar-18	31-Mar-17
	£'000s	£'000s
Central Government Bodies	1,614	2,524
Other Local Authorities	3,324	5,712
Othe Entities and Individuals	6,174	4,875
TOTAL	**11,112**	**13,111**

NOTE 19: PROVISIONS

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

	Balance at 31-Mar-17	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused Amounts Reversed in 2017/18	Balance at 31-Mar-18
	£'000	£'000	£'000	£'000	£'000
HMRC Claims - Leisure Self Employed	1	-		-	1
Land Charges - Personal Search Fees	13	-		-	13
Leisure Contract Claim	-	100	-	-	100
Business Rate appeals	905	474	(618)	-	761
	919	**574**	**(618)**	**-**	**875**

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 £1.9m, Worthing Borough Council's share is £0.761m, being 40% of the total.

Included in this provision is a £480k allowance for business rates appeals related to claims from NHS trusts in relation to mandatory charitable relief. 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 make them eligible for a 80% discount, backdated for six years. This is subject of a legal dispute.

NOTE 20: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement which can be found on page 29.

NOTE 21: UNUSABLE RESERVES

31-Mar-18	Unusable Reserves	Restated 31-Mar-17	Restated 1-Apr-16
£'000s		**£'000s**	**£'000s**
(39,000)	Revaluation Reserve	(41,592)	(39,879)
16	Available for Sale Financial Instruments Reserve	-	-
(72,881)	Capital Adjustment Account	(66,268)	(56,202)
(8)	Deferred Capital Receipts Reserve	(8)	(8)
32,596	Pension Reserve	39,979	36,361
114	Collection Fund Adjustment Account	(38)	140
(79,163)	**TOTAL UNUSABLE RESERVES**	**(67,927)**	**(59,588)**

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 ad 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 1st 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	2017/18	Restated 2016/17
	£'000	**£'000**
Balance at 1 April	(41,592)	(39,879)
Upward revaluation of assets	(2,279)	(5,816)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,035	3,817
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	**1,756**	**(1,999)**
Difference between fair value depreciation and historical cost depreciation	315	286
Accumulated gains on assets sold or scrapped	521	-
Amount written off to the Capital Adjustment Account	**836**	**286**
Balance at 31 March	**(39,000)**	**(41,592)**

NOTE 21: UNUSABLE RESERVES

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2017/18	Restated 2016/17
Balance at 1 April	**(66,268)**	**(56,202)**
Charges for depreciation and impairment of non-current assets	3,392	3,020
Revaluation losses on Property, Plant and Equipment	(3,017)	(6,067)
Amortisation of intangible assets	59	44
Revenue expenditure funded from capital under statute	941	785
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	5,705	385
Net written out amount of the cost of non-current assets consumed in the year	**7,080**	**(1,833)**
Adjusting amounts written out of the Revaluation Reserve	(836)	(286)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,226)	(1,123)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,975)	(4,065)
Application of grants to capital financing from the Capital Grants Unapplied Account	(574)	(278)
Statutory provision for the financing of capital investment charged against the General Fund	(809)	(977)
Capital expenditure charged against the General Fund	(207)	(185)
	(13,627)	**(6,914)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(66)	(1,319)
	(66)	**(1,319)**
Balance at 31 March	**(72,881)**	**(66,268)**

NOTE 21: UNUSABLE RESERVES

Pension Reserve

The Pension 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 Pension 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.

Pension Reserve	2017/18	2016/17
	£'000	£'000
Balance at 1 April	39,979	36,361
Remeasurements of the net defined benefit liability / (asset)	(7,810)	4,087
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	4,887	3,875
Employer's pension contributions and direct payments to pensioners payable in the year	(4,460)	(4,344)
Balance at 31 March	**32,596**	**39,979**

NOTE 22: CASH FLOW OPERATING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
The cash flows for operating activities include the following		
Interest received	130	87
Interest paid	(380)	(423)
Dividends received	15	-
Total	**(235)**	**(336)**

NOTE 22: CASH FLOW OPERATING ACTIVITIES

Net Cash flows from operating activities

	Net 2017/18	Restated Net 2016/17
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**7,411**	**12,002**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,392	3,020
Impairment and downward valuations	(3,017)	(6,067)
Amortisation	59	44
Increase/(Decrease) in Creditors	(2,832)	(879)
(Increase)/Decrease in Interest and Dividend Debtors	-	-
(Increase)/Decrease in Debtors	3,189	(2,868)
(Increase)/Decrease in Inventories	3	8
Pension Liability	427	(469)
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	5,705	385
Other non-cash items charged to the net surplus or deficit on the provision of services	(110)	(1,464)
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**6,816**	**(8,290)**
Capital Grants credited to surplus or deficit on the provision of services	(7,498)	(5,184)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,587)	(1,848)
	(13,085)	**(7,032)**
Net Cash Flows from Operating Activities	**1,142**	**(3,320)**

NOTE 23: CASH FLOW INVESTING ACTIVITIES

	Net 2017/18	Re-stated Net 2016/17
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(17,553)	(4,844)
Purchase of short-term and long-term investments	(129,930)	(121,410)
Other payments for investing activities	(10,000)	(5)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,597	1,849
Proceeds from shot-term and long-term investments	127,430	120,408
Other receipts from investing activities	1,421	5,188
Net cash flows from investing activities	**(23,035)**	**1,186**

The 2016/17 figures have been restated to show the purchase and proceeds from short term investments during the year. Previously these were shown net within the purchase of short term and long term investments.

NOTE 24: CASH FLOW FINANCING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
Cash receipts of short- and long-term borrowing	32,955	11,536
Repayments of short- and long-term borrowing	(13,727)	(8,209)
Other payments for financing activities	(392)	1,068
Net cash flows from financing activities	**18,836**	**4,395**

NOTE 25: EXPENDITURE FUNDING ANALYSIS

2017/18 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	67	63		130
Environment	(501)	266		(235)
Health & Wellbeing	5	105		110
Customer Services	1,651	(557)		1,094
Regeneration	465	251		716
Resources	(312)	(695)		(1,007)
Net Cost of Services	**1,375**	**(567)**	**0**	**808**
Other income and expenditure from the Funding Analysis	(8,463)	995	152	(7,316)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**(7,088)**	**428**	**152**	**(6,508)**

Restated 2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	70	17		87
Environment	(1,990)	(32)		(2,022)
Health & Wellbeing	127	34		161
Customer Services	(1,238)	(1,550)		(2,788)
Regeneration	559	69		628
Resources	254	(221)		33
Net Cost of Services	**(2,218)**	**(1,683)**	**0**	**(3,901)**
Other income and expenditure from the Funding Analysis	(9,129)	1,214	(178)	(8,093)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**(11,347)**	**(469)**	**(178)**	**(11,994)**

NOTE 25: EXPENDITURE FUNDING ANALYSIS

	2017/18	Restated 2016/17
	£'000	£'000
Employee Expenses *	6,459	5,248
Depreciation, amortisation, impairment	368	4,192
Other service expenditure	63,676	53,977
Total Expenditure	70,503	63,417
Grants and contributions	(10,068)	(7,358)
Fees, charges and other service income	(53,999)	(54,512)
(Gain)/loss on disposal of non current assets	(326)	(1,582)
Income from council tax and business rates	(11,147)	(10,826)
Interest and Investment Income	(1,737)	(1,141)
Surplus on Business Combination - Pension Fund*	(637)	0
Total Income	(77,914)	(75,419)
Deficit or surplus on Provision of Services	(7,411)	(12,002)

*2017/18 Employee costs include the IAS19 pension entries for staff which that have transferred from the Census partnership. These costs are offset by the surplus on the Census pension fund that has been transferred to the Council following this business combination.

The other service expenditure figure includes the Councils share of the Joint Service costs including the employee expenses.

NOTE 26: TRADING OPERATION

The former Direct Service Organisation is designated as a trading account and a summary of trading results is shown below:

	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure	2016/17 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	1,023	(1,274)	(251)	(249)
	1,023	**(1,274)**	**(251)**	**(249)**

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 27: 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 2017/18 income collected was £1.911m (£1.908m 2016/17) and expenditure was £1.214m (£1.182m 2016/17). The surplus of £696,760 (£726,481 2016/17) is paid to West Sussex County Council.

The Council also has Agency Agreements with other Local Authorities for Treasury Management, 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 28: MEMBERS' ALLOWANCES

Total allowances paid to Members were as follows:

2017/18	2016/17
£	£
253,394	258,607

NOTE 29: 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. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

There were no employees who earned more than £50,000 and were paid directly by 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:-

	Number of Employees	
Remuneration Bands	**2017/18**	**2016/17**
£50,000 to £54,999	6	13
£55,000 to £59,999*	4	4
£60,000 to £64,999*	5	4
£65,000 to £69,999*	4	4
£70,000 to £74,999	6	4
£75,000 to £79,999	2	-
£80,000 to £84,999*	1	1
£85,000 to £89,999	-	-
£90,000 to £94,999*	3	1
£95,000 to £99,999	1	2
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
	33	**34**

* These include redundancy, efficiency of service and settlement payments relating to 2017/18. Please see note 30 Exit Packages and Terrmination Benefits for a breakdown of these payments.

NOTE 29: OFFICERS' REMUNERATION

There were no employees who earned more than £5,000 and were paid directly by Worthing Borough Council.

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 2017/18 and in 2016/17.

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 2017/18 or 2016/17.

NOTE 29: 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							
	Salary,Fees & 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 & paid to Adur D.C.	Net Cst borne by Adur D.C. Employing Authority
Chief Executive							
2017/18	120,438	-	120,438	25,412	145,850	72,925	72,925
2016/17	116,150	-	116,150	20,462	136,612	68,306	68,306
Director for Communities							
2017/18	92,920		92,920	19,606	112,526	60,201	52,325
2016/17 from 25.10.16	40,065		40,065	7,293	47,358	25,336	22,022
2016/17 to 25.10.16	20,694	25,000	45,694	2,057	47,751	25,547	22,204
Director for Digital & Resources							
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
2016/17	95,726	-	95,726	19,427	115,153	68,355	46,798
Director for the Economy							
2017/18	93,849		93,849	19,802	113,651	77,283	36,368
2016/17	93,849	-	93,849	14,629	108,478	74,850	33,628
Director for Customer Services							
2017/18	50,326	44,000	94,326	9,559	103,885	62,331	41,554
2016/17	98,848	-	98,848	19,815	118,663	71,198	47,465
Head of Finance (S151 Officer)							
2017/18	73,448		73,448	15,498	88,946	48,209	40,737
2016/17	71,575	-	71,575	13,879	85,454	46,316	39,138
Head of Legal (Monitoring Officer)							
2017/18	68,144		68,144	14,540	82,684	40,912	41,772
2016/17	66,304	-	66,304	13,648	79,952	42,838	37,114
Head of Growth (Strategic Planning)							
2017/18	70,465		70,465	14,868	85,333	43,520	41,813
2016/17	72,948	-	72,948	15,053	88,001	44,881	43,120
Head of Housing							
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354
2106/17 from 22.2.17	7,362		7,362	1,524	8,886	1,333	7,553
2016/17 to 7.10.16	39,274	20,000	59,274	1,872	61,146	9,172	51,974

NOTE 30: OFFICER REMUNERATION - EXIT PACKAGES AND TERMNATION BENEFITS

Exit Packages

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

{a}		{b}		{c}		{d}		{e}	
Exit package cost band (including special payments)		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
		2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
								£	£
£0	£20,000	2	2	18	1	20	3	161,003	15,341
£20,000	£40,000	-	1	2	4	2	5	50,705	151,380
£40,000	£60,000	-	-	-	2	-	2	-	96,065
£60,000	£80,000	-	-	-	-	-	-	-	-
£80,000	£100,000	-	-	-	-	-	-	-	-
£100,000	£150,000	-	-	-	-	-	-	-	-
Total cost included in bandings		2	3	20	7	22	10	211,708	262,786
Total cost included in CIES		2	3	20	7	22	10	211,708	262,786

* These redundancy costs are shared between Worthing and Adur Council's in proportion to the service allocation. The total cost of £262,786 in the table above includes **£146,200** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£
Redundancy costs	146,200
Enhanced Pension Benefits	84,483
Total termination benefit 2017/18	230,683
Termination benefits 2016/17	246,733

A total £146,200 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £84,483 is the 2017/18 working cost of enhanced pension benefits which normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 31: EXTERNAL AUDIT COSTS

The Council incurred the following fees (all payable to the Audit Commission) relating to external audit.

	2017/18	2016/17
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	47	47
Fees payable to external auditors for the certification of grant claims and returns for the year	8	7
Proportionate share of Adur and Worthing Joint Committee fees		
	55	**54**

NOTE 32: GRANT INCOME

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

	2017/18	2016/17
Credited to Taxation and Non specific Grant Income	£'000s	£'000s
Non Domestic Rates	-	-
Revenue Support	453	1,193
Council Tax Transistion	100	100
New Homes Bonus Scheme	1,394	1,605
Section 31 Grant	645	400
Other Grants	-	9
	2,592	**3,307**
Credited to Taxation and Non specific Grant Income		
S106 Developer Contributions	52	338
S106 Developer Contributions: Transport	-	36
S106 Developer Contributions: Affordable Housing	219	272
S106 Developer Contributions: Miscellaneous	-	38
Community Infrastructure Levy	267	6
Community Infrastructure Levy - Local Ward	50	1
	588	**691**

NOTE 32: GRANT INCOME

	2017/18	2016/17
Capital Grants & Donations - Specific	**£'000s**	**£'000s**
DEFRA/Environment Agency - Coast Protection	27	62
Local Enterprise Partnership	5,692	3,352
Southdown Leisure Trust	-	82
DCLG Better Care Fund - Disabled Facilities Grant	1,190	987
	6,909	**4,483**
Credited to Services - General Fund Grants		
Ministry of Housing, Communities and Local Government (MHCLG) - Flexible Homeslessness	129	22
MHCLG - Meams Project	70	-
MHCLG - Other Grants	86	99
Department of Works and Pensions Grants	115	112
Cabinet Office IER Grant	21	-
Greater Brighton One Public Estate	20	26
West Sussex County Council	27	2
Heritage Lottery Fund - Costume Trail	1	60
Other Grants and Donations	21	20
Grants recognised in Joint Committee	687	836
	1,177	**1,177**
TOTAL GRANTS CREDITED TO SERVICES	**11,266**	**9,658**

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:

	2017/18	2016/17
	£'000s	**£'000s**
Revenue Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government (MHCLG) - Commit to Culture	-	86
MHCLG - Coastal Grants	-	15
MHCLG - Making Every Adult Matter S31 grant	-	70
MHCLG - Self and Custom Build	30	-
WSCC Local Enterprise Apprenticeship Platform funding	-	71
LEAP Funding	103	-
Greater Brighton One Public Estate	44	28
Other Grants and Donations	6	14
Grants recognised in Joint Committee	303	353
TOTAL	**486**	**637**

NOTE 33: 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 (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31st March 2018 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 28. 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 transactions declared by Members in 2017/18.

Officers

There were no related party transactions declared by officers in 2017/18.

Other Public Bodies

The Council has a partnership arrangement with Adur District Council for the sharing of a joint officer structure.

Worthing also had a partnership arrangement with Horsham District Council and Mid Sussex District Council for the delivery of ICT services until March 2018. .

Transactions and balances relating to these partnerships are summarised in Note 41**.**

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.

Payment of £85,392 was received from South Downs Leisure Trust in 2017/18.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2017/18	2016/17
	£'000	£'000
Opening Capital Financing Requirement	**22,384**	**23,361**
Capital Investment		
Property, Plant and Equipment	18,575	4,815
Loans	10,000	-
Intangible Assets	34	37
Revenue Expenditure Funded from Capital Under Statute	941	785
Sources of Finance		
Capital receipts	(5,226)	(1,123)
Government grants and other contributions	(6,542)	(4,329)
Sums set aside from revenue:		
Direct revenue contributions	(71)	(117)
MRP/loans fund principal	(809)	(977)
Revenue funding	(136)	(68)
Closing Capital Financing Requirement	**39,150**	**22,384**
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	16,766	(977)
Increase/(decrease) in Capital Financing Requirement	**16,766**	**(977)**

NOTE 35: LEASES

Operating Leases - Lessee

The Council has a small number of operating leases, however the value of these leases is not material.

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;

Future minimum lease payments are calculated using current payment contract information. The future minimum lease payments receivable under non-cancellable leases in future years are:

NOTE 35: LEASES

Operating Leases – Lessor

	31-Mar-18	31-Mar-17
	£'000	£'000
Not later than one year	1,672	932
Later than one year and not later than five years	4,899	2,270
Later than five years	31,631	27,603
	38,202	**30,805**

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-18	31-Mar-17
	£'000s	£'000s
Commuted Sums	(175)	(180)
Pension Reserve Liability (see note 37)	(32,596)	(39,979)
TOTAL	**(32,771)**	**(40,159)**

NOTE 37: 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.

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:

NOTE 37: DEFINED BENEFIT PENSION PLAN

Comprehensive Income & Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2017/18	Joint Committee 2017/18	Total 2017/18	Total 2016/17
			£'000s	£'000s
Cost of services				
Current service cost	(685)	(3,800)	(4,485)	(2,644)
Past service cost	-	(44)	(44)	(17)
(gain)/loss from settlements	-	-	-	-
Effect of Business Combination	-	637	637	
Financing & Investment Income & Expenditure	-	-	-	-
Net Interest cost	(926)	(69)	(995)	(1,214)
Total post employment benefit charged to the surplus or deficit on the provision of services	(1,611)	(3,276)	(4,887)	(3,875)
Other post employment benefit charged to the CI&E Statement				
Remeasurement of the net defined benefit liability comprising:		-		
Return on plan assets (excluding the amount included in the net interest expense)	2,407	2,570	4,977	17,449
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	3,844
Actuarial gains and losses arising on changes in financial assumptions	1,137	1,376	2,513	(23,472)
Other (if applicable)	320	-	320	(1,908)
Total remeasurements recognised in other comprehensive income	3,864	3,946	7,810	(4,087)
Total post-employment benefits charged to the CI&E statement	**2,253**	**670**	**2,923**	**(7,962)**

Movement in Reserves Statement	Worthing 2017/18	Joint Committee 2017/18	Total 2017/18	Total 2016/17
	£'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	(1,611)	(3,276)	(4,887)	(3,875)
Actual amounts charged against the General Fund balance for pensions in the year:	-	-	-	-
Employer's contributions payable to the scheme	2,216	2,010	4,226	4,104
Retirement benefits payable to pensioners	234	-	234	240
Total charged against General Fund balance	2,450	2,010	4,460	4,344

NOTE 37: DEFINED BENEFIT PENSION PLAN

Pension Assets and Liabilities

Pensions Assest and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(88,438)	(63,347)	(151,785)	(91,113)	(58,410)	(149,523)
Fair value of plan assets	55,200	63,989	119,189	53,172	56,372	109,544
Net liability arising from defined benefit obligation	**(33,238)**	**642**	**(32,596)**	**(37,941)**	**(2,038)**	**(39,979)**

Pension Assets and Liabilities

Reconciliation of the Movemements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	53,172	56,372	109,544	45,300	43,734	89,034
Interest income	1,307	1,512	2,819	1,508	1,605	3,113
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	2,407	2,570	4,977	8,195	9,253	17,448
Other	-	-	-	-		-
Contributions from employer	2,450	2,010	4,460	2,551	1,793	4,344
Contributions from employees into the scheme	104	640	744	116	589	705
Benefits paid	(4,240)	(591)	(4,831)	(4,498)	(602)	(5,100)
Effect of Business	-	1,476	1,476	-	-	-
Closing fair value of scheme assets	**55,200**	**63,989**	**119,189**	**53,172**	**56,372**	**109,544**

NOTE 37: DEFINED BENEFIT PENSION PLAN

Pension Assets and Liabilities

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities: LGPS					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(91,113)	(58,410)	(149,523)	(78,374)	(47,020)	(125,394)
Current service cost	(685)	(3,800)	(4,485)	(467)	(2,177)	(2,644)
Interest cost	(2,233)	(1,581)	(3,814)	(2,597)	(1,730)	(4,327)
Contributions from scheme members	(104)	(640)	(744)	(116)	(589)	(705)
Remeasurement (gains) and losses:		-				
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	2,814	1,030	3,844
Actuarial gains / losses arising from changes in financial assumptions	1,137	1,376	2,513	(11,982)	(11,490)	(23,472)
Other experience	320	-	320	(4,872)	2,964	(1,908)
Past service cost	-	(44)	(44)	(17)	-	(17)
Losses/(Gains) on curtailment	-	-	-	-	-	-
Liabilities assumed on a entity combinations	-	(839)	(839)	-	-	-
Benefits paid	4,240	591	4,831	4,498	602	5,100
Liabilities extinguished on settlements	-	-	-	-	-	-
Closing balance at 31 March	**(88,438)**	**(63,347)**	**(151,785)**	**(91,113)**	**(58,410)**	**(149,523)**

NOTE 37: DEFINED BENEFIT PENSION PLAN

Local Government Pension Scheme Assets Comprised:

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair value of scheme assets					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,420.6	1,646.8	3,067.4	1,368.4	1,450.8	2,819.2
Equity instruments:						
Consumer	7,852.9	9,103.3	16,956.2	7,564.4	8,019.7	15,584.1
Manufacturing	5,045.3	5,848.7	10,894.0	4,859.9	5,152.4	10,012.3
Energy and Utilities	2,665.8	3,090.3	5,756.1	2,567.9	2,722.4	5,290.3
Financial Institutions	8,991.0	10,422.4	19,413.4	8,660.5	9,181.7	17,842.2
Health and Care	3,824.7	4,433.7	8,258.4	3,684.2	3,905.9	7,590.1
Information Technology	7,543.2	8,744.3	16,287.5	7,266.1	7,703.5	14,969.6
Other	2,543.2	2,948.2	5,491.4	2,449.8	2,597.2	5,047.0
Sub-total equity	**38,466.1**	**44,590.9**	**83,057.0**	**37,052.8**	**39,282.8**	**76,335.6**
Debt Securities:						
UK Government	1,023.5	1,186.5	2,210.0	985.9	1,045.3	2,031.2
Investment Funds and Unit Trusts:						
Bonds	6,916.7	8,018.0	14,934.7	6,662.6	7,063.6	13,726.2
Property:						
UK Property	4,353.1	5,046.3	9,399.4	4,193.2	4,445.6	8,638.8
Sub-total property	**4,353.1**	**5,046.3**	**9,399.4**	**4,193.2**	**4,445.6**	**8,638.8**
Private equity	2,373.0	2,750.8	5,123.8	2,285.8	2,423.4	4,709.2
Other investment funds	647.0	750.1	1,397.1	623.3	660.8	1,284.1
Derivatives	-	-	-	-	-	-
Total assets	**55,200.0**	**63,989.4**	**119,189.4**	**53,172.0**	**56,372.3**	**109,544.3**

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 31st March.

NOTE 37: DEFINED BENEFIT PENSION PLAN

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	**2016/17**
Mortality assumptions:		
Longevity at 65 for current pensioners		
Male	23.6	23.6
Female	25	25
Longevity at 65 for future pensioners		
Male	26	26
Female	27.8	27.8
Rate of increase in salaries	3.1%	3.1%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

Scheme assets consist of the following categories by proportion of the total assets held:-

Change in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	7%	5,944
0.5% increase in Salary Increase Rate	0%	306
0.5% increase in the Pension Increase Rate	7%	5,597

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 increases or decreases for men and women. In practise, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Council's Cash Flow:

The Council anticipates paying £2,148,000 contributions to the Worthing scheme in 2018/2019, and approximately £1,938,000 contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 38: 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.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

The following assets are not reported in the Balance Sheet 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 that is on English Heritage's Register of Historic Parks and Gardens 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. The cultural significance of this asset cannot be valued.

Memorials Monuments

War Memorial Monument - is 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 Monument - is 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 the famous grave of John Oliver, he was a miller in 1709 it is thought was involved in smuggling It is situated on a downland site, which is owned by the Council, that 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. It is not possible to value the cultural and historical significance of this unique asset.

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.

Social History

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

Social History

The coin collection includes commemorative medals from Sussex, 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. There is a collection of over 6,000 topographical photographs which illustrate how the local 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 Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.

HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

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.

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.

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.

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 40: TRUST FUNDS

The Council acts as one of several trustees for the following funds:

	2017/18 Capital Value of Fund	2016/17 Capital Value of Fund
	£'000	£'000
Highdown Tower Gardens Income used to make improvements to the garden	31	34
Dr Chester's Charity Aid to people in poverty	27	21
TOTAL	**58**	**55**

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.

NOTE 41: JOINT BUDGETS

Since July 2007, Adur District Council and Worthing Borough Council have been working in partnership. Most services are provided by a joint officer structure. The Joint Strategic Committee Balance Sheet is consolidated into the Council's Balance Sheet.

	Gross Expenditure 2017/18	Gross Income 2017/18	Net Expenditure 2017/18
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	20,657	(6,663)	**13,994**
Holding Accounts	9,229	(501)	**8,728**
NET COST OF SERVICES	**29,886**	**(7,164)**	**22,722**
Other operating expenditure			-
Financing and investment income and expenditure			115
Taxation & non-specific grant income			-
Funded by:			
Adur District Council			(8,356)
Worthing Borough Council			(12,280)
(Surplus) or Deficit on Provision of Services			**2,201**
Remeasurments of the net defined pension benefit liability			(5,040)
Other Comprehensive Income & Expenditure			**(5,040)**
Total Comprehensive Income and Expenditure			**(2,839)**

NOTE 41: JOINT BUDGETS

Census ICT
The CenSus partnership for ICT Services with Worthing Borough Council, Adur District Council, Horsham District Council and Mid Sussex District Council dissolved on the 31st March 2018.

Census ICT 2017/18	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	£'000	£'000
Net Operating Expenditure for CenSus ICT Services incurred by each Council	99	1,189	-	87	**1,375**
Proportional Share of Costs	**452**	**381**	**217**	**325**	**1,375**

NOTE 42: PRIOR YEAR ADJUSTMENT

(a) In 2016/17 the following errors have been identified: The valuation of one of the Councils Buildings, Town Hall, resulting in property, plant and equipment being overstated by £2.4m. The Revaluation Reserve was overstated by £1.5m and the Capital Adjustment overstated by £0.9m. An amendment has been made to the 2016/17 accounts to correct the understatement, with the knock on effect being recognised in the 2017/18 accounts.

The effect on the opening 2016/17 Balance Sheet at 1st April 2016:

	Opening Balance As previously Stated 2016/17	Restatement Property, Plant & Equipment	Restated opening Balance 2016/17
	£'000	£'000	£'000
Property, Plant & Equipment	100,358	(2,493)	97,865
Long Term Assets	121,945	(2,493)	119,452
Net Assets	**71,860**	**(2,493)**	**69,367**
Total Unusable Reserves	(62,081)	2,493	(59,588)
Total Reserves	**(71,860)**	**2,493**	**(69,367)**

The effect on Balance Sheet at 31st March 2017:

	As previously Stated 2016/17	Restatement Property, Plant & Equipment	Restated 2016/17
	£'000	£'000	£'000
Property, Plant & Equipment	109,824	(2,428)	107,396
Long Term Assets	127,899	(2,428)	125,471
Net Assets	**81,709**	**(2,428)**	**79,281**
Total Unusable Reserves	(70,355)	2,428	(67,927)
Total Reserves	**(81,709)**	**2,428**	**(79,281)**

NOTE 42: PRIOR YEAR ADJUSTMENT

The impact on the Comprehensive Income and Expenditure Statement is a reduction in the depreciation charged to the Resources line within the Net Cost of Services of £65,500. The amendment to the Movement in Reserves Statement is £65,500 against the Adjustments between accounting basis and funding basis under regulations. Related disclosure notes have been corrected accordingly.

(b) The consolidation of the Joint Services outturn is transferred to Worthing Borough Council on a net basis and an adjustment is therefore necessary to gross up and report the income and expenditure element within the net cost of services (with no effect on the overall net cost of services). In 2016/17 this adjustment was understated by £1.4m. The effect of the restatement on the Comprehensive Income and Expenditure Statement is :

	Adjustment to Gross Expenditure	Adjustment to Gross Income
	£'000	£'000
Environment	601	(601)
Health & Wellbeing	406	(406)
Customer Services	28	(28)
Regeneration	203	(203)
Resources	169	(169)
Net cost of Services	1,407	(1,407)

(c) In the 2016/17 statement of accounts the Cashflow – Investing activities note disclosed the net cash movement of the purchase and proceeds of short-term and long-term investments. In the 2017/18 statement of accounts the note has been restated to show the 2016/17 comparative movement separately.

The effect on note 27 is as follows:

	2016/17	2016/17 as restated in 2017/18
	£'000	£'000
Purchase of short term and long-term investments	(1,002)	(121,410)
Proceeds from short term and long term investments	0	120,408
Net effect of change	(1,002)	(1,002)

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2018

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 Business 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.

Worthing Borough Council						
Collection Fund - Business Rates and Council Tax						
	2017/18			2016/17		
	Business Rates	Council Tax	TOTAL	Business Rates	Council Tax	TOTAL
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	62,205	62,205	-	59,500	59,500
Business Rates Receivable	30,672	-	30,672	32,553	-	32,553
Transitional; Protection Payments	226	-	226	48	-	48
	30,898	**62,205**	**93,102**	**32,601**	**59,500**	**92,101**
Contribution Towards Previous Year Deficit (B)						
Central Government	-	-	-	218	-	218
Worthing Borough Council	-	-	-	175	-	175
West Sussex County Council	-	-	-	44	-	44
Sussex Police and Crime Commissioner	-	-	-	-	-	-
	-	**-**	**-**	**437**	**-**	**437**
TOTAL INCOME (C) = (A+B)	**30,898**	**62,205**	**93,102**	**33,038**	**59,500**	**92,538**
EXPENDITURE (D)						
Payment From Previous Year Surplus						
Central Government	33	9	42	-	-	-
Worthing Borough Council	26	51	77	-	49	49
West Sussex County Council	7	6	13	-	261	261
Sussex Police and Crime Commissioner	-	-	-	-	32	32
	66	**66**	**131**	**-**	**342**	**342**
Precepts, Demands and Shares (E)						
Central Government	15,602	-	15,602	16,251	-	16,251
Worthing Borough Council	12,481	8,498	20,979	13,000	8,228	21,228
West Sussex County Council	3,120	47,498	50,618	3,250	45,127	48,377
Sussex Police and Crime Commissioner	-	5,822	5,822	-	5,563	5,563
	31,203	**61,818**	**93,022**	**32,501**	**58,918**	**91,419**
Charges to Collection Fund (F)						
Less: write offs of uncollectable amounts	24	87	111	166	25	191
Less: Incr. / Decr. (-) in Bad Debt Provision	225	208	433	164	179	343
Less: Incr. / Decr. (-) in Provision for Appeals	(362)	-	(362)	(358)	-	(358)
Less: Cost of Collection	128	-	128	131	-	131
	15	**295**	**310**	**103**	**204**	**307**
TOTAL EXPENDITURE (G) = (D+E+F)	**31,285**	**62,179**	**93,463**	**32,604**	**59,464**	**92,068**
Surpl. / Def. (-) arising during the yr (C-G)	**(387)**	**26**	**(360)**	**434**	**36**	**470**
Surplus / Deficit (-) b/fwd. 1st April	**(38)**	**385**	**347**	**(472)**	**349**	**(123)**
Surplus / Deficit (-) c/fwd. 31st March	**(425)**	**411**	**(13)**	**(38)**	**385**	**347**

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, 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. The Council Tax Base for 2017/18 was 37,829.3 Band D equivalent.

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	47,498,091	÷	37,829.3	=	1,255.59
Sussex Police & Crime Commissioner	5,822,292	÷	37,829.3	=	153.91
Worthing Borough Council	8,497,974	÷	37,829.3	=	224.64

NOTE 2: BUSINESS RATES

From 1st 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 2017/18 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.

The total amount contributed to the Pool in 2017/18 is £3.4m. The amount this authority paid into the Pool was £**555**k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEP (Local Economic Partnership) and other invest to save initiatives. The contribution is shown within the Comprehensive Income and Expenditure Statement..

Business 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 46.6p in 2017/18 (48.4p in 2016/17). The overall rateable value for Worthing Borough Council as at 31st March 2018 was £82.74m (£78.0m as at 31st March 2017).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £2.1m and £1.5m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2017/18 in line with Worthing Borough Council's accounting policy for maintaining the provision.

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF COUNCIL TAX

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

	West Sussex County Council Closing Balance	Sussex Police and Crime Commisioner Closing Balance	Preceptors Total	Worthing Closing Balance	TOTAL
	£	£	£	£	£
Demand on Collection Fund 2018/19					-
Applicable proportions based on 2018/19 demand (This %age used to allocate (surplus)/deficit for 2017/18)	**76.84%**	**9.67%**		**13.49%**	**100.00%**
Council Tax arrears as at 31/03/18	3,242,451.85	408,223.43	**3,650,675.28**	569,124.37	**4,219,799.65**
Provision for bad debts as at 31/03/18	(1,610,530.07)	(202,765.10)	**(1,813,295.17)**	(282,684.83)	**(2,095,980.00)**
Receipt in advance as at 31/03/18	(813,630.57)	(102,435.77)	**(916,066.34)**	(142,810.76)	**(1,058,877.10)**
(Surplus)/Deficit as at 31/03/17	(297,102.90)	(36,417.19)	**(333,520.09)**	(53,156.43)	**(386,676.52)**
In year (Surplus)/Deficit for 2016/18	(19,264.81)	(3,413.39)	**(22,678.20)**	(2,373.34)	**(25,051.54)**
Balance as on 31st March, 2018	**501,923.50**	**63,191.98**	**565,115.48**	**88,099.01**	**653,214.49**

NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
Business Rates Arrears	507,807.67	101,560.67	406,246.21	**1,015,614.55**
Provision for Bad Debts	(759,885.00)	(151,977.00)	(607,908.00)	**(1,519,770.00)**
Provision for Appeals	(1,916,396.26)	(383,279.26)	(1,533,116.99)	**(3,832,792.51)**
RV List Amendments	964,328.71	192,865.74	771,462.96	**1,928,657.41**
Receipt in Advance	(516,511.41)	(103,302.30)	(413,209.13)	**(1,033,022.84)**
(Surplus)/Deficit	212,420.16	42,483.94	169,935.32	**424,839.42**
Balance as at 31st March 2018	**(1,508,236.13)**	**(301,648.21)**	**(1,206,589.63)**	**(3,016,473.97)**

ANNUAL GOVERNANCE STATEMENT

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.

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 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

At least once a year, Local Authorities are statutorily required to review their governance arrangements. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils this requirement.

A copy of the code is on our website www.adur.gov.ukwww.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 31st March 2018 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 are summarised below:

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Key elements of the Council's Governance Framework

Council, Executive and Leader

- Provides leadership and develops the Councils vision of its purpose and intended outcome for residents and service users.
- Develops the vision into objectives for the Council and its partnerships

Decision making

- All decisions are made in the open
- Decisions are recorded on the Council website
- The scheme of delegations which details the decision making arrangements is regularly updated
- The monitoring Officer ensures that all decisions made comply with relevant laws and regulations

Risk Management

- Risk registers identify both operational and strategic risks
- Key risks and opportunities are considered by the Corporate Leadership Team every quarter
- Risks and opportunities are reported to the Joint Governance Committee every quarter and inform the work of the internal audit team

Scrutiny and Review

- The Joint overview and Scrutiny Committee reviews Council policy and can challenge the decisions made.
- The Joint Governance Committee undertakes all of the core functions of an audit committee.
- The Joint Governance Committee is responsible for review and approving the Councils Governance arrangements and undertakes the role of a Standards Committee ensuring that members comply with the Code of Conduct

Corporate Leadership Team

- The Council's Corporate Leadership Team comprises of the Chief Executive and three Directors who are responsible for the delivery of the Councils aims and objectives
- The head of paid service is the Chief Executive who is responsible for all Council Staff and leading an effective Corporate Leadership Team.
- CLT seeks advice from the Council's Chief Financial Officer who is responsible for safeguarding the Council's financial position
- CLT seeks advice from the Monitoring Officer who is the Head of Legal Services. They are responsible for enduring legality and promoting high standards of public conduct.

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the Framework during 2017/18.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The Governance Framework gives the Members and the organisation, in a number of ways, the confidence and 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.

WHAT WE NEED TO DO	HOW WE DO IT
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• The Constitution • The Monitoring Officer • Section 151 Officer • Codes of conduct • Whistleblowing Policy • Bribery Act 2010 policy guidance • Corporate anti-fraud work • Procurement Strategy
Principle B Ensuring openness and comprehensive stakeholder engagement	• Consultations • Terms of reference for partnerships • Freedom of information requests • Complaints procedure
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	• Organisational goals • Service planning • Performance Management • Community Strategy • Procurement Strategy
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	• Service planning • Performance Management • Options appraisals • Whole life costing
Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it	• Robust interview and selection process • Training and development • Workforce planning • Succession planning • Performance development reviews • Talent management • HR Policies & procedures
Principle F Managing risks and performance through robust internal control and strong public financial management	• Effective member scrutiny function • Financial management and MTFP • Corporate risk register • Annual audit plan • Information Security policies • Compliance with the requirements of the Public Service Network (PSN)
Principle G Implementing good practices in transparency reporting and audit to deliver effective accountability	• Reports are held on the website • Annual audited financial statements are publically available • Annual Governance Statement • Effective Internal Audit Service

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:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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, 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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.

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.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property with 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.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

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.

All reports and details of decisions made can be found on the Council's website at https://www.adur-worthing.gov.uk/meetings-and-decisions/

Freedom of Information enquiries

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.

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 and Worthing Councils have developed a Consultation Policy which can be found at About consultation in Adur & Worthing - Adur & Worthing Councils 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 . Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, Council meetings (open to the public), and their local Councillor.

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 district-wide consultations is available on the Council website.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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.

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.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Joint Corporate Priorities

The Councils have recently agreed a new plan 'Platforms for our Places' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2017-2020).

The Councils have agreed programmes of work for 2017/18 under five themes or 'Platforms' which set out their aspirations for the town.

- **Our financial economies**
- **Our social economies**
- **Stewarding our natural resources**
- **Services and solutions for our places**
- **Leadership of our places**

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at Platforms for our Places - Adur & Worthing Councils

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places. There is a mid-term review underway, and strategic actions are being assessed and refreshed for approval in July 2018.

Community Strategy

The Waves Ahead Partnership is a strategic partnership for Adur and Worthing. The Partnership, non-statutory since 2010, is made up of key interested parties from the public and private sectors, community, voluntary and faith-based groups and local residents. The aim is to work more effectively through collaboration, adding value to local initiatives, projects and ideas.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Community Strategy

Together, partners have produced a collective vision for the future which is captured in the Waves Ahead Sustainable Community Strategy. The Strategy has four themes:

- better health and wellbeing for all
- feeling safe and included
- strengthening the local economy and improving job prospects
- a better place to live, work and enjoy, with quality amenities.

This strategy can be found on the internet at http://www.wavesahead.org.uk/

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

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 £1.9m by 2021/22 in a climate of reducing funding from Central Government and rising demand for many of the Council's 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.

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

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, 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 development and review

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.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

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 the 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 borough. The JOSC's findings are reported to the Joint Strategic Committee or the Executive and may result in changes to the way in which services are delivered.

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 ensures that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the Council.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Financial management

Financial Regulations were last fully revised in 2013/14 by the s151 Officer so that the Council can meet all of its responsibilities under various laws and are annually reviewed. 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.

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. These risks are regularly reported to the Corporate Leadership Team and the Joint Governance Committee.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

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 the roles and responsibilities of its members.

Internal audit

The Head of Internal Audit is a qualified accountant who has full access to senior management and the Joint Governance Committee (which fulfils the role of an audit committee). The audit team is properly resourced. The Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010).

The Head of internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Annual accounts

The Council publishes full audited accounts each year which are published on the website at https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/ .

REVIEW OF EFFECTIVENESS

Worthing Borough 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, and the Joint Overview and Scrutiny 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 contract 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;
- Development of contract management guidance; and
- A corporate review of procurement.

SIGNIFICANT GOVERNANCE ISSUES

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. There is now a high level plan in place which considers major causes of failure. The disaster recovery plan is due to be tested in June 2018. If successful, this issue can be removed from future Annual Governance Statements.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2017 review together with any issues which have been identified during the current review.

The governance requirements as detailed 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 via regular meetings 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

Dated: 31st May 2018

Signed:

Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 31st May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund,
- and the related notes 1 to 42.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer' Responsibilities set out on page 27, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Worthing Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Worthing Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Worthing Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31st July 2018

The maintenance and integrity of the **Worthing Borough Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GLOSSARY OF ACCOUNTING TERMS

The following is a brief explanation of the technical terms used in this publication:-

ACCOUNTING PERIOD	The period of time covered by the accounts. The current year is 2017/18 which means the year commencing 1st April 2017 and ending 31st March 2018. The end of the accounting period is the date at which the balance sheet is drawn up.
ACCRUAL	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.
ACTUARIAL ASSUMPTION	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.
ACTUARIAL GAINS AND LOSSES	Actuarial gains and losses which may result from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
ASSET	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.
AMORTISED COST	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.
BALANCE SHEET	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
CAPITAL CHARGE	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.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	The proceeds from the sale of fixed assets.

CASH EQUIVALENTS	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.
COMMUNITY ASSETS	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.
CONSISTENCY	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENT LIABILITY	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.
CREDITORS	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
CURRENT ASSETS/LIABILITIES	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
CURRENT SERVICE COST	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.
CURTAILMENT	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
DEBTORS	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
DEFINED BENEFIT SCHEME	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).
DEPRECIATION	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
EXPENDITURE	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

FAIR PRESENTATION	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.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
FINANCE LEASE	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.
FINANCIAL INSTRUMENT	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
IMPAIRMENT OF ASSETS	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
INFRASTRUCTURE ASSETS	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
INTANGIBLE ASSETS	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	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.
INVESTMENTS	Current asset investments that are readily disposable by the Council without disrupting its business.
INVESTMENT PROPERTIES	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
LIQUID RESOURCES	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.
NET BOOK VALUE	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.
OPERATING LEASE	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.

POST BALANCE SHEET EVENTS	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.
PROVISION	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.
PRIOR YEAR ADJUSTMENT	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
PRUDENCE	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.
PUBLIC WORKS LOAN BOARD (PWLB)	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.
REMUNERATION	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.
RESERVES	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.
TO DEBIT	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
TO CREDIT	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
TRUE AND FAIR VIEW	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
VIREMENT	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

Emma Thomas,
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ADUR DISTRICT
COUNCIL

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To:
Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading RG1 1YE.

Date: 20 July 2018
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

ADUR DISTRICT COUNCIL – AUDIT FOR THE YEAR ENDED 31 MARCH 2018

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 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Council as of 31 March 2018 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 2017/18.

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

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

A. FINANCIAL STATEMENTS AND FINANCIAL RECORDS

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. NON-COMPLIANCE WITH LAW AND REGULATIONS, INCLUDING FRAUD

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. 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.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees held through the period to the most recent meeting on the following date: 31 July 2018.

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 period 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.

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
www.adur-worthing.gov.uk

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.

D. LIABILITIES AND CONTINGENCIES

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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

E. SUBSEQUENT EVENTS

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. OTHER INFORMATION

1. We acknowledge our responsibility for the preparation of the other information.

2. We confirm that the content contained within the other information is consistent with the financial statements.

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 Property, Plant and Equipment 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. 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 the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

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

I. RETIREMENT BENEFITS

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

SIGNED ON BEHALF OF ADUR DISTRICT COUNCIL

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 31st July 2018.

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Date: 31 July 2018

Name: Councillor George Barton

Position: Chairman, Joint Governance Committee

Date: 31 July 2018

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WORTHING BOROUGH
COUNCIL

Worthing Borough Council
Worthing Town Hall
Chapel Road
Worthing
West Sussex, BN11 1HA
www.adur-worthing.gov.uk

To:
Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading RG1 1YE

Date: 19 July 2018
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

WORTHING BOROUGH COUNCIL –
AUDIT FOR THE YEAR ENDED 31 MARCH 2018

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 2018. 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 2018 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 2017/18.

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

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

A. FINANCIAL STATEMENTS AND FINANCIAL RECORDS

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. NON-COMPLIANCE WITH LAW AND REGULATIONS, INCLUDING FRAUD

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. 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.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

    - Additional information that you have requested from us for the purpose of the audit; and

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees held through the period to the most recent meeting on the following date: 31 July 2018.

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 period 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.

D. LIABILITIES AND CONTINGENCIES

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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

E. SUBSEQUENT EVENTS

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. OTHER INFORMATION

1. We acknowledge our responsibility for the preparation of the other information.

2. We confirm that the content contained within the other information is consistent with the financial statements.

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 Property, Plant and Equipment 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. 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 the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

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

I. RETIREMENT BENEFITS

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

SIGNED ON BEHALF OF WORTHING BOROUGH COUNCIL

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 31st July 2018.

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Date: 31 July 2018

Name: Councillor Lionel Harman

Position: Chairman, Joint Governance Committee

Date: 31 July 2018

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Adur District Council
Audit results report

Year ended 31 March 2018

19 July 2018

EY
Building a better working world

Private and Confidential 19 July 2018

Dear Joint Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Governance Committee. This report summarises our audit conclusion in relation to the audit of Adur District Council (the Council) for 2017/18.

We have substantially completed our audit of the Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

We are reporting a number of matters on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Joint Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 31 July 2018.

Yours faithfully

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Adur District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee, and management of Adur District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Adur District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 30 January 2018 Joint Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We provided a verbal update to our Audit Plan at the meeting to include the other risk relating to faster close, which is detailed at page 13 in this report. We carried out our audit in accordance with that plan.

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.054m (Audit Planning Report – £1.04m). This results in updated performance materiality, at 75% of overall materiality, of £0.79m, and an updated threshold for reporting misstatements of £52,000.

We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Review of disclosure notes, including the Expenditure Funding Analysis; cash flow statement; financial instruments and final review of related parties
- Review of significant contracts
- Completion of closing audit procedures
- Completion of subsequent events review
- Review of the final statements and updating working papers to reflect the changes;
- Final review of the file by the Associate Partner; and
- Receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

We have not identified any uncorrected misstatements.

We identified audit differences with an aggregated impact of £1.57 million which have been adjusted by management.

Details can be found in Section 4 Audit Differences.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

- The medium term financial position

Our findings and conclusions in respect of this risk are set out at Section 05 Value for Money Conclusion Risks. We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:

- IAS 19 disclosures;
- NDR appeals provision; and
- Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation

Significant Risk

Significant risk

Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- Formed an expectation of the movements we expected to see in the Balance Sheet from the prior year, based on our review of minutes and reports and meetings with officers through the year. We reviewed, gained an understanding of and tested the movements in accounts receivable and accounts payable balances within the Balance Sheet from the prior year and challenged where those movements were outside our expectations.
- Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
  - IAS 19 disclosures;
  - NDR appeals provision; and
  - Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

  We found that the valuation method for each of the above has not changed from prior years although errors were identified in the base data used for certain asset valuations. More detail can be found on page 11.
- Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.

Other risk

Valuation of Land and Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represents significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

We have:

- Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for land and buildings within Plant, Property and Equipment. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements,

What are our conclusions?

We did not identify any significant issues as a result of our work and conclude that land and buildings are correctly valued in the financial statements.

Significant Risk

Other risk

Pension asset valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £35 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Adur District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We identified that the Fund value at 31 March 2018 used by the actuary in their report was understated. The actuary uses the Fund value as at 31 December and estimates how Fund performance will affect the values as at 31 March. The Fund performance was significantly higher than the benchmark in Quarter 4 and this caused the difference between the actuary's estimation and the actual Fund value to be significant for 2017/18. The Council requested the actuary to re-issue their IAS 19 report, using the actual Fund value at 31 March 2018. The Council amended their financial statements to reflect the revised report. The effect of this was to decrease the pension liability in the Balance Sheet by £1.57 million to £28.75 million. The amendment to the financial statements are included in the summary of adjusted difference in Section 4 of this report.

What are our conclusions?

We are satisfied that the required IAS 19 disclosures have been reflected in the financial statements and are based on accurate supporting information.

Other risk

Earlier deadline for production of the financial statements

What did we do?

We have:

- Worked with the Council to engage early to facilitate early substantive testing where appropriate.
- Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Worked with the Council to implement EY Client Portal, this:
  - Streamlined our audit requests through a reduction of emails and improved means of communication;
  - Provided on –demand visibility into the status of audit requests and the overall audit status;
  - Reduced risk of duplicate requests; and
  - Provided better security of sensitive data.
- Agreed the team and timing of each element of our work with you; and
- Agreed the supporting working papers that we require to complete our audit.

What is the risk?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provided risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we required:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If were unable to meet key dates within our agreed timetable, we notified you of the impact on the timing of your audit.

Where additional work was required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we notified you of the impact on the fee and the timing of the audit.

What are our conclusions?

The risk did not crystallise and we anticipate being in a position to issue the audit report by the 31 July deadline.

Areas of Audit Focus

IFRS 15 Implementation

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue. IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. This new standard has been adopted into the code for 2018/19. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

Adur District Council is aware of this new standard, but has not yet carried out a detailed assessment as, based on CIPFA advice, they believe that the new requirement will not have a substantial effect on the Authority's financial statements. They will continue to monitor and review any guidance in preparation of the 2018/19 accounts.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

Opinion

We have audited the financial statements of Adur District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund,
- and the related notes 1 to 42
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

Draft audit report

Our opinion on the financial statements

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 25, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

Draft audit report

Our opinion on the financial statements

conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Adur District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Adur District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Adur District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Adur District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
xx July 2018

Draft audit report

Our opinion on the financial statements

The maintenance and integrity of the Adur District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatement greater than £0.79 million which have been corrected by management that were identified during the course of our audit:

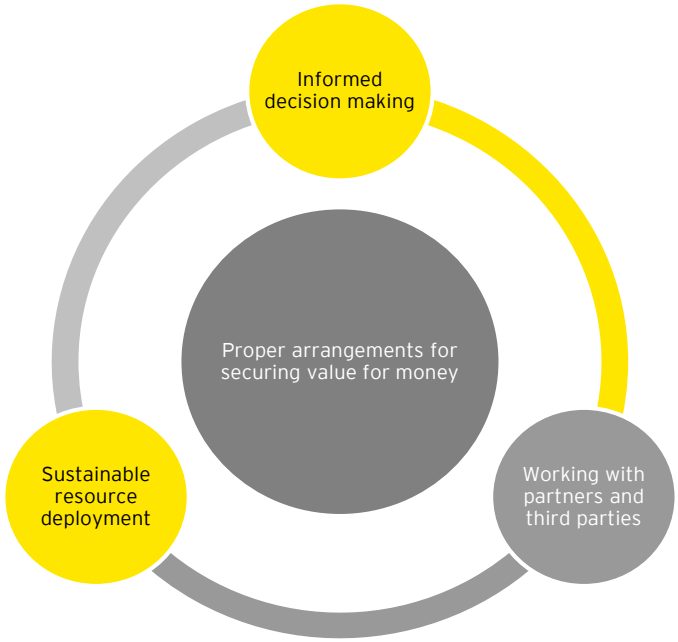
- £1.57 million increase in the value of the pension asset and corresponding effect on the other comprehensive income. The actuary uses the Fund value as at 31 December and estimates how Fund performance will affect the values as at 31 March. The Fund performance was significantly higher than the benchmark in Q4 and this has caused the difference between the actuary's estimation and the actual Fund value. The actuary consequently re-issued their report using the actual Fund value.

Summary of unadjusted differences

We did not identify and unadjusted differences.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risks around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
Medium term financial position ***The risk is that the Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*** The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2017/18 budget, and your financial monitoring is suggesting a forecast marginal underspend of £176,000 compared to the budget. We also note that according to the MTFS the Council needs to deliver savings of £4.024 million over the next four years. These savings have not yet been identified. At 31 March 2017, the Council had £1.323 million of usable revenue reserves. This included your General Fund reserve which at the end of the 2016/17 financial year, was just below the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved.	Deploy resources in a sustainable manner	We have: ▸ Used the PSAA's value for money profile tool to assess Council spending against similar councils. ▸ Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial plan. ▸ Reviewed the outturn position against budget for 2017/18 and the Council's financial position at 31 March 2018. ▸ Reviewed the Council's monitoring of savings required in service budgets. In summary, we remain satisfied that the MTFS has been prudently updated in the light of the current economic climate and that the assumptions underpinning it remain reasonable. However, there is still significant uncertainty over future funding from Central Government. Therefore, the Council needs to continue to seek out methods to generate savings without impacting on services and retaining a sustainable financial position. Our detailed findings are set out on page 24.

Other matters to bring to your attention

What are our findings?

Deploy resources in a sustainable manner - Medium term financial position

We reviewed the PSAA's value for money profile tools which compared the Council to its nearest statistical neighbours. This highlighted a number of areas where the Council's expenditure is significantly higher or lower than other similar councils. Many of these areas are where the Council's reportedly higher spending result from the specific nature or arrangements at the Council, such as its size (which typically means higher cost per head, as one of the smallest authorities) or partnership working arrangements which result in low administration costs. Further, there are unique demographic and geographical influences on these factors. Spend on Housing Services per head continues to be significant higher than average, for example, while net spend on Housing Benefit administration continues to be significant below the average. Each of these specific areas are known to the Council and areas of specific focus. The fact these figures are higher than statistical neighbours does not suggest the Council doesn't have proper arrangements in place to achieve economy, efficiency and effectiveness.

The Council's medium term forecast demonstrates a cumulative budget gap of around £4.07 million up to the end of 2020/21. The Council recognises that reserves cannot, and should not, be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings and we note from the Medium Term Financial Strategy that there is no planned future use of reserves to address budget gaps. The assumptions within these plans appear reasonable. At this point, having reviewed the 2017/18 outturn and the Medium Term Financial Strategy, we judge the Council to be financially resilient for the foreseeable future, and that the measures taken during 2017/18 have been both robust and proportionate. It is important that the Council continues its track record of delivering its planned budget and savings.

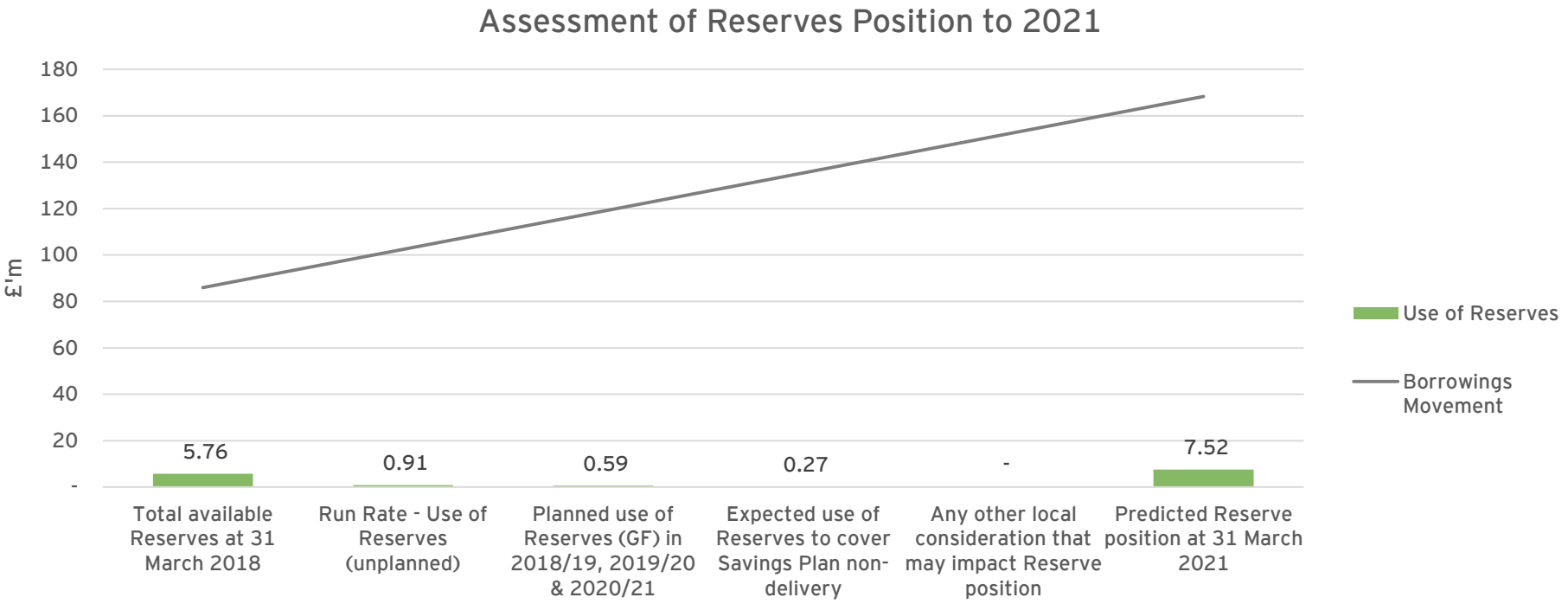
The Council has achieved it's budget for 2017/18, and has succeeded in strengthening it's financial position from that at 31 March 2017. The Council is considering a policy of borrowing to invest in property, to generate income to assist in bridging the budget gap and becoming more financially resilient. We have assessed these plans and concluded that the Council has thoroughly researched the possibility of investing in a larger commercial portfolio. They have considered the risks and rewards to the Council and the legal and Code requirements and limitations. The policy is used by an increasing number of Councils, so is not a new one for Local Government bodies. The Council has set up comprehensive procedures for evaluating potential purchases.

As noted above, delivery of previous saving requirements within service budgets indicates the Council's ability to monitor effectively those saving requirements to ensure appropriate delivery. We note that in 2017/18, the Council's monitoring of savings was effective and resulted in savings and additional income of £1.093 million being identified. This meant the Council's outturn position was a surplus of £495,000 compared to budgeted expenditure for the period. We have confirmed that this monitoring process remains in place for 2018/19 and is appropriate to identify any deviation from within the saving requirement. The Council has detailed savings plans in place as part of its achieving financial sustainability strategy. This strategy commenced three years ago and the Council has delivered against the plans in each of the years since it started. This strategy covers three key savings/income generation strands which are: strategic property investment; commercial growth; and digital service redesign.

We recognise that the financial challenge to the Council remains, and there are savings requirements in the next three years. The Council's budget planning cycle for 2018/19 is now complete, having set a balanced budget. However, the Council is continuing to identify further potential savings. Based on previous experience of the Council's budget process, whereby the savings required have been detailed in the budget book and through budget monitoring procedures down to service or activity level, we have concluded that the saving requirements will be appropriately identified and monitored.

Value for Money

As part of our assessment of your proper arrangements, we considered the Council's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.



Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next three years;
- The Council's planned use of reserves to support the General Fund budget in each of the next three years;
- the Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Council's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at 31 March 2021 will remain above the Council's approved minimum level.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Narrative Statement in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Data Analytics

Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Joint Governance Committee on 30 January 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Governance Committee on 31 July 2018.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2016/17	Final Fee 2016/17
	£	£	£	£
Total Fee – Code work	TBC	48,122	48,122	48,122
Other non-audit services not covered above (Housing Benefits)	TBC	27,019	12,230	12,230
Non-audit work: Certification of pooling of housing capital receipts subsidy claims for 2014/15, 2015/16 and 2016/17	TBC	12,000	-	-
Total fees	TBC	60,631	60,352	60,352

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For Adur District Council our indicative fee was set at the scale fee level. This indicative fee was based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

We are discussing additional fees with officers in relation to the additional work required to audit the Council's asset valuations due to the errors identified.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

10 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – January 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – January 2018
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report – January 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Adur District Council's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report – July 2018
Subsequent events	▸ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – July 2018

Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council
	▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:
	  ▸ Management;
	  ▸ Employees who have significant roles in internal control; or
	  ▸ Others where the fraud results in a material misstatement in the financial statements.
	▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▸ Any other matters related to fraud, relevant to Joint Governance Committee responsibility.
		Audit results report – July 2018

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	Audit results report – July 2018
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – January 2018 and Audit results report – July 2018
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – July 2018
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – July 2018
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2018
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report – January 2018 and Audit results report – July 2018
Certification work	▸ Summary of certification work	Certification Report – January 2019

Management representation letter

Management Rep Letter

Ernst & Young LLP

Wessex House
19 Threefield Lane
Southampton
Hampshire
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Adur District Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Council as of 31 March 2018 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 2017/18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Joint Governance Committee held through the year to the most recent meeting on the following date: 12 July 2018.
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.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. 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.

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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 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. 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 the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

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

Signed on behalf of Adur District Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 31 July 2018

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Date:

Name: Councillor George Barton

Position: Chairman, Joint Governance Committee

Date:

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Worthing Borough Council
Audit results report

Year ended 31 March 2018

19 July 2018

Building a better working world

Private and Confidential 19 July 2018

Dear Joint Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Governance Committee. This report summarises our audit conclusion in relation to the audit of Worthing Borough Council (the Council) for 2017/18.

We have substantially completed our audit of the Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

We are reporting a number of matters on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Joint Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 31 July 2018.

Yours faithfully

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Worthing Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee, and management of Worthing Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Worthing Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 30 January 2018 Joint Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We provided a verbal update to our Audit Plan at the meeting to include the other risk relating to faster close, which is detailed at page 13 in this report. We carried out our audit in accordance with that plan.

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.36m (Audit Planning Report – £1.2m). This results in updated performance materiality, at 75% of overall materiality, of £1.02m, and an updated threshold for reporting misstatements of £68,000.

We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Review of the Expenditure Funding Analysis
- Review of significant contracts
- Completion of closing audit procedures
- Completion of subsequent events review
- Review of the final statements and updating working papers to reflect the changes;
- Final review of the file by the Associate Partner; and
- Receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We have not identified any uncorrected misstatements.

We identified audit differences totalling £4.09 with an aggregated impact of £1.172 million on the income statement which have been adjusted by management.

Details can be found in Section 4 Audit Differences.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

- The medium term financial position

Our findings in respect of this risk are set out in Section 05 Value for Money Risks. We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:

- IAS 19 disclosures;
- NDR appeals provision; and
- Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation

Significant Risk

Significant risk

Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- Formed an expectation of the movements we expected to see in the Balance Sheet from the prior year, based on our review of minutes and reports and meetings with officers through the year. We reviewed, gained an understanding of and tested the movements in accounts receivable and accounts payable balances within the Balance Sheet from the prior year and challenged where those movements were outside our expectations.
- Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
  - IAS 19 disclosures;
  - NDR appeals provision; and
  - Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

  We found that the valuation method for each of the above has not changed from prior years although errors were identified in the base data used for certain asset valuations. More detail can be found on page 11.
- Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.

Other risk

Valuation of Land and Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

We have:

- Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for land and buildings within Plant, Property and Equipment and annually for Investment Properties. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements,

What are our conclusions?

As a result of our review the Council identified two valuation differences within our sample both due to the Gross Internal Area being used to calculate the valuation rather than the Net Internal Area. The RICS Property Measurement 2nd Edition requires office accommodation to be valued on a NIA basis rather than GIA. The first related to the Town Hall, the GIA used was 5447 sq.m compared to a NIA of 2447 sq.m resulting in the asset being overstated by £3 million. The second related to Portland House, the GIA used was 2624 sq.m compared to a NIA of 1958 sq.m resulting in the asset being overstated by £100,800.

We have confirmed these errors are isolated in nature and as they have been corrected we conclude that land and buildings are correctly valued in the financial statements.

Other risk

Pension asset valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £40 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Worthing Borough Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We identified that the Fund value at 31 March 2018 used by the actuary in their report was understated. The actuary uses the Fund value as at 31 December and estimates how Fund performance will affect the values as at 31 March. The Fund performance was significantly higher than the benchmark in Quarter 4 and this caused the difference between the actuary's estimation and the actual Fund value to be significant for 2017/18. The Council requested the actuary to re-issue their IAS 19 report, using the actual Fund value at 31 March 2018. The Council amended their financial statements to reflect the revised report. The effect of this was to decrease the pension liability in the Balance Sheet by £1.76 million to £32.6 million. The amendment to the financial statements are included in the summary of adjusted difference in Section 4 of this report.

What are our conclusions?

We are satisfied that the required IAS 19 disclosures have been reflected in the financial statements and are based on accurate supporting information.

Other risk

Earlier deadline for production of the financial statements

What did we do?

We have:

- Worked with the Council to engage early to facilitate early substantive testing where appropriate.
- Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Worked with the Council to implement EY Client Portal, this:
  - Streamlined our audit requests through a reduction of emails and improved means of communication;
  - Provided on –demand visibility into the status of audit requests and the overall audit status;
  - Reduced risk of duplicate requests; and
  - Provided better security of sensitive data.
- Agreed the team and timing of each element of our work with you; and
- Agreed the supporting working papers that we require to complete our audit.

What is the risk?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provided risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we required:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If were unable to meet key dates within our agreed timetable, we notified you of the impact on the timing of your audit.

Where additional work was required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we notified you of the impact on the fee and the timing of the audit.

What are our conclusions?

The risk did not crystallise and we anticipate being in a position to issue the audit report by the 31 July deadline.

Areas of Audit Focus

IFRS 15 Implementation

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue. IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. This new standard has been adopted into the code for 2018/19. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

Worthing Borough Council is aware of this new standard, but has not yet carried out an detailed assessment as, based on CIPFA advice, they believe that the new requirement will not have a substantial effect on the Authority's financial statements. They will continue to monitor and review any guidance in preparation of the 2018/19 accounts.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund,
- and the related notes 1 to 42.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

Draft audit report

Our opinion on the financial statements

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer' Responsibilities set out on page 27, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

Draft audit report

Our opinion on the financial statements

conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Worthing Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Worthing Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Worthing Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2018

Draft audit report

Our opinion on the financial statements

The maintenance and integrity of the Worthing Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £1.02m which have been corrected by management that were identified during the course of our audit:

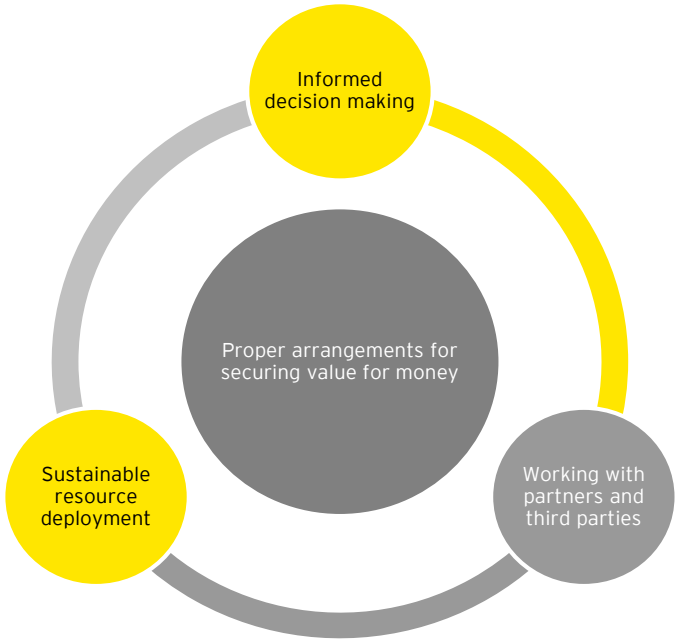
- £1.76 million decrease in the value of the pension liability and corresponding effect on the other comprehensive income. The actuary uses the Fund value as at 31 December and estimates how Fund performance will affect the values as at 31 March. The Fund performance was significantly higher than the benchmark in Q4 and this has caused the difference between the actuary's estimation and the actual Fund value. The actuary consequently re-issued their report using the actual Fund value.
- £1.19 million misclassification of the disabled facilities grant credited to expenditure in error.
- £1.14 million adjustment to the revaluation reserve in respect of errors identified in the floor area data used by the valuers, in part through incorrect data being supplied to the valuer and in part the valuer misinterpreting the data being supplied.

Summary of unadjusted differences

We did not identify and unadjusted differences.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risks around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
Medium term financial position ***The risk is that the Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*** The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2017/18 budget, and your financial monitoring is suggesting a forecast marginal underspend of £117 thousand compared to the budget. We note that according to the MTFS the Council needs to deliver savings of £3.3 million over the next four years. These savings have not yet been identified. At 31 March 2017, the Council had £3.032 million of usable revenue reserves. This included your General Fund reserve which at the end of the 2016/17 financial year, was just below the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved.	Deploy resources in a sustainable manner	We have: ▸ Used the PSAA's value for money profile tool to assess Council spending against similar councils. ▸ Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial plan. ▸ Reviewed the outturn position against budget for 2017/18 and the Council's financial position at 31 March 2018. ▸ Reviewed the Council's monitoring of savings required in service budgets. In summary, we remain satisfied that the MTFS has been prudently updated in the light of the current economic climate and that the assumptions underpinning it remain reasonable. However, there is still significant uncertainty over future funding from Central Government. Therefore, the Council needs to continue to seek out methods to generate savings without impacting on services and retaining a sustainable financial position. Our detailed findings are set out on page 24.

Other matters to bring to your attention

What are our findings?

Deploy resources in a sustainable manner - Medium term financial position

We reviewed the PSAA's value for money profile tools which compared the Council to its nearest statistical neighbours. This highlighted a number of areas where the Council's expenditure is significantly higher or lower than other similar councils. Many of these areas are where the Council's reportedly higher spending result from the specific nature or arrangements at the Council, such as its size (which typically means higher cost per head, as one of the smallest authorities) or partnership working arrangements which result in low administration costs. Further, there are unique demographic and geographical influences on these factors. Spend on Housing Services per head continues to be significant higher than average, for example, while net spend on Housing Benefit administration continues to be significant below the average. Each of these specific areas are known to the Council and areas of specific focus. The fact these figures are higher than statistical neighbours does not suggest the Council doesn't have proper arrangements in place to achieve economy, efficiency and effectiveness.

The Council's medium term forecast demonstrates a cumulative budget gap of around £6 million up to the end of 2020/21. The Council recognises that reserves cannot, and should not, be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings and we note from the Medium Term Financial Strategy that there is no planned future use of reserves to address budget gaps. The assumptions within these plans appear reasonable. At this point, having reviewed the 2017/18 outturn and the Medium Term Financial Strategy, we judge the Council to be financially resilient for the foreseeable future, and that the measures taken during 2017/18 have been both robust and proportionate. It is important that the Council continues its track record of delivering its planned budget and savings.

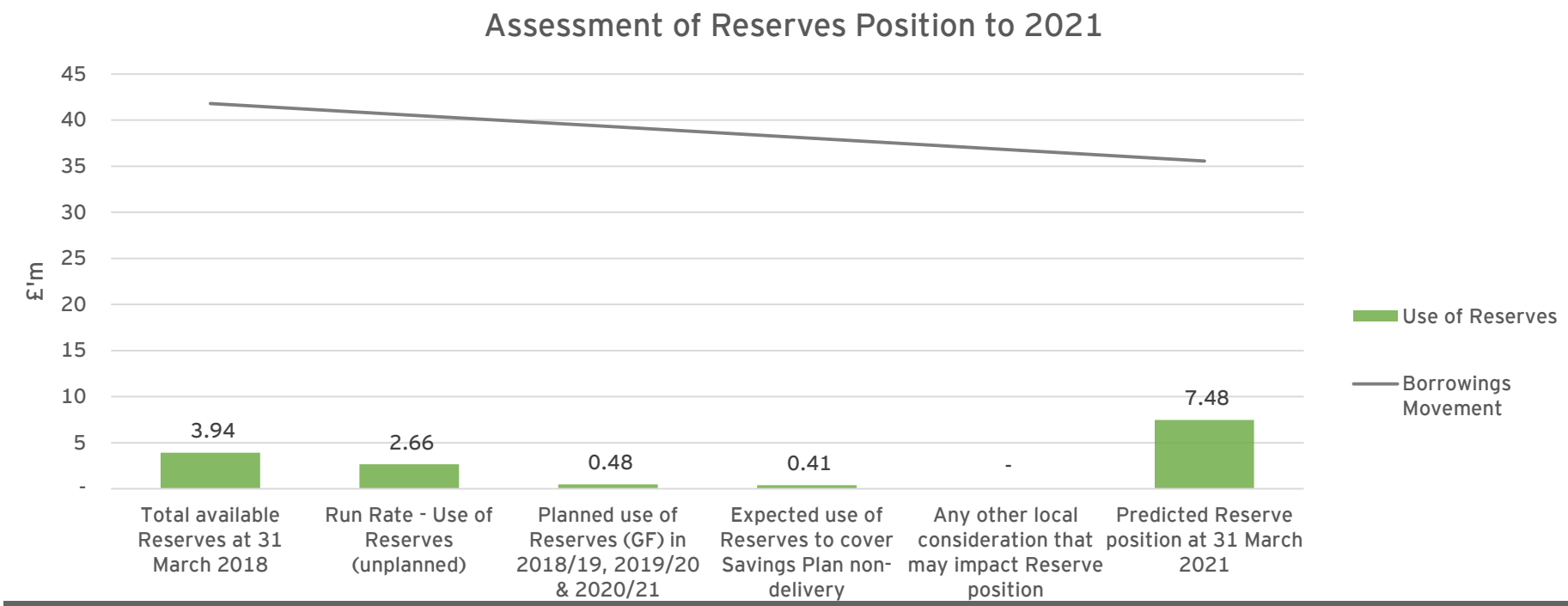
The Council has achieved its budget for 2017/18, and has succeeded in strengthening its financial position from that at 31 March 2017. The Council is considering a policy of borrowing to invest in property, to generate income to assist in bridging the budget gap and becoming more financially resilient. We have assessed these plans and concluded that the Council has thoroughly researched the possibility of investing in a larger commercial portfolio. They have considered the risks and rewards to the Council and the legal and Code requirements and limitations. The policy is used by an increasing number of Councils, so is not a new one for Local Government bodies. The Council has set up comprehensive procedures for evaluating potential purchases.

As noted above, delivery of previous saving requirements within service budgets indicates the Council's ability to monitor effectively those saving requirements to ensure appropriate delivery. We note that in 2017/18, the Council's monitoring of savings was effective and resulted in savings and additional income of £1.7 million being identified. This meant the Council's outturn position was a surplus of £813,000 compared to budgeted expenditure for the period. We have confirmed that this monitoring process remains in place for 2018/19 and is appropriate to identify any deviation from within the saving requirement. The Council has detailed savings plans in place as part of its achieving financial sustainability strategy. This strategy commenced three years ago and the Council has delivered against the plans in each of the years since it started. This strategy covers three key savings/income generation strands which are: strategic property investment; commercial growth; and digital service redesign.

We recognise that the financial challenge to the Council remains, and there are savings requirements in the next three years. The Council's budget planning cycle for 2018/19 is now complete, having set a balanced budget. However, the Council is continuing to identify further potential savings. Based on previous experience of the Council's budget process, whereby the savings required have been detailed in the budget book and through budget monitoring procedures down to service or activity level, we have concluded that the saving requirements will be appropriately identified and monitored.

Value for Money

As part of our assessment of your proper arrangements, we considered the Council's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.



Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next three years;
- The Council's planned use of reserves to support the General Fund budget in each of the next three years;
- the Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Council's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at 31 March 2021 will remain above the Council's approved minimum level.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Narrative Statement in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Data Analytics

Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Joint Governance Committee on 30 January 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Governance Committee on 31 July 2018.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2016/17	Final Fee 2016/17
	£	£	£	£
Total Fee – Code work	TBC	47,157	47,157	47,157
Other non-audit services not covered above (Housing Benefits)	TBC	8,184	6,716	10,698
Total fees	TBC	55,341	53,873	57,855

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For Worthing Borough Council our indicative fee was set at the scale fee level. This indicative fee was based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

We are discussing additional fees with officers in relation to the additional work required to audit the Council's asset valuations due to the errors identified.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

10 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – January 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – January 2018
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report – January 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Worthing Borough Council's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report – July 2018
Subsequent events	▸ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – July 2018

Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council
	▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:
	  ▸ Management;
	  ▸ Employees who have significant roles in internal control; or
	  ▸ Others where the fraud results in a material misstatement in the financial statements.
	▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▸ Any other matters related to fraud, relevant to Joint Governance Committee responsibility.
		Audit results report – July 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	Audit results report – July 2018
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – January 2018 and Audit results report – July 2018
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – July 2018
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – July 2018
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2018
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report – January 2018 and Audit results report – July 2018
Certification work	▸ Summary of certification work	Certification Report – January 2019

Management representation letter

Management Rep Letter

Ernst & Young LLP

Wessex House
19 Threefield Lane
Southampton
Hampshire
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council ("the Council") for the year ended 31 March 2018. 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 2018 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 2017/18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Joint Governance Committee held through the year to the most recent meeting on the following date: 12 July 2018.
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.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. 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.

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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. 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 the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

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

Signed on behalf of Worthing Borough Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 12 July 2018

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Date:

Name: Councillor Lionel Harman

Position: Chairman, Joint Governance Committee

Date:

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ED None

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Joint Governance Committee
31 July 2018
Agenda Item 8

ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT

REPORT BY THE ACTING HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

This report seeks to update Members of this Committee with:

1.1 The current performance of the Internal Audit Section.
1.2 Summary information on the key issues raised in final audit reports issued since our last report to the Committee.
1.3 The current status on the implementation of agreed audit recommendations.
1.4 An update on progress on actions arising from the ADC Leaseholder Charges audit.

2. Recommendations

2.1 **Recommendation One**

That the Committee note the contents of this report.

3. Context

3.1 Background

Each quarter, a report is produced for this Committee which details the Internal Audit Section's performance against the current Annual Internal Audit Plan and summarises the results of audit work carried out.

4. Issues for Consideration

4.1 <u>Internal Audit Performance - 2018/19</u>

The 2018/19 Annual Internal Audit Plan presented to the Joint Governance Committee on 27th March 2018 contained 511 days and 36 items of audit work to be undertaken by the Internal Audit Service during the year.

Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	6	73.5	14.4%
Quarter 2 (July – September)	8	97.5	19.1%
Quarter 3 (October – December)	14	193.5	37.8%
Quarter 4 (January – March)	10	146.5	28.7%
	38	**511**	**100%**

As at 30th June, 84.4 days (16.5%) of the planned days had been delivered. Attached as **Appendix 1** is a summary of the current status of audits in the plan.

4.2 Final Audit Reports

Recommendations made in audit reports are categorised according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management.
Priority 2	Other recommendations for local management action.
Priority 3	Minor matters.

Internal Audit's assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system's control adequacy. The assurance levels and their associated explanations are:-

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

A summary of the final reports issued since our last report to this Committee, including the key issued raised, is attached as **Appendix 2**.

Since our report to the Committee in March 2018, nine reports have been finalised; five of these were Satisfactory Assurance, three were Limited Assurance and one was not given an assurance opinion. Twenty P1 recommendations were raised within these reports.

Details of the Priority 1 and Priority 2 recommendations raised within these reports have been circulated to Members prior to the meeting in a separate briefing note.

4.3 Follow up of Audit Recommendations

In accordance with the Council's Follow-Up Protocol, we have continued following-up the status of implementation of recommendations contained in final audit reports. The Audit App is now used to monitor the implementation of recommendations.

Follow-up is undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The current performance in relation to these targets for the last 3 years is shown in the tables below:

Analysis of status of recommendations 2015/16

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	45	41	**91.1%**	2	**4.45%**	2	4.45%	0	0%	**8.9 %**	2	47
P2	89	70	**78.7%**	11	**12.3%**	8	9%	0	0%	**21.3%**	8	97
P3	20	16	**80%**	3	**15%**	1	5%	0	0%	**20%**	0	20
Total	**154**	**127**	**82.5%**	**16**	**10.4%**	**11**	**7.1%**	**0**	**0%**	**71.5%**	**10**	**164**

As requested by the Committee at its' March meeting, we have reviewed the relevance of the outstanding 2015/16 recommendations and can confirm that those not yet implemented are still relevant and will therefore continue to be monitored.

Analysis of status of recommendations 2016/17

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	17	13	**76.5%**	0	**0%**	4	23.5%	0	0%	**23.5%**	0	17
P2	92	56	**60.9%**	9	**9.7%**	27	29.4%	0	0%	**39.1%**	0	92
P3	11	7	**63.6%**	0	**0%**	4	36.4%	0	0%	**36.4%**	0	11
Other	18	13	**72.2%**	0	**0%**	5	27.8%	0	0%	**27.8%**	0	18
Total	**138**	**89**	**64.5%**	**9**	**6.5%**	**40**	**29%**	**0**	**0%**	**35.5%**	**0**	**138**

Analysis of status of recommendations 2017/18

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
P1	12	12	**100%**	0	**0%**	0	0%	0	0%	**0%**	18	30
P2	19	17	**89.5%**	0	**0%**	0	0%	2	10.5%	**10.5%**	40	59
P3	12	11	**91.7%**	0	**0%**	1	8.3%	0	0%	**8.3%**	8	20
Other	0	0	**0%**	0	**0%**	0	0%	0	0%	**0%**	1	1
Total	**43**	**40**	**93%**	**0**	**0%**	**1**	**2.3%**	**2**	**4.7%**	**7%**	**67**	**110**

Attached as **Appendices 3, 4 & 5,** are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2015/16, 2016/17 and 2017/18 Audit Plans. The shaded boxes indicate where changes have occurred since our last report.

4.4 <u>ADC Leaseholder Charges</u>

At its' meeting on 31st May, the Committee requested that an update on progress in respect of the No Assurance Leaseholder Charges Final audit report (March 2018), be brought to the Committee at its' September meeting.

In preparation for this, a meeting has been held with the Director of Communities, Head of Housing and Interim Leasehold Manager to review the actions required as we were advised of capacity issues within the Leasehold Team due to one officer's long term sick leave, the departure of the other team member and the joint responsibilities of the Interim Leasehold Manager.

As a result of this meeting an Action Plan has been produced and will be used by the Leaseholder Service to monitor actions. This Action Plan is included in the Member's Briefing Note circulated prior to this meeting and Officers will provide a more detailed update to the Committee in September as requested.

5. Engagement and Communication

5.1 Internal Audit attends monthly meetings with the Chief Financial Officer on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary.

6 Financial Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 There are no legal matters arising as a result of this report.

Background Papers

None

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The report does not seek to meet any particular Council priority.

APPENDIX 1

	Project	Field Work complete	Draft Issued	Final Issued	Assurance level	1	2	3	Total	P1 issues
1	Right to Buy	Y	Y							
1	Bereavement Services	Y	UR							
1	Business Travel - Vehicles	Y	Y							
1	Place & Economy	Y	UR							
1	Disabled Adaptations	WIP								
1	Car Parks - LED replacement lighting contract	WIP								
2	Private Sector Leasing									
2	Air/Water Quality & Pollution									
2	NSL Contract Management	WIP								
2	Corporate Governance	P								
2	Energy Management									
2	Development Management									
2	Fire Doors - vertical contract audit	WIP								
2	Emergency Planning & Business Continuity									
3	Rent Collection and Collection of Arrears									
3	General Ledger									
3	Creditors									
3	Debtors									
3	Cashiering									
3	Revenues (Council Tax & NDR)									
3	Benefits									
3	Asset Management									
3	Compliance with the Freedom of Information Act									
3	Waste Management	P								
3	Theatres Box Office									
3	Contact Centre - management of call volumes									
3	Computer audit to be agreed following ICT Needs Assessment									
3	Computer audit to be agreed following ICT Needs Assessment									
4	Tenancy Management									
4	Health & Safety									
4	Risk Management									
4	Capital & Fixed Asset Accounting									
4	Treasury Management									
4	Payroll									
4	Food Hygene & Licensing for Businesses									
4	Construction - Adur Civic Centre Phase 1									
4	Computer audit to be agreed following ICT Needs Assessment									
4	Computer audit to be agreed following ICT Needs Assessment									

KEY

P = PLANNING

WIP = WORK IN PROGRESS

UR = UNDER REVIEW

Key issues from finalised audits

Appendix 2

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised
Project Management (2015/16)	**Limited** (Two Priority 1 and Eight Priority 2 recommendations)	The P1 recommendations raised were in respect of:- - The lack of Project Management Strategy/corporate approach - Projects being subject to risk identification, assessment and management.
Capital Accounting (2017/18)	**Satisfactory** (One Priority 2 recommendation)	No P1 recommendations raised.
Compliance with DPA (2017/18)	**Satisfactory** (One Priority 1, Seven Priority 2 and One Priority 3 recommendations)	The P1 recommendation relates to ensuring that all staff complete mandatory training on employment and every three years thereafter.
Payroll (2017/18)	**Satisfactory** (One Priority 1, One Priority 2 and Two Priority 3 recommendations)	The P1 recommendation related to salary cut off dates in respect of Worthing Theatres' staff.
Risk Management (2017/18)	**Satisfactory** (Four Priority 2 recommendations)	No P1 recommendations raised.
Technology Strategy Review (2017/18)	**No Opinion Given** (One recommendation made)	Recommendation relates to the need for the Councils to implement an ICT Strategy aligned to Councils aims and goals.
GDPR Gap Assessment (2017/18)	**Limited** (Nine Priority 1, Seven Priority 2 and Four Priority 3 recommendations)	This audit was a gap assessment against the GDPR requirements of four key service areas. The P1 recommendations made all relate to the need of the Councils to address the gaps identified.
Revenues (2017/18)	**Satisfactory** (Three Priority 2 and Two Priority 3 recommendations)	No P1 recommendations raised.
Gas Safety Inspections (2017/18)	**Limited** (Seven Priority 1 and Thirteen Priority 2 recommendations)	The P1 recommendations were raised to address the need for: - Introducing a more timely process for monitoring of LGSR remedial actions. - Review of the escalation procedure for no access to properties. - Compliance with Contract Standing Orders (CSOs) when Consultants are employed. - Ensuring that service requirements are adequately ascertained before any procurement process is undertaken in order to ensure that the proper form of procurement takes place in accordance with the Council's CSOs. - Ensuring appropriate arrangements are made for contract re-letting or extension to allow for the process to be fully completed before the

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised
		current contract expires. - Maintaining evidence to support calculation and agreement of annual contract increases (RPI or on any other basis). - Ensuring the proper process is followed when contracts are extended and retaining supporting evidence.

2015/16 Follow up of recommendations **Appendix 3**

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Percentage of recs outstanding	Key auditees	Comments
Chief Executive																
Corporate																
Delivery of Corporate Priorities & Surf's Up Agen	*	May-16	Satisfactory	1	2	2	100%									COMPLETE
Annual Governance Statements	*	N/A	N/A													N/A
Corporate Governance	*	Jul-16	Satisfactory	1	1			1	100%							NFA - Recommendation carried forward into 16/17 audit
Risk Management	*	May-16	Satisfactory		3	1	33%	2	67%							16/17 audit confirmed 2 recs carried over and one complete
Project Management	*	**Apr-18**	**Limited**		**10**					**10**	**2**	**8**	**0**	**100%**	M Lowe	**Report only finalised in April 2018 - recommendations all due for completion July/August 2018**
Use of Consultants	*	Jun-16	Limited		11	11	100%									COMPLETE
Communications																
Communications	*	Mar-16	Limited	8												COMPLETE - new approach has superceeded recommendations made
Director for Economy																
Place & Investment																
Fixed Assets	*	Feb-17	Limited	1	5			5	100%							No update provided since Oct 17 - area is being re-audited at present so issues will be addressed and followed up as part of that audit.
Growth																
Planning Services	*	Sep-15	Satisfactory		2	2	100%									COMPLETE
Local Development Framework	*	Aug-16	Satisfactory		2	2	100%									COMPLETE
Community Infrastructure Levy	*	May-16	Satisfactory	2	1	1	100%									COMPLETE - JSC decision in Jan 18 negated the need for 2 recs.
Director for Communities																
Housing																
Housing Rents	ADC	Jun-16	Satisfactory		4	3	75%	1	25%							Audit in 16/17 confirmed that this rec is still outstanding so have been carried over into that audit
Adur Building Services DSO	ADC	Mar-16	Limited	2	15	15	100%									COMPLETE - Update provided on 2/11 confirmed remaining 2 recs have now been completed.
Wellbeing																
Public Health	*	Aug-16	Satisfactory		5	5	100%									COMPLETE
Empty Property Management	*	Jul-16	Satisfactory		4	4	100%									COMPLETE
Director for Customer Services																
Revenues & Benefits																
WBC Benefits	WBC	Jun-16	Satisfactory		3	3	100%									COMPLETE
CenSus - Council Tax	ADC	Mar-16	Satisfactory	1	4	4	100%									COMPLETE
Waste & Cleansing																
AWCS	*	Oct-15	Satisfactory		1	1	100%									COMPLETE
Customer Contact & Engagement																
Electoral Services	*	Aug-16	Limited	2	14	13	93%			1	0	1	0	7%	T Bryant	**Oustanding recommendation relates to documenting of procedures - updated provided confirmed this is being addressed when time allows and deadline has been revised to Sept 18.**
Building Control & Land Charges																
Building Control	*	Nov-15	Satisfactory		5	5	100%									COMPLETE
Director of Digital & Resources																
Finance																
General Ledger	*	Jun-16	Satisfactory		5	3	60%	2	40%							16/17 annual audit confirmed 3 recs as complete & 2 were reiterated in 16/17 report
Cashiering	*	Aug-16	Satisfactory		2	1	50%	1	50%							16/17 audit confirms this rec still to be actioned (procedures) has been reiterated in 16/17 report.
Creditors	*	Jul-16	Satisfactory		2			2	100%							16/17 audit confirmed both recs still O/S and were reiterated in 16/17 report.
Debtors	*	Apr-16	Satisfactory	1	2	2	100%									COMPLETE

Payroll	*	Apr-16	Satisfactory		4	2	50%	2	50%							16/17 audit confirms these recs are still to be actioned and have been reiterated in 16/17 report.
Corporate Fraud Management	*	N/A	No Opinion report													
Treasury Management	*	May-16	Satisfactory		2	2	100%									COMPLETE
Legal																
Design & Digital																
Freedom of Information	*	Nov-15	Limited	4	5	5	100%									COMPLETE
Performance Management	*	Oct-15	Satisfactory	5												Update provided confirmed PM process has totally been revised & recs from this audit are now no longer applicable.
Delivery of Digital Strategy	*	Feb-17	Satisfactory		2	1	50%			1	0	1	0	50%	P Brewer	**Update requested in respect of outstanding recommendation. None yet received**
Business & Technical Services																
Decent Homes - report from 14/15 fact funding	ADC	Mar-16	Nil		28	28	100%									COMPLETE
Computer Audits																
IT Resilience	*	Apr-17	Limited	1	8	2	25%			6	2	4	0	75%	R Wood	**Responsibility for audit re-assigned to new ICT Managers - Service has reviewed all 6 outstanding recommendations and confirmed that work is still required to complete them all - revised deadlines of Aug & Sept 18 set**
Public Services Network	*	Sep-15	Satisfactory		3	3	100%									COMPLETE
Cloud Computing	*	Oct-16	Satisfactory		7	**5**	**71%**			**2**	0	**1**	**1**	**29%**	R Wood	**Responsibility for audit re-assigned to new ICT Managers - Service reviewed the outstanding recommendations and confirmed that work is still required to complete 2 of them - revised deadlines of Aug & Sept 18 set**
Google Mail post implementation review	*	Jan-17	Satisfactory		2	1	50%			1	0	1	0	50%	R Wood	**Responsibility for audit re-assigned to new ICT Managers - Service reviewed the outstanding recommendation and confirmed that work is still required to complete - revised deadline of Sept 18 set**
					164	**127**	**77%**	**16**	**10%**	**21**	**4**	**16**	**1**	**13%**		

201/17 Follow up of recommendations **Appendix 4**

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
Chief Executive																	
Director for Economy																	
Culture																	
Theatres Catering	WBC	Nov-17	Limited		8					8	3	4	1		100%		**Update requested**
Place & Investment																	
Management of the Council's Commercial Property Portfolio	*	Feb-17	Satisfactory		10	**5**	**50%**			**5**	**0**	**4**	**1**		**50%**	C Cronin	**Responsibility for audit re-assigned to new Managers who have reviewed the outstanding recommendations and confirmed that work is still required to complete 5 of them - revised deadlines set**
Director for Communities																	
Housing																	
Rent Collection and Collection of Arrears	ADC	Jun-17	Satisfactory		3	3	100%										COMPLETE
Right to Buy	ADC	May-17	Satisfactory	1	4	4	100%										COMPLETE
Sheltered Accommodation	ADC	Jun-17	Satisfactory		5	5	100%										COMPLETE
Works to Void Properties	ADC	Jun-17	No		11	11	100%										COMPLETE
Wellbeing																	
Voluntary & Community - contract procurement	*	Feb-17	Limited		6	6	100%										COMPLETE
ADC Taxi Licensing fact find	ADC	Sep-17	No Opinion work	7	18	**13**	**72%**			**5**	0	0	0	**5**	**28%**	K Adderson	**Action Plan is being regularly reviewed - detailed updates being provided via Audit App - 5 outstanding recommendations still being progressed and not yet due for completion.**
Leisure																	
South Downs Leisure Trust - Contract Management	WBC	Jun-17	Satisfactory	2	4	4	100%										COMPLETE
Director for Customer Services																	
Revenues & Benefits																	
WBC Revenues (Council Tax & NDR)	WBC	Aug-17	Satisfactory	1	4	1	25%	3	75%								3 outstanding recs re-raised in 17/18 audit
WBC Benefits	WBC	Jun-17	Satisfactory		2	1	50%	1	50%								1 outstanding rec re-raised in 17/18 audit
CenSus - NDR	ADC	Jun-17	Satisfactory	**3**													Recs no longer applicabel following return of Adur NDR to A & W
Waste & Cleansing																	
Fleet & Transport Management	*	Feb-17	Satisfactory		4	3	75%			1	0	1	0		25%	A Northeast	**Update requested**
Building Control & Land Charges																	
Local Land Charges	*	Aug-16	Satisfactory		4	2	50%			2	0	2	0		50%	M Perryman	**Update requested**
Director of Digital & Resources																	
Finance																	
Medium Term Financial Strategy	*	Nov-16	Full														No recommendations to follow up
General Ledger	*	Jun-17	Satisfactory		5	2	40%	3	60%								17/18 confirmed 2 recs complete & 3 re-iterated
Capital Accounting	*	May-17	Satisfactory		1	1	100%				0						COMPLETE
Treasury Management	*	Apr-17	Satisfactory		1	1	100%										COMPLETE
Creditors	*	Mar-17	Satisfactory		2			1	50%	1	0	1	0		50%	Y Stillwell	17/18 audit confirmed oustanding rec cannot be addressed until implementation of new FMS
Debtors	*	Apr-17	Satisfactory	1	2	1	50%			1	0	1	0		50%	Y Stillwell	17/18 audit confirmed rec cannot be addressed until implementation of new FMS
Payroll	*	Apr-17	Satisfactory		9	8	89%	1	11%								17/18 audit re-iterated 1 rec.
Cashiering	*	May-17	Satisfactory	1	5	4	80%			1	0	1			20%	A Simmons	**Update requested**
Invest to Save Schemes	*	Nov-16	Satisfactory		7					7	0	7	0		100%	E Thomas	**Update requested**
Legal																	
Corporate Governance	*	Jun-17	Satisfactory		5	**2**	**40%**			**3**	1	**1**	1		**60%**	S Sale/ S Gobey	**3 recommendations are still outstanding**
Design & Digital																	
Risk Management	*	May-17	Satisfactory	1	3					3	0	2	1		100%	M Lowe	17/18 audit confirmed recs still outstanding
Business & Technical Services																	
Splashpoint Gym Equipment Fact Finding	WBC	N/A	No Opinion work														No follow up required
Corporate Planned Maintenance Programme	*	Jun-17	Satisfactory	2													No follow up required
Project Cost Control - Final Accounts - Project Closure	*	Feb-17	Satisfactory	**1**	**2**	**2**	**100%**										**COMPLETE**

Computer Audits																	
Remote Access protals/VPN	*	Apr-17	Satisfactory		2	**2**	**100%**										**COMPLETE**
Telecomm Management	*	Apr-17	Satisfactory	1	1	1	100%										COMPLETE
Cross Service Audits																	
Fire Risk Management	*	Jun-17	Satisfactory		10	7	70%			3	0	3	0		30%		**3 oustanding recommendations relate to Adur Homes - owner left so ownership has been re-assigned to Head of Housing. Update requested**
					138	**89**	**64%**	**9**	**7%**	**40**	**4**	**27**	**4**	**5**	**29%**		

2017/18 Follow up of recommendations **Appendix 5**

	Joint Audit	Final Report Date	Assurance level	Recs not applicable for follow up	Total No of Recs	Number of agreed recs completed	Percentage of recs completed	Recs carried over into next audit	%of recs carried over	Number of recs outstanding	1	2	3	Other	Percentage of recs outstanding	Key auditees	Comments
Chief Executive																	
Director for Economy																	
Place & Investment																	
Fixed Assets	*																
Director for Communities																	
Housing																	
Rent Collection and Collection of Arrears	ADC	Jan-18	Satisfactory		2					2	0	1	1	0	100%	P Turner	**Recommendations will be followed up during annual audit in Q3**
Leaseholder Charges	ADC	Mar-18	No		39	**4**	**10%**			**35**	**12**	**20**	3	0	**90%**	C Anthill/ N Freeman	Action Plans are being drawn up to address the issues.
Gas Safety Inspections	ADC	**Jul-18**	**Limited**	**4**	**16**	**11**	**69%**			**5**	**1**	**4**	**0**	**0**	**31%**	C Barber	**Recommendations to be followed up through Audit App when due**
Housing Repairs	ADC																
Homelessness - Temporary Accommodation	*																
Handyman Service	*	Jan-18	Limited	10	1	**1**	**100%**										COMPLETE - Decision taken to discontinue service therefore all other recs no longer applicable.
Garage Management	ADC																
Decorating Vouchers	ADC																
Wellbeing																	
Contract Management audit - Voluntary & Community contract	*	Feb-18	Satisfactory	1	1	**1**	**100%**										COMPLETE
Director of Digital & Resources																	
Finance																	
Budget Management	*	Dec-17	Satisfactory	1	1					1	0	1	0	0	100%	E Thomas	Recommendations to be followed up through Audit App when due
General Ledger	*	Mar-18	Satisfactory		5	**3**	**60%**			**2**	0	**2**	0	0	**40%**	J Gamlin	**Update through App confirm 3 complete & 2 still in progress**
Capital Accounting	*	**Apr-18**	**Satisfactory**		**1**					**1**	**0**	**1**	**0**	**0**	**100%**	W Baker	**Recommendations to be followed up through Audit App when due**
Treasury Management	*	Dec-17	Satisfactory		2	1	**50%**			1	0	1	0	0	50%	P Coppleman	Recommendations to be followed up through Audit App when due
Compliance with IR35 - Tax legislation	*																
Creditors	*	Feb-18	Satisfactory		2	**2**	**100%**										**COMPLETE**
Debtors	*	Feb-18	Satisfactory	1	2	**2**	**100%**										**COMPLETE**
Payroll	*	**Apr-18**	**Satisfactory**		**4**	**2**	**50%**			**2**	**0**	**1**	**1**	**0**	**50%**	G Townsend	**2 oustanding recommendations will be followed when annual audit conducted in Q4.**
Cashiering	*	Mar-18	Satisfactory		2	**1**	**50%**			**1**	0	1	**0**		**50%**	A Simmons	updated requested re outstanding recommendation
Legal																	
Corporate Governance & Ethical Standards	*	Jan-18	Satisfactory		2					2	0	2	0	0	100%	S Sale	**Recommendations will be followed up during annual audit in Q3**
Design & Digital																	
Compliance with the Data Protection Act	*	**Apr-18**	**Satisfactory**		**9**	**4**	**44%**			**5**	**1**	**4**	**0**	**0**	**56%**		**Recommendations to be followed up through Audit App when due**
Risk Management	*	**Apr-18**	**Satisfactory**		**4**					**4**	**0**	**4**	**0**	**0**	**100%**	M Lowe	**Recommendations will be followed when annual audit conducted in Q4.**
People																	
Human Resources	*	Feb-18	Limited	1	6	**6**	**100%**										**COMPLETE**
Revenues & Benefits																	
Revenues (Council Tax & NDR)	*	**Jul-18**	**Satisfactory**	**1**	**3**					**3**	**0**	**2**	**1**	**0**	**100%**	P Tonking	**Recommedations to be followed up through Audit App when due**
Benefits	*	Feb-18	Satisfactory		2					2	0	2	0	0	100%	P Tonking	**Recommendations will be followed up during annual audit in Q3**
Computer Audits																	
Firewall & Cyber Security	*	Oct-17	Satisfactory		5	**4**	**80%**			**1**	0		**1**	0	**20%**	S Dewar	**Update confirmed 4 completed - 1 outstanding recommendation in progress - deadline revised**
GDPR Readiness Gap Anaylsis	*	**Apr-18**	**Limited**	**4**	**16**	**9**	**56%**			**7**	**5**	**0**	**2**	**0**	**44%**	J Jonker	**Update confirmed 5 completed - 7 outstanding recommendations still in progress**
Revs & Bens - Academy application	*																

Mats - governance & management arrangements	*																
Review of Technology Strategy	*	**Apr-18**	**No opinion given**		**1**					**1**	**0**	**0**	**0**	**1**	**100%**	P Brewer	**Recommendation to be followed up through Audit App when due**
Contract Audits																	
Procurement Compliance	*																
Cross Service Audits																	
Debt Management	*																
Change Management	*																
					126	**51**	**40%**	**0**	**0%**	**75**	**19**	**46**	**9**	**1**	**60%**		

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 9

Disaster Recovery (DR) Test and Beyond

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1. This report provides a high-level summary of the results of the DR scenario test (loss of mains power to the data centre) carried out on 16/06/18, with recommendations for improving the DR capability for this particular scenario.

1.2. This report addresses the subject of DR on a wider scale; focusing on other disaster scenarios that have potential to disrupt information technology (IT) services. The report sets out the Council's plans to mitigate these risks and how the planned mitigation and Technology Strategy support the Council's Business Continuity Plans.

1.3. The Committee is requested to acknowledge recommendations for improvements that will ensure the continuation of 'on-premise' IT services in a mains power loss scenario. These recommendations will result in investment to extend the runtime of data centre batteries to 3+ hours and the sourcing of a service to supply temporary power (generator) within 2 hours.

1.4. The Committee is requested to review and comment on the Council's plans to mitigate risks associated with other disaster scenarios. Endorsement in this area will result in an updated Disaster Recovery Strategy that underpins the Council's Business Continuity Plans.

1.5. The Committee is requested to review and comment on the recent incident that affected telecoms services, and the plans to mitigate the impact incident's of this type have on the Council's services.

2. Disaster Recovery Test (16/06/2018) Results & Recommendations

2.1. **Summary:** A disaster recovery exercise was carried out on 16/06/18 focused on recovering IT services operated from the on premise data centre (Town Hall) in the event of mains power loss. The proposal to execute this test was noted in a previous report to JGC on 31/01/18.

2.2. The test confirmed IT services running from the Town Hall can continue to operate on generator-power. However, it also highlighted the complexity & risk of automating the system shutdown and that, in a live scenario, personnel with specific skill sets would need to be available 24x7x365 to recover services promptly, which is not a viable option.

2.3. **As a result of the test, the recommendation to improve the DR capability for this scenario is to maintain constant power to the Town Hall data centre, which can be achieved with new batteries in data centre power systems and a more immediate generator delivery timescale.**

2.4. **Power Down:** The test commenced at 07:30 with 15 personnel (10 internal and 5 external contractors). At 08:30 the mains power was switched off and the data centre power systems began an automated shutdown 6 minutes from power being withdrawn. The data centre power systems shut down 90% of the environment, but failed to shut down all systems. After 1 hour of running on batteries, the on-site team intervened to shut down the remaining systems manually.

2.5. **Temporary Power:** Generator power was introduced at 10:00. The initial attempt failed, but the issue was promptly identified as a modified cable (supplied by the generator hire company) and a subsequent test demonstrated a stable power supply to data centre environment. Following a short period of running on generator power, mains power was introduced seamlessly and the generator was turned off and made ready for collection.

2.6. **Testing:** Technical infrastructure & application and business application tests commenced at 10:00, completing at 15:30 when communications were sent to stakeholders to confirm services were available.

2.7. **Issues:** As a result of the system shutdown there were issues with the Worthing revenues & benefits system and with load-balancing the virtual server environment (VMWare).

2.7.1. The cause of the issue with the revenues & benefits system was a configuration file that had incorrect settings and this was remedied promptly during testing on 16/06/18. The details of this issue (and fix) have been documented to aid a prompt recovery should it recur in the future.

2.7.2. The load-balancing issue in the VMWare environment slowed down access to some systems on 18/06/18 but was mitigated by closing down unnecessary services.

2.7.3. A support call with VMWare on 18/06/18 guided the team to a full resolution at 15:00 on the same day. It is not possible to identify the exact cause, but it's reasonable to suspect the automated shutdown process due to its partial failure to shut all systems down in a controlled manner.

2.8. **Conclusion & Recommendations:** There is risk associated with operating line of business applications & systems from the Town Hall i.e. the Council's are reliant on physical hardware at the Town Hall. Whilst this DR 'scenario test' addressed power loss, there are several other risks that are still apparent e.g. fire or flood, that pose a risk with the current 'on-premise' operating model.

2.9. The plan to mitigate these risks is to host systems and services with cloud service providers in resilient, stable, and secure environments. Services such as Google, MATs and Salesforce already operate in this way and the in-flight cloud migration project (IaaS) will result in the shift of services to Amazon (AWS) over the next 12-18 months.

2.10. Because there is an active project tasked with mitigating these risks, the response to this recent DR scenario test needs to be balanced, giving consideration to the long-term plan.

2.11. The automated shutdown process caused issues i.e. systems did not automatically shut down in full. The process of shutting down systems in full resulted in issues with the Worthing Revenues & Benefits system and the load-balancing function on the virtual server environment. The impact of these issues was mitigated by the presence of a multi-skilled

on-site team, but this is unlikely to be the case in a live scenario and the impact could have therefore been more severe. These issues demonstrated the automated shutdown process would not be viable without significant cost to ensure people with the relevant skills were available 24x7x365.

2.12. The shutdown of systems was intended as an intermediary until the generator arrived to power the data centre, enabling services to be made available. Given the issues the shutdown caused, it makes sense to focus on maintaining constant power to the data centre.

2.13. We plan to invest in new batteries to extend the runtime of the data centre power units to 180 minutes and source improved timescales for the delivery of a generator that aligns with the new battery runtime capability.

2.13.1. This will ensure the Council's, subject to out of hours on-call arrangements, have the capability to maintain power to the data centre in the event of a mains power outage.

3. Risks to Council Information Technology (IT) Services

3.1. The first part of this report focused on the outcomes of a test to recover IT services in the event of mains power loss to the on-premise data centre at the Town Hall. This section reviews other areas of risk to IT services and sets out the Council's plans to mitigate these risks.

3.2. **Risk of Fire, Flood, Theft, Power & Hardware Failure:** There are several 'disaster' scenarios that present risk to the operation of IT services. These risks can be grouped as 'physical' as they all relate directly to the on-premise nature of the current operating model. Scenarios such as severe fire, flood, theft, power or hardware failure could prevent the Council's from operating their IT services from the Town Hall, and the full recovery of services could take between 2-4 weeks; potentially requiring the procurement of hardware and the recovery of systems and/or data from disk or tape backup.

Mitigation Plan

3.2.1. Business critical services such as Google (email, calendar, storage) MATs, and Salesforce already operate from cloud service providers and are therefore not reliant on the Town Hall. There is an in-flight cloud migration project (IaaS), which is

tasked with moving services away from the Town Hall to Amazon (AWS), who are a cloud hosting provider.

3.2.2. The AWS environment is already operational, with some key underpinning services running and some business applications replicated and in test. The resilient (dual) network connections have been ordered and, when in place, the migration of more business applications will commence. The migration of services from the Town Hall is expected to complete over the next 12-18 months, which will mitigate the impact of fire, flood, theft, or hardware and power failure significantly.

3.2.3. Google services, which are already running email, calendar, and storage services for the Council's, will be expanded to become the main storage repository. As part of the IaaS project, the Council's will close down servers running data storage services (file shares) and move data to the Google environment. This migration activity is underway now and is expected to complete within 8 months, further mitigating the impact of a fire, flood, theft, hardware or power failure.

3.2.4. The recovery from mains power failure at the Town Hall data centre was tested on 16/06/18. The test confirmed services can continue to operate on generator-power, but also demonstrated the automated shutdown approach was complex & unreliable, thus putting physical equipment at risk. The mitigation plan for power failure is to invest in new batteries to provide improved battery runtime, and to source improved generator delivery timescales to ensure services operated from the Town Hall receive a constant power supply.

3.3. **Risk of Cyber Attack:** The Council's, like most organisations in the modern world, are at risk from cyber attacks. These risks are present regardless of where services operate from (cloud or on-premise) and mitigating these risks requires an ongoing process of protecting systems through applying software & security updates as vulnerabilities materialise. Cyber attacks can take many forms, from Malware; malicious code with intent to steal or destroy data, to Denial of Service (DoS) attacks, which flood systems with traffic to prevent operation.

Mitigation Plan

3.3.1. **Security Updates:** The Councils apply security patches to Microsoft servers monthly, with the exception of emergency patches, which are applied immediately. As systems and services are migrated to AWS, the security updates to Microsoft servers will be carried out by the managed service provider. The approach to security updates for servers in AWS will be reviewed as they migrate to ensure systems are updated aggressively without degrading application performance. Security updates for technologies such as Adobe, Apache Tomcat, VMWare, and firewalls are reviewed regularly & applied where the risk is high.

3.3.2. **Annual IT Health Check:** The Councils have an active Public Services Network (PSN) circuit for access to Government services. The compliance certification for PSN requires annual IT health checks carried out by CREST-approved independent organisations. These health checks capture any vulnerabilities or issues that have not been identified or closed through security updates from vendors.

3.3.3. The health check involves internal & external penetration testing and vulnerability assessment of the Council's networks & servers. The results of this exercise are submitted to the Cabinet Office for assessment and approval prior to certification being awarded.

3.3.4. **Secure Design:** The cloud migration project (IaaS) will shift servers to AWS over the next 12-18 months. The approach to AWS security differs from the current (on-premise) model i.e. each application is ring-fenced in a private cloud within the Council's private environment (tenancy). By default, each server is unable to communicate with resources that sit outside of its private cloud (even Council resources). As part of the migration, rules will be applied to allow only essential communication to other servers, networks, or resources.

3.3.5. This AWS approach to design reduces the 'blast zone' and mitigates the potential impact of cyber attacks because they often attempt to spread across internal servers or networks once the perimeter network has been penetrated.

3.3.6. **Spread Portfolio:** The Technology Strategy and the approach to its delivery mitigates the impact of cyber attacks. The move to cloud service providers is being carried out using several providers; MATs, Amazon (AWS), Google, and Salesforce. This spread of cloud service providers limits the potential impact a cyber attack or other disasters may have because it's very unlikely that multiple service providers will be affected.

3.3.7. **Single Sign-On:** The Councils will be reviewing the approach for authentication to cloud services to mitigate the risk of unauthorised access. Currently, authentication to each cloud service requires a separate password. This prevents the practical implementation of consistent password formats & forcing cyclical password changes. Furthermore, where personal devices are used, there is risk that passwords to cloud services are retained locally on devices (cached), presenting risk of unauthorised access.

3.3.8. The Councils will be assessing the options and costs to implement a single sign-on service where access to the cloud services will be controlled; forcing a consistent password format across the Council's networks, its cloud services, and forcing authentication to mitigate the risk of unauthorised access.

3.3.9. **Mobile Device Management (MDM):** Council laptops and mobile phones currently have encryption with a standard MDM service through Google (phones) and Microsoft encryption on Council-owned laptops. The Councils will be reviewing the options for a single MDM service that encrypts devices and provides greater levels of control over personal devices to mitigate unauthorised access and protect Council data.

4. Council Telecommunications Services

4.1. Telecommunications Issues - Background

4.2. Over the last year there have been intermittent stability issues with the Councils' telecommunications service (Avaya), manifesting as call drop-out's and loss of 'presence' on the back-office phones. These issues were raised with the incumbent supplier on several occasions, along with requests to get call recording to auto-pause recording for the exchange of payment card details.

4.3. The incumbent supplier was given several opportunities to address these issues, but failed to do so, resulting in a loss of confidence and the Council's executing a process to onboard a new supplier. Through liaising with Avaya, five 'recommended' suppliers were identified and in June 2018 a 'preferred supplier' was selected. The transition to the new supplier commenced, aiming to complete towards the end of July 2018, but the previous 'intermittent' issues worsened significantly resulting in the acceleration to allocate control to the new supplier.

4.4. Telecommunications Services - Major Issues

4.5. On Monday 25th June, whilst the transition plan was being executed to transfer control of telecoms services to the new supplier, the stability of the telecoms service degraded severely with a total system loss that resulted in no inbound or outbound calls. In response, the process to transition control to the new supplier was accelerated. The new supplier began to assess the systems, but due to the continuation of the issue, the disaster recovery (DR) service was commissioned. Physical DR telephone handsets were deployed in the Contact Centre, and the main switchboard and 'gold' numbers were diverted from Tuesday and remained diverted until Thursday 28th June.

4.6. With the main switchboard and 'gold' numbers routing through the DR telecoms service, the handover process to the new supplier continued to further empower them to resolve the issue with Avaya. On Thursday 28th June, the outgoing supplier reported the Avaya system appeared stable, resulting in the process of switching back to the Avaya. The Avaya system remained stable for the remainder of the week.

4.7. On Thursday 28th June final handover details were passed to the new supplier, who were then able to perform detailed investigations. The

following Monday (2nd July), the Avaya system became inaccessible once again. At 10:00, in agreement with the new supplier, the decision was made to commission the DR telecoms service, which was complete by midday with calls to the switchboard and 'gold' numbers routing through the DR telephony service.

4.8. The new supplier, who, following further investigation, recommended the complete rebuild of the Avaya system due to severe instability. The new supplier worked through the remainder of the week and weekend to rebuild the Avaya system, which was confirmed as 'ready for operation' on Sunday 8th July. On Monday 9th July, the new supplier attended the Council's premises to support the switch from the DR telephony system to the newly built Avaya system.

4.9. By 15:00 on 9th July 2018, the main switchboard and 'gold' numbers were routing through the new Avaya system and the new supplier monitored the system closely as call volumes increased.

4.10. **Mitigation Plan:** Telecommunications services are business critical as they're the main method customer's use to contact the Councils. The primary focus is ensuring stability is maintained on the Avaya system. During the supplier selection process, the new supplier was made aware of intermittent stability issues, but were called to respond to a catastrophic situation with urgency, and responded well.

4.11. Once the primary 'newly built' Avaya system is demonstrably stable, the Councils will work with the supplier to form a new DR solution that can be brought into action quickly without the need to divert numbers. Invocation tests will be scheduled periodically to ensure the DR solution delivers acceptable continuity of service.

4.12. Research will be carried out to identify the options, benefits and costs of moving to cloud-telephony to deliver an 'access from anywhere' service that is highly scalable, robust, and resilient.

5. Business Continuity & Technology Strategy

5.1. Part of the Technology Strategy is to shift from traditional, on-premise services to cloud services. This has already been applied in part with the adoption of Google services for email, calendar, and storage, MATs as the default platform for new/redesigned digital services, and Salesforce as the Customer Relationship Management (CRM) system. Over the next 12 months, more services will be moved to cloud service providers with the shift of services running on physical servers to Amazon (AWS), and further development & digitisation of applications on MATs.

5.2. The aim of the cloud migration project (IaaS) is to move all 'line of business' applications to cloud service providers, thus removing any reliance on the Town Hall apart from it being a place of work (i.e. office space).

5.3. Research will be carried out on options, costs, and benefits of true cloud-based telecoms services. It should be noted that the telephony issues referenced in section 4 were not as a result of on-premise services. The issue derives from poor configuration by the supplier that implemented the solution, who are currently being exited.

5.4. Research will be carried out on the options and costs for strengthening security for remote access to services e.g. mobile device management (MDM) and a single-sign on portal to support the prevention of unauthorised access without making access too complicated.

5.5. The Technology Strategy supports the Councils' Business Continuity Plans by shifting to services that are accessible from anywhere with an Internet connection. This approach will be strengthened by the Gigabit Project that will deliver Internet connections at Council premises that are independent of the Town Hall.

6. Engagement and Communication

6.1. This report has been formed collaboratively by internal Council staff that are involved in information technology, business continuity, and customer services.

7. Financial Implications

7.1. The plan to improve the DR capability for the 'disaster scenario' of mains power loss to the data centre is expected to cost ~£10K. This will cover the replacement of old batteries in the data centre power systems and a potential standing charge to have a generator on site within 2 hours. Whilst this exceeds the budget for data centre maintenance, existing budgets should cover these costs.

7.2. The cost for shift of services to Amazon to mitigate the impact of risks associated with the on-premise IT operating model are covered by existing revenue budgets. The sections addressing 'other risks' and how these will be mitigated in the future may require funding e.g. single sign-on and MDM, but proposals will be put forward when appropriate solutions have been sourced and the costs are known.

8. Legal Implications

8.1. There are no legal implications as a result of the contents of this report.

Background Papers

Disaster Recovery Test - JGC Report (30/01/2018)
Technology Strategy

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Sustainability & Risk Assessment

1. Economic

- Matter considered and no issues identified.

2. Social

2.1 Social Value

- Matter considered and no issues identified.

2.2 Equality Issues

- Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

- Matter considered and no issues identified.

2.4 Human Rights Issues

- Matter considered and no issues identified.

3. Environmental

- Matter considered and no issues identified.

4. Governance

- This report sets out the Councils approach to managing risk associated with Information Technology services which are critical to service delivery and the Councils reputation. These risks are managed and reviewed on a continuous basis.

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 10

Joint Strategic Committee
11 September 2018
Agenda Item XX

Key Decision : No
Ward(s) Affected: All

ANNUAL TREASURY MANAGEMENT REPORT 2017-18 ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2017/18 as required by regulations issued under the Local Government Act 2003.

1.2 Several of the main British banks have split their business into "ring-fenced" and "non ring-fenced" entities, as explained in 4.5 below. This report asks Members to approve the amendment to the Councils' specified investments counterparties lists to include only the "ring-fenced" banks for 2018-19 onwards.

2. RECOMMENDATIONS

2.1 **Recommendation One**
The Joint Governance Committee is recommended to note this report and refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 11th September 2018.

2.2 **Recommendation Two**
The Joint Strategic Committee is recommended to note this report.

2.3 **Recommendation Three**
Both Joint Governance Committee and Joint Strategic Committee are asked to approve the amendment to the Councils' specified investments counterparties lists to include only the "ring-fenced" entities of those banks which have divided their operations.

3. CONTEXT

3.1 This report presents the treasury management activities and portfolio positions for the 2017/18 financial year for Adur District Council and Worthing Borough Council.

3.2 This is one of three treasury management reports that are required to be presented during the financial year (see Para. 4.1).

3.3 The presentation of the Annual Report is required through regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2017/18 (Appendix 1). This report also meets the requirements of both the Treasury Management Code of Practice (The Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), both of which are issued by The Chartered Institute of Public Finance and Accountancy (CIPFA).

3.4 To put the report in context, Treasury Management is defined by CIPFA as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3.5 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Council priorities set out in Platforms for our Places.

4. ISSUES FOR CONSIDERATION

4.1 For 2017/18 the minimum reporting requirements specified within the treasury management policy is that the Councils should receive the following:

The Annual Treasury Management Strategy (TMSS) in advance of the financial year – this was submitted to the meeting of the Joint Strategic Committee (JSC) on 2nd February 2017 and to the Joint Governance Committee (JGC) on 28th March 2017.

A mid-year treasury update report – a joint in-house operations report for both Councils was submitted to the meeting of JSC on the 5th December 2017 and JGC on 28th November 2017.

The Annual Report (this report) - to be submitted by 30th September after the year end, which compares the actual activity with the planned strategy.

4.2 The regulatory environment places a significant onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.

4. ISSUES FOR CONSIDERATION

4.3 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Joint Governance Committee. Member training on treasury management issues was undertaken during the year on 15th June 2017.

4.4 This report summarises for both Councils the:

- Capital activity during the year and the impact on the Councils' underlying indebtedness (the Capital Financing Requirement)
- Overall treasury position (Section 7) identifying how the Councils have borrowed in relation to this indebtedness (Section 10), and the Councils' investment activity
- Reporting of the required prudential and treasury management indicators (Appendix 1)
- The treasury management strategy compared to the economic and interest rate environment (Section 6)

4.5 The largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". There are currently five UK banks that hold retail/SME deposits over £25bn. These are: Barclays, The Royal Bank of Scotland, Lloyds, HSBC and Santander. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank will be focussed on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed into a separate entity – a non-ring-fenced bank. This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group. The Councils will only invest with the ring-fenced entities, which requires the amendment of the specified investments lists.

5. THE ECONOMY AND INTEREST RATES

The following commentary has been supplied by ***Link Asset Services Ltd****, the professional consultants for the Council's shared treasury management services provider. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.*

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for

5. THE ECONOMY AND INTEREST RATES

this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy.

This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, the market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

6. THE STRATEGY FOR 2017/2018

6.1 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31.3.2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

6.2 Against this background and the risks within the economic forecast, the strategy adopted by the Councils at JSC on 2 February 2017 was to be cautious with the 2017/18 treasury operations. The Chief Financial Officer would monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. When borrowing, rates available from the PWLB would be reviewed, but advantage should be taken of very low short term borrowing rates in the market, to reduce the amount of interest payable.

6.3 This strategy was followed during the year and no amendments were required for either Adur District Council or Worthing Borough Council.

7. OVERALL TREASURY POSITION AS AT 31 MARCH 2018

7.1 Adur District Council's position at the beginning and end of year was as follows:-

	Principal at 31.03.17 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.18 £m	Average Rate of Return	Average Life in Years
Borrowing						
PWLB	(56.609)	3.7%	26.4	(67.198)	3.4%	24.2
Other Borrowing	(17.943)	5.2%	49.0	(17.940)	5.2%	48.0
TOTAL BORROWING	**(74.552)**			**(85.138)**		
CFR	**75.012**			**88.603**		
(Over)/under borrowing	**0.460**			**3.465**		
Investments:						
Bonds	0.075	n/a	n/a	0.080	n/a	n/a
Property Fund	0.000	n/a	n/a	0.968	4.54%	n/a
Long Term	2.000	1.90%	1.67	0.000	n/a	n/a
Short Term	13.350	0.59%	< 1 year	9.800	1.04%	< 1 year
TOTAL INVESTMENTS	**15.425**			**10.848**		
NET DEBT	**(59.127)**			**(74.290)**		

7.2 Worthing Borough Council's position at the beginning and end of year was as follows:-

	Principal at 31.03.17 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.18 £m	Average Rate of Return	Average Life in Years
Borrowing						
PWLB	(9.300)	1.86%	9.47	(31.536)	1.90%	12.02
Other Borrowing	(13.009)	0.78%	0.63	(10.028)	0.87%	1.05
TOTAL BORROWING	**(22.309)**			**(41.564)**		
CFR	**22.384**			**39.150**		
(Over)/under borrowing	**0.075**			**(2.414)**		
Investments:						
Bonds	0.075	n/a	n/a	0.075	n/a	n/a
Property Fund	-	-	-	0.484	4.54%	n/a
Long Term	-	-	-	-	-	-
Short Term	11.450	0.54%	< 1 year	11.000	0.54%	< 1 year
TOTAL INVESTMENTS	**11.525**			**11.559**		
NET DEBT	**(10.784)**			**(30.005)**		

8. THE BORROWING REQUIREMENT and DEBT

8.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or

- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

8.2 The Councils' underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The tables below compare the gross debt against the underlying need to borrow, thereby highlighting any over or under borrowing. This comparison is one of the Prudential Indicators of affordability under the Prudential Code to show that borrowing levels are prudent over the medium term, and sustained for capital investment purposes – i.e that the Councils are not borrowing to support revenue expenditure.

8.3 Accordingly, the amount of gross debt should not exceed the CFR for 2017/18 (plus any expected changes to the CFR over 2018/19 and 2019/20) except in the short term.

8.4 **Adur District Council**

The introduction of HRA self-financing resulted in a revision to the CIPFA Code of Practice, recommending the inclusion of a separate HRA Treasury Management Strategy for the HRA. This recommendation was adopted and reported as part of the overall Treasury Management Strategy to the JSC in 2011, and is updated each year as part of the HRA Budget Report. The relative borrowing and CFR position at the end of the year is analysed between General Fund and HRA as follows:

CFR v Long Term Debt Position at 31 March 2018	ADUR DISTRICT COUNCIL		
	General Fund £000s	HRA £000s	Total £000s
Capital Financing Requirement	28,500	60,103	88,603
Actual Long Term Debt 1/4/18	27,263	57,875	85,138
(Over)/Under Borrowing	1,237	2,228	3,465
HRA Debt Limit	N/A	68,912	68,912
HRA Borrowing Headroom (Debt Limit – Actual Debt)	N/A	11,037	N/A

For Adur District Council, the HRA is under borrowed by £2.228m. The General Fund is under borrowed by £1.237m due to the use of internal borrowing to support capital expenditure.

8. THE BORROWING REQUIREMENT and DEBT

8.5 **Worthing Borough Council**

CFR v Long Term Debt Position at 31 March 2018	WORTHING BOROUGH COUNCIL
	General Fund £000s
Capital Financing Requirement	39,150
Actual Long Term Debt 1/4/18	35,564
(Over)/Under Borrowing	3,586

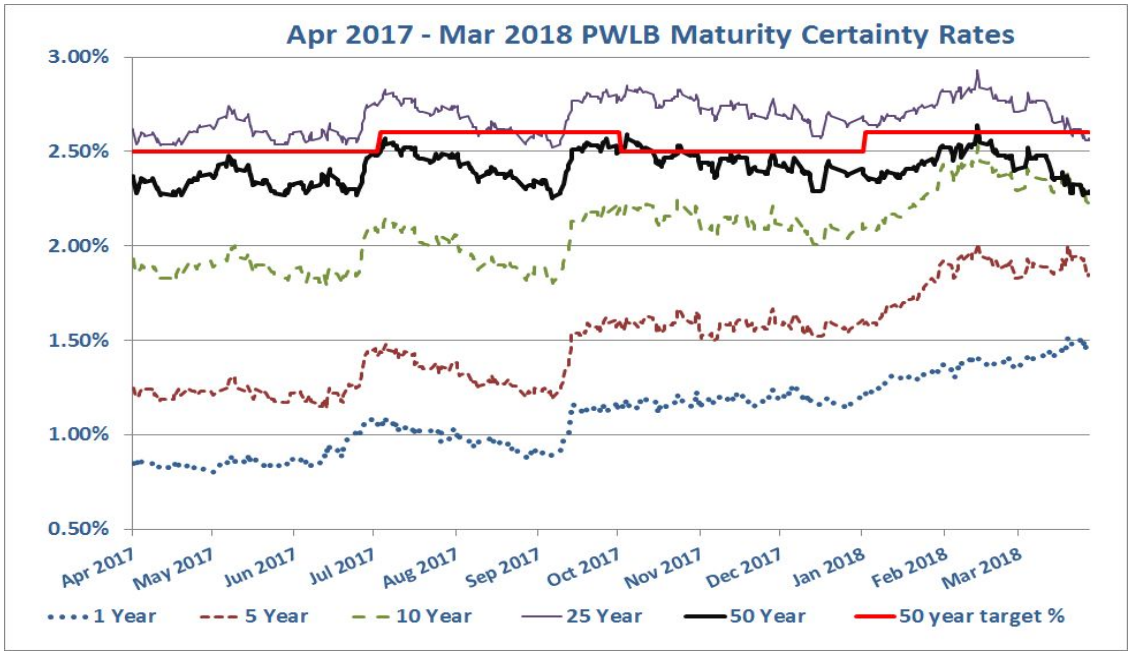
Worthing Borough Council was under-borrowed based on long term debt by £3.586m at 31 March 2018. The Council also had temporary borrowing of £6m at this time, £5m of which will mature fully by 17th July 2018 and will be supported by grants due in respect of major development projects in Worthing.

9. BORROWING RATES IN 2017/18

PWLB certainty maturity borrowing rates

As depicted in the graph below PWLB, 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



10. BORROWING OUTTURN for 2017/18

The following loans were taken during the year:

10.1 **Adur General Fund (no borrowing was undertaken for the HRA)**

Lender	Principal	Type	Interest Rate	Maturity
PWLB	**£11.466m**	**Fixed interest rate**	**1.85%**	**22/06/2037**
PWLB	**£1.6m**	**Fixed interest rate**	**1.25%**	**27/06/2026**

£11.466m was borrowed to purchase commercial property, as approved in the Council's capital budget. £1.6m was borrowed for the replacement Waste and Recycling vehicles. Adur also held precepts of up to £302k on behalf of Lancing Parish Council for most of the year, as temporary borrowing.

10.2 **Worthing Borough Council**

Lender	Principal	Type	Interest Rate	Maturity
PWLB	**£2m**	**Fixed interest rate**	**1.25%**	**13/04/2027**
PWLB	**£5m**	**Fixed interest rate**	**1.83%**	**20/04/2027**
PWLB	**£6m**	**Fixed interest rate**	**1.94%**	**04/05/2037**
PWLB	**£3.455m**	**Fixed interest rate**	**1.89%**	**30/05/2037**
PWLB	**£2.5m**	**Fixed interest rate**	**1.25%**	**27/06/2026**
PWLB	**£5m**	**Fixed interest rate**	**2.51%**	**19/02/2028**
Wealden District Council	**£3m**	**Fixed interest rate**	**0.45%**	**21/06/2018**
Harlow District Council	**£2m**	**Fixed interest rate**	**0.40%**	**17/07/2018**
Yorkshire Purchasing Org	**£1m**	**Fixed interest rate**	**0.70%**	**07/02/2019**
Hampshire CC	**£2m**	**Fixed interest rate**	**1.00%**	**13/02/2020**

10. BORROWING OUTTURN for 2017/18

10.2 Worthing Borough Council

Some short term borrowing was used due to the low interest rates available in the market and the anticipated grant receipts in respect of major projects in Worthing. The two £5m loans relate to loans made by the Council to Worthing Homes at a rate 0.7% above the PWLB rate payable by the Council. Long term PWLB borrowing was also used to fund commercial property purchases and other capital expenditure, as approved in the capital budget.

10.3 No debt was rescheduled during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

10.4 Adur District Council's debt repayments were as follows:-

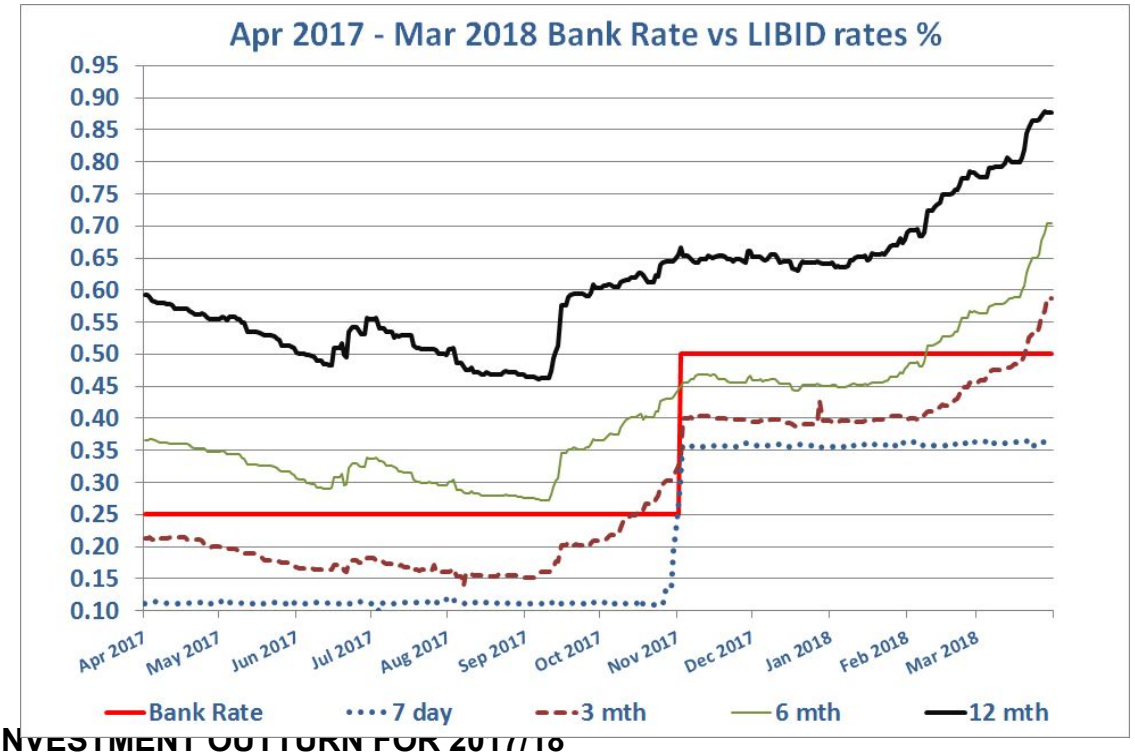
Lender	Principal £000s	Type	Interest Rate %	Period Lent	Duration
Lancing PC	302	Variable	Variable	Apr 2017 - Mar 2018	Variable
PWLB - HRA	1,711	Fixed Principal and Interest	3.03%	March '12 – March'42	30 Years
PWLB - GF	770	Fixed Principal and interest	1.7%	Various	Various

10.5 Worthing Borough Council's debt repayments were as follows:-

Lender	Principal £000	Type	Interest Rate	Period Lent	Duration
Barnsley Doncaster Council	2,000	Fixed Principal & Interest	0.60%	April 2016 - April 2017	< 1 year
London Borough of Ealing	2,000	Fixed Principal & Interest	0.62%	June 2016 - June 2017	< 1 year
Herts County Council	5,000	Fixed Principal & Interest	0.55%	July 2016 - July 2017	< 1 year
Mid Sussex District Council	2,000	Fixed Principal & Interest	0.60%	May 2016 - May 2017	< 1 year
PWLB	1,727	Fixed Principal & Interest	0.96%-2.32%	Oct 2014 – May 2037	various

11. INVESTMENT RATES IN 2017/18

Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



12. INVESTMENT OUTTURN FOR 2017/18

12.1 **Investment Policy** – the Councils' investment policy is governed by MHCLG guidance, which has been implemented in the Annual Investment Strategy approved by the Joint Strategic Committee on 2 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Councils had no liquidity difficulties.

12.2 **Investments held by Adur District Council:**
Adur District Council maintained an average balance of £16.988m of internally managed funds, which earned an average rate of return of 0.99%. The comparable performance indicator is the average 3 month LIBID rate, which was 0.286%. This compares with a budget assumption of £24.084m investment balance earning an average rate of 0.75%. Adur benefited from a long term £2m investment taken out in 2013 at 1.9%. The interest and dividends earned in 2017/18 totalled £170k, which exceeded the budget by £30k due to the Property Fund investment.

12. INVESTMENT OUTTURN FOR 2017/18

12.2 **Investments held by Adur District Council at 31 March 2018:**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Santander Corporate Bank	11/04/2017	10/04/2018	£2,000,000	0.85%	A
Santander Corporate Bank	04/05/2017	03/05/2018	£1,000,000	0.85%	A
Santander Corporate Bank	13/07/2017	12/07/2018	£1,000,000	0.85%	A
Close Brothers Limited	29/03/2018	29/03/2019	£1,000,000	1.10%	A
Federated Investors (MMF)	n/a	n/a	£800,000	Variable	AAA
Skipton Building Soc.	13/07/2017	12/07/2018	£1,000,000	0.76%	A-
Skipton Building Soc.	05/09/2017	04/09/2018	£1,000,000	0.75%	A-
Kingston Upon Hull Council	02/12/2013	30/11/2018	£2,000,000	1.90%	n/a
CCLA Local Auth Property Fund	25/04/2017	n/a	£967,901	Variable	n/a
Local Auth Cap Finance Co	30/09/2014	n/a	£50,000	n/a	n/a
Boom Credit Union & War Bond	06/03/2015	n/a	£29,630	n/a	n/a
TOTAL			**£10,847,531**		

12.3 **Investments held by Worthing Borough Council at 31 March 2018**:
Worthing Borough Council maintained an average balance of £15.079m of internally managed funds, which earned an average rate of return of 0.62%. The comparable performance indicator is the average 3 month LIBID rate, which was 0.286%. This compares with a budget assumption of £12.598m investment balance earning an average rate of 0.50%. The Treasury investment returns included in the reported income of the Council for 2017/18 amount to £100,515, £40k over budget due to the rise in Base Rate, the higher than forecast average balance and the Property Fund. The loan to Worthing Homes earned an additional net £37k.

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Federated Investors (MMF)	n/a	n/a	£3,000,000	Variable	AAA
Leeds Building Society	16/08/2017	12/04/2018	£1,000,000	0.36%	A-
Lloyds Bank	05/09/2017	04/09/2018	£1,000,000	0.65%	A+
Goldman Sachs Intern'l Bank	05/09/2017	04/09/2018	£2,000,000	0.78%	A
Barclays Bank	12/09/2017	29/05/2018	£2,000,000	0.44%	A
Goldman Sach Intern'l Bank	15/09/2017	15/06/2018	£1,000,000	0.79%	A
Lloyds Bank	17/10/2017	21/06/2018	£1,000,000	0.41%	A+
CCLA Local Auth Property Fund	27/04/2017	n/a	£483,952	variable	n/a
Local Auth Cap Finance Co	30/09/2014	n/a	£50,000	n/a	n/a
Boom Credit Union	06/03/2015	n/a	£25,000	n/a	n/a
TOTAL			**£11,558,952**		

13. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

13.1 The Councils, in accordance with legislation, make a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year.

13.2 For 2017/18 an amount of £712k has been provided in the Adur District Council General Fund. No voluntary amount has been set aside for the HRA.

13.3 For 2017/18 an amount of £809k has been provided in the Worthing Borough Council revenue accounts.

14. CURRENT PERIOD TREASURY MATTERS

14.1 Revised CIPFA Codes

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. The Capital Strategy submitted to the Joint Strategic Committee on 10th July 2018 incorporates these requirements.

14.2 Markets in Financial Instruments Directive II (MiFID II)

The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and most building societies.

15. ENGAGEMENT AND COMMUNICATION

15.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years.

15.2 Information and advice is supplied throughout the year by Link Asset Services Ltd, the professional consultants for the Councils' shared treasury management service.

16. FINANCIAL IMPLICATIONS

This report has no quantifiable additional financial implications to those outlined above. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget.

17. LEGAL IMPLICATIONS

The presentation of the Annual Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2017/18.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2017/18 to 2019/20 – Joint Strategic Committee, 2 February 2017, and Joint Governance Committee, 28 March 2017

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2017 for Adur District Council and Worthing Borough Council – Joint Strategic Committee, 5 December 2017 and Joint Governance Committee, 28 November 2017

Link Asset Services Annual Report Template 2017/18

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

The Prudential Code for Capital Finance in Local Authorities

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SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

The treasury management function ensures that the Councils have sufficient liquidity to finance their day to day operations. Borrowing is arranged as required to fund the capital programmes. Available funds are invested according to the specified criteria to ensure security of the funds, liquidity and, after these considerations, to maximise the rate of return.

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Council priorities contained in Platforms for our Places.

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2017/18 - 2019/20, submitted and approved before the commencement of the 2017/18 financial year.

4.3 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit-worthiness of the Councils' investment counterparties.

APPENDIX 1

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18 – Adur District Council

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18
Extract from budget and rent setting report	**actual**	**original**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
Non - HRA	2,203	19,390	17,364
HRA	2,826	6,496	2,936
TOTAL	5,029	25,886	20,300
Ratio of financing costs to net revenue stream *			
Non - HRA	15.44%	16.22%	17.68%
HRA	40.80%	24.10%	25.43%
Gross borrowing General Fund			

brought forward 1 April	12,978	12,968	14,971
carried forward 31 March	14,971	26,100	27,263
in year borrowing requirement	1,993	13,132	12,292
Gross borrowing HRA			
brought forward 1 April	61,290	59,581	59,581
carried forward 31 March	59,581	57,875	57,875
in year borrowing requirement	(1,709)	(1,706)	(1,706)
Gross debt	74,552	83,975	85,138
CFR			
Non – HRA	14,909	30,231	28,500
HRA	60,103	60,103	60,103
TOTAL	75,012	90,334	88,603
Annual change in Cap. Financing Requirement			
Non – HRA	(94)	14,313	13,591
HRA	(1,716)	0	0
TOTAL	(1,810)	14,313	13,591

***Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

APPENDIX 1

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18 – Adur District Council

2. Maturity structure of fixed rate borrowing during 2017/18 – Adur District Council	**lower limit**	**upper limit**	**actual 31 March**
under 12 months	0%	10%	4%
12 months and within 24 months	0%	15%	3%
24 months and within 5 years	0%	20%	10%
5 years and within 10 years	0%	30%	16%
10 years and within 20 years	0%	35%	26%
20 years and within 30 years	0%	30%	8%
Over 30 years	0%	45%	33%

3. TREASURY MANAGEMENT INDICATORS *(see definitions below)*	2016/17 Actual £'000	2017/18 Original £'000	2017/18 Actual £'000
Authorised Limit for external debt			
Borrowing	99,000	99,000	99,000
Other long term liabilities	1,000	1,000	1,000
Total Authorised Limit for external debt	100,000	100,000	100,000
Operational Boundary for external debt			
Borrowing	93,000	93,000	93,000
Other long term liabilities	1,000	1,000	1,000
Total Operational Boundary for external debt	94,000	94,000	94,000
	Actuals at 31.03.17	**2017/18 Limit**	**Actuals at 31.03.18**
Upper limit for fixed interest rate exposure			
Debt only	100%	100%	100%
Investments only	69%	100%	83%
Upper limit for variable rate exposure			
Debt only	0%	25%	0%
Investments only	31%	100%	17%
Upper limit for total principal sums invested for over 364 days	13%	50%	0%

APPENDIX 1

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18 Worthing Borough Council

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18
Extract from budget	**actual**	**original**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
Non - HRA	5,637	23,709	29,550
Ratio of financing costs to net revenue stream *			
Non – HRA	8.26%	10.01%	8.78%
Gross borrowing General Fund			
brought forward 1 April	19,136	26,136	22,309
carried forward 31 March	22,309	40,531	41,564
in year borrowing requirement	3,173	14,395	19,255
Gross debt	22,309	40,531	41,564
CFR			
Non – HRA	22,384	49,143	39,150
Annual change in Cap. Financing Requirement			
Non – HRA	(977)	15,322	16,766

The capital expenditure was higher than forecast due to the conclusion of the loan to Worthing Homes occurring in 2017/18 instead of 2016/17 as planned. The re-profiling of the purchase of properties from 2016/17 resulted in a lower than forecast 2017/18 year end CFR, because the forecast was prepared before the 2016/17 year end.

2.Maturity structure of fixed rate borrowing during 2017/18 – Worthing Borough Council	lower limit	upper limit	actual 31 March
under 12 months	0%	75%	20%
12 months and within 24 months	0%	75%	10%
24 months and within 5 years	0%	75%	18%
5 years and within 10 years	0%	75%	39%
10 years and within 20 years	0%	75%	13%
20 years and within 30 years	0%	50%	0%

***Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18 Worthing Borough Council

3. TREASURY MANAGEMENT INDICATORS *(see definitions below)*	2016/17 Actual £'000	2017/18 Original £'000	2017/18 Actual £'000
Authorised Limit for external debt -			
Debt re Worthing Homes	10,000	10,000	10,000
Other Debt	34,000	49,000	49,000
Other long term liabilities	1,000	1,000	1,000
Total Authorised Limit for external debt	45,000	60,000	60,000
Operational Boundary for external debt			
Debt re Worthing Homes	10,000	10,000	10,000
Other Debt	29,000	41,000	41,000
Other long term liabilities	1,000	1,000	1,000
Total Operational Boundary for external debt	40,000	52,000	52,000
	Actuals at 31.03.17	**2017/18 Limit**	**Actuals at 31.03.18**
Upper limit for fixed interest rate exposure			
Debt only	100%	100%	100%
Investments only	56%	100%	69%
Upper limit for variable rate exposure			
Debt only	0%	25%	0%
Investments only	44%	100%	31%
Upper limit for total principal sums invested for over 364 days	0%	50%	0%

The **Authorised Limit** is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Councils do not have the power to borrow above this level. The Councils did not breach the Authorised Limit during the year.

The **Operational Boundary** is the expected borrowing position of the Councils during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the Authorised Limit not being breached. The Councils did not breach the Operational Boundary during the year.

Gross borrowing and the Capital Financing Requirement - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Councils should ensure that the gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year (2017/18) plus the estimates of any additional Capital Financing Requirement for the current (2018/19) and next two financial years. This essentially means that the Councils are not borrowing to support revenue expenditure. This indicator allows the Councils some flexibility to borrow in advance of its immediate capital needs in 2017/18.

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 11

Joint Strategic Committee
11 September
2018
Agenda Item [...]

Key Decision [No]

Ward(s) Affected: N/A

Revised Risk & Opportunity Management Strategy - 2018/20

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 This report provides the detail of the updated revised Risk and Opportunity Management Strategy (ROMS) for the Councils for 2018 - 2020 which the Joint Governance Committee is asked to consider and make any comments on the Strategy to the Joint Strategic Committee (JSC) which will consider the Strategy for approval.

2. Recommendations

Recommendation for Joint Governance Committee

2.1 That the revised/updated Risk and Opportunity Management Strategy 2018 - 2020 be noted and any comments be submitted to the Joint Strategic Committee.

Recommendation for Joint Strategic Committee

2.2 That the revised/updated Risk and Opportunity Management Strategy 2018 - 2020 be approved and adopted from 1 October 2018.

3. Context

3.1 The current Risk and Opportunity Management Strategy was approved by the Joint Strategic Committee in April 2016 for a two year period until 2018. The Strategy is now due for review and update to reflect changes in the framework for managing risks and opportunities in the Councils.

3.2 A revised/updated Risk and Opportunity Management framework set out in the revised Strategy will help continue to improve strategic, operational and financial management in the Councils and help provide better decision making.

4. Issues for consideration

4.1 A copy of the revised ROMS is attached to this report and provides the detail of the framework for how the Councils should manage risk and opportunities. The revised Strategy provides clearer guidance on how the Councils manage risks and opportunities. This Strategy will continue to provide appropriate guidance to help the Councils embed the Risk and Opportunity management process within the workforce.

5. Engagement and Communication

5.1 The Councils Leadership Team and other appropropriate staff have been consulted on this report.

6. Financial Implications

6.1 There are no direct financial implications associated with the implementation of the revised ROMS, however, there will likely be some financial implications associated with the Risks and Opportunities identified.

7. Legal Implications

7.1 The approved Code of Corporate Governance specifies that the Councils should have an effective system of Risk management in place. The approval of this revised Risk and Opportunity Management Strategy falls within the Portfolio of the Leaders but can be exercised by the Joint Strategic Committee. The Joint Governance Committee has responsibility for receiving the receiving regular updates on the status of Risks and Opportunities and for monitoring the effective development and operation of Risk and Opportunity management.

7.2 Section 111 of the Local Government Act 1972 provides Local Authorities with the power to do anything ancillary or incidental to the discharge of their function.

7.3 Section 1 of the Localism Act 2011 provides the Councils with a general power of competence and empowers Local Authorities to do anything which individuals generally do.

7.4 The management of all Risks and Opportunities should be carried out in accordance with the Council's policies and procedures including the Constitution, the financial procedure rules and the Contract procedure rules.

Background Papers

Risk and Opportunity Management Strategy 2016 - 2018

Officer Contact Details:-

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Worthing
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01903 221009

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no direct issues identified.

2.4 Human Rights Issues

Matter considered and no direct issues identified.

3. Environmental

Matter considered and no direct issues identified.

4. Governance

A revised Risk and Opportunity Management Strategy will help the Councils achieve the objectives and Commitments contained in Platforms for our Places.

ADUR & WORTHING
COUNCILS

RISK AND OPPORTUNITY MANAGEMENT STRATEGY

2018 to 2020

A Guide to managing Risks and Opportunities in Adur and Worthing

July 2018

1. Risk and Opportunity Management Strategy

This document outlines the Council's commitment to managing risk and opportunity in an effective and appropriate manner. It is intended to be used as the framework for the delivery of the Risk and Opportunity management function and provides guidance on developing risk and opportunity management as a routine process for all services.

This Risk and Opportunities management framework will help improve strategic, operational and financial management, provide better decision making, improve compliance and help improve customer service delivery and provide better outcomes for the citizens of Adur and Worthing.

Introduction

The Councils undertake that this Strategy will ensure that:-

- The management of Risks and Opportunities is linked to performance improvement and the Council's Strategic objectives contained in the Strategic vision - 'Platforms for our Places'.
- The Councils Leadership Team, Service Heads and the Adur and Worthing Executive Members lead and support on Risk and Opportunity management.
- Ownership and accountability are clearly assigned for the management of risks and opportunities throughout the Councils.
- There is a commitment to continue to embedding Risk and Opportunity management into the Councils culture and organisational processes at all levels including Corporate, Service and Project.
- All Officers acknowledge and embrace the importance of risk and opportunity management as a process by which key risks and opportunities are identified, evaluated, managed and contribute towards good corporate governance.
- Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to the risks and opportunities.
- Accountability to stakeholders is fully demonstrated through periodic progress reports to the Joint Governance Committee and Informal Cabinet meetings.
- The Councils approach to Risk and Opportunity management is regularly assessed by internal and external assessment.
- The Risk and Opportunity management Strategy is reviewed and updated every 2 years in line with developing needs and requirements.

Endorsement:-

Adur and Worthing Councils are committed to ensuring that Risks and Opportunities to the effective delivery of services and achievement of its overall strategic objectives are properly and adequately controlled. It is recognised that effective management of risk and opportunities will enable the Councils to maximise their opportunities and enhance the value of their services provided to the Adur and Worthing communities.

Councillor Neil Parkin - Leader of Adur District Council

Councillor Dan Humphreys - Leader of Worthing Borough Council

Alex Bailey - Chief Executive

2. What is Risk and Opportunity Management?

Risk and Opportunity management is the control of business risks and opportunities in a manner to ensure that both long and short term objectives of the Councils are achieved and that opportunities are fully maximised. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

Risk and Opportunity Management is not always solely about eliminating risk as this would limit the ability of the Councils to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of Council objectives and develop actions to control or reduce those risks. The Councils have an agreed appetite for Risk which is explained later. Acknowledgement of potential problems and preparing for them is an essential element of risk that will enable the Councils to rapidly respond to change and develop innovative responses to challenges and opportunities .

Risk and Opportunity management is essential for the successful delivery of public services. An effective Risk and Opportunity management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. It is also about identifying opportunities which may have been neglected because of perceived but unexamined risk. These could include:-

- Learning from the past - whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots;
- Customer sensitivity - trying to understand customer needs and creating systems to exploit this information can lead to great gains.
- Learning from others - exploring and sharing best practice with other organisations can lead to benefits.
- Scenario planning - can be a powerful tool for generating new ideas.

When Opportunities are identified they should be described to include the expected benefits, contributions to business objectives and stakeholders.

3. Background - Process for Managing Risks and Opportunities

The Councils have developed an effective process for managing Risks and Opportunities.

Risk Management Framework

Risks and Opportunities are split into three categories:

- **Corporate** - These are Risks and Opportunities which relate to the long term goals of the Councils. These tend to be medium to long term but some may feature for a shorter period of time because of a significant event or planned business activity. Inclusion of a Risk or Opportunity in the Corporate Risk and Opportunity register indicates that it is one of a number of Risks/Opportunities that the Councils need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

- **Service. -** These are Risks and Opportunities which relate to the day to day operations of each individual service. Service Risks and Opportunities should also link to each Service area's Business Plan. Service Risks will also be identified as part of the business continuity process. As part of these business continuity processes, each Service area will be required to complete a business impact analysis which will identify risks associated with its operation and the impact on business processes/activities and appropriate mitigation procedures that will be implemented. Local Service Business unit strategies will help to mitigate the risks.

- **Project -** These are Risks identified in connection with all major projects which the Councils undertake. These projects are run in accordance with appropriate project management guiding principles. Risks associated with major projects are those that if they occur will have an effect on at least one project objective.

All major projects risks will be identified, managed and reported via either the Corporate Risks or Service Risks registers. All major Project Risks should have a risk budget identified within internal controls.

4. Aims and Objectives

The aim for the Councils in Risk and Opportunity management is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks and opportunities across all processes to ensure that risks and opportunities are properly considered and reduced as far as practicable.

The Risk and Opportunity management aims and objectives of the Councils are to:-

- Integrate and raise awareness of Risk and Opportunity management for all those connected with the delivery of Council services.
- Embed Risk and Opportunity management as an integral part of strategic, information use, financial, business continuity and project planning and policy making.
- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing.
- Provide a process for identifying threats or drawbacks that also includes finding and considering opportunities.
- Provide a robust and transparent framework for managing risk and supporting decision making.
- Support well thought-through risk taking.
- Anticipate and respond to changing external and internal environment.
- Embed Risk and Opportunity management as an integral part of delivering and aligning successful partnerships.
- To embed Risk and Opportunity Management as part of the Council's culture of Governance.
- To provide a robust and systematic framework for identifying, managing and responding to risk.
- To provide a robust and transparent track record of managing, communicating and responding to risk.
- To encourage staff to think creatively about ways to work better, simpler and more effectively.

The three categories of Risks and Opportunities are split into Risk and Opportunity registers - Corporate and Service (each Directorate has its own Service Risk register for each service).

Both Registers detail the following information:-

- Potential effects of the risks identified, both negative (risks and threats) and positive (opportunities)
- The impact and likelihood of the risk/opportunity identified
- Existing internal controls in place to mitigate the risk.
- Internal controls planned to mitigate the risks with relevant timescales and the responsible officers.

5. Ownership

The responsibility to manage Risks and Opportunities rests with every member and officer of the Councils however, it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

The following defines the responsibility for the Risk and Opportunity management process at Adur and Worthing:-

Councils Leadership Team - Ownership of the Corporate Risks and overview of the Service Risks. Actively support the Risk and Opportunities Management Strategy and the framework. Directors to facilitate regular discussions on Risks and Opportunities at Directorate Departmental Management Team meetings.

Joint Strategic Committee - Responsible for approving the Risk and Opportunity Management Strategy.

Adur District Council Leader - Responsible for general Risk and Opportunity policy.
Worthing Borough Council Leader - Responsible for general Risk and Opportunity policy.

Joint Governance Committee - To monitor the effective development and operation of Risk and Opportunity management in the Councils.

Director for Digital and Resources and Scrutiny and Risk Officer - Lead Officers for the risk and opportunity management process, demonstrating commitment to manage risk and opportunities. The Scrutiny and Risk Officer is also responsible for the co-ordination of the Risk and Opportunity management process, co-ordinating and preparing reports and providing advice and support in consultation with Directors and Heads of Service.

Heads of Service - Ownership, control and providing updates on Service Risks in consultation with the Scrutiny and Risk Officer. Help contribute to the development of a Risk and opportunity management culture in their teams and facilitate discussions on Risks and Opportunities at Team meetings.

All employees - To understand and to take ownership of the need to identify, assess, and help manage risk and opportunities in their areas of responsibility and to bring to the management's attention at the earliest opportunity the details of any emerging risks and opportunities that may adversely impact on service delivery.

Internal Audit and External Audit - Annual review and report on the Council arrangements for managing risk and opportunities throughout the Council, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk and opportunity management and the control environment.

Adur and Worthing Informal Cabinets - Responsible for monitoring the Corporate Risks and Opportunities and the strategic direction of risk and opportunity management.

6. The Risk and Opportunity Management process

Stage 1 - Risk identification

Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. Once a risk or opportunity has been identified the relevant Director or Head of Service will consider its inclusion on the relevant risk and opportunities register in consultation with the Scrutiny and Risk Officer.

Stage 2 - Risk Analysis

When Risks and Opportunities have been identified they need to be assessed systematically and accurately. If a Risk is considered to be unacceptable then steps need to be taken to control or respond to it. The process involves discussions with Directors and Heads of Service in consultation with the Scrutiny and Risk Officer to assess the level of risk by considering:

The probability of an event occurring - 'Likelihood' and the potential outcome of the consequences should such an event occur - 'Impact'. Directors and Service Heads should assess each element of the judgement and determine the score in accordance with the scoring system set out below:-

Stage 3 - Risk Control

Likelihood

Score	Likelihood	Threat/Risk
5	Very Likely (80-100%)	Is expected to occur in most circumstances. Will undoubtedly happen, possibly frequently for example annually or more frequently. Imminent/near miss.
4	Likely (60-80%)	Will probably occur in many circumstances. Will probably happen, but not a persistent issue for example once in three years. Has happened in the past.
3	Moderate (30-60%)	Could occur in certain circumstances. May happen occasionally, for example once in 10 years. Has happened elsewhere.

2	Unlikely (15-30%)	May occur only in exceptional circumstances. Not expected to happen, but is possible for example once in 25 years.
1	Rare (0 to 15%)	Is never likely to occur. Very unlikely this will ever happen for example once in 100 years.

Impact

Score	Impact	Threat/Risk
5	Extreme Risk	Risks which can have an extreme effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples: ● Unable to function without aid of Government or other external agency. ● Inability to fulfil obligations ● Medium - long term damage to service capability ● Severe financial loss - supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available. ● Death ● Adverse national publicity - highly damaging, severe loss of public confidence ● Significant public interest ● Litigation certain and difficult to defend ● Breaches of law punishable by imprisonment. ● Very significant exposure of public funds with funding being managed across organisations and complex reporting. ● Total project budget in excess of £250,000.
4	Major Risk	Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples: ● Significant impact on service objectives. ● Short - medium term impairment to service capability.

		● Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plans. ● Extensive injuries, major permanent harm, long term sick. ● Major adverse local publicity, major loss of confidence. ● Litigation likely and may be difficult to defend. ● Breaches of law punishable by fines or possible imprisonment. ● Relatively large budget of £75K to £250K
3	Moderate Risk	Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples: ● Service objectives partially achievable. ● Short term disruption to service capability. ● Significant financial loss - supplementary estimate needed which will have an impact on the Council's financial plan. ● Medical treatment required, semi permanent harm up to one year. ● Some adverse publicity, needs careful public relations. ● High potential for complaint, litigation possible. ● Breaches of law punishable by fines only.
2	Minor Risk	Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. Examples: ● Minor impact on service objectives ● No significant disruption to service capability. ● Moderate financial loss - can be accommodated at Service Head level. ● First aid treatment, non permanent harm up to one month. ● Some public embarrassment, no damage to reputation. ● May result in complaints/litigation ● Breaches of regulations/standards ● Budget within delegation.
1	Trivial Risk	Risks where the consequences will not be severe and

		any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. Examples: ● Minimal impact, no service disruption ● Negligible impact on service capability. ● Minimal loss - can be accommodated at Service Level ● No obvious harm/injury. ● Unlikely to cause any adverse publicity, internal only. ● Breaches of local procedures/standards. ● Budget within delegation and relatively small or within operational costs.

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix, see below, which assists in determining the risk priority and the amount of attention it deserves.

Risk ranking table/Matrix

Likelyhood					
Very likely (5)	Medium	Medium	High	High	High
Likely (4)	Medium	Medium	Medium	High	High
Moderate (3)	Low	Medium	Medium	Medium	High
Unlikely (2)	Low	Low	Medium	Medium	Medium
Rare (1)	Low	Low	Low	Medium	Medium
	Trivial (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)

Impact

The risk rating is based upon the the result of any mitigation measures. If after considering mitigation it appears the likelihood or impact has been reduced then the risk rating should be changed.

<u>Risk Tolerance</u>

Red (High Risk)	Must be managed down urgently
Amber (Medium Risk)	Seek to influence medium term/monitor
Green (Low Risk)	Acceptable but continue to monitor

(a) Risk appetite

Risk appetite is the level of risk the Councils are prepared to tolerate or accept in the pursuit of strategic objectives. The aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risks are established before decisions are made. The Councils recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance and reputation risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below:

Lower Risk Higher Risk

	1	2	3	4	5
Compliance & Regulation					
Operational/Service delivery					
Financial					
Reputation					
Strategic transformational change					
Development & Regeneration					
People & Culture					

Compliance and Regulation - The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service delivery - The Council accepts a moderate to high level of risk arising from the nature of the Council's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

Financial - The Council acknowledges the responsibility it has for administration of public funds and emphasises to both the public and its employees the importance it places upon probity, financial control and honest administration. Financial Regulations provide the framework for managing the Council's financial affairs and should be adhered to at all times. All schemes must be fully financed and the Financial Services Section should be consulted when planning new projects.

Reputation - It is regarded as essential that the Councils preserve a high reputation and, therefore, a low appetite for risk has been set in the conduct of activities that puts the reputation of the Councils in jeopardy through any adverse publicity.

Strategic transformational change - The environment that the Councils work in is continually changing through both internal operations and the services provided. Change projects provide the Council with an opportunity to move forward and develop and establish benefits for the longer term. The Councils recognise that this may require increased levels of risk and are comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

Development and Regeneration - The Councils have a continuing obligation to invest in the development and regeneration of the areas. To continue to be progressive and innovative in the work performed the Councils are willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

People and Culture - The Councils recognise that staff are critical to achieving objectives and, therefore, the support and development of staff is key to making the Councils an inspiring and safe place to work. It has a moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Councils are continually improving.

(b) Risk Response

There are four basic ways of treating risk, which are:

- Treat - Ensuring effectiveness of existing controls and implementing new controls where considered necessary and cost effective.
- Transfer - Involves another party bearing or sharing the risk in other words via insurance.
- Tolerate - Where it is not possible to treat or transfer consideration needs to be given to how the risk and consequences of such are to be managed should they occur.
- Terminate - Deciding where possible not to continue or proceed with the activity in view of the level of risks involved.

(c) Opportunity Response

There are four basic ways of treating opportunity, which are:-

- Enhance - Seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit.
- Ignore - Minor opportunities can be ignored by adopting a reactive approach without taking any explicit actions.
- Share - Seek partners/stakeholders able to manage the opportunity which can maximise the likelihood of it happening and increase the potential benefits.
- Exploit - Seek to make the opportunity definitely happen. Aggressive measures to ensure the benefits from the opportunity are realised.

Stage 4 - Risk Monitoring and reporting

The risk and opportunity management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues/processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk and opportunity management process to both members and officers.

Types of report and monitoring

- Reports to the Councils Leadership Team (CLT) - Corporate Risks and Opportunities on a quarterly basis and Service Risk and Opportunities review on an annual basis. Ad hoc reports need to be presented to CLT when any new and significant risk and opportunities issues arise.
- Heads of Service to review all Risks and Opportunities in consultation with the Scrutiny and Risk Officer on a quarterly basis.
- Three reports each Municipal year to the Joint Governance Committee detailing the progress made in controlling the Corporate and Service Risks and Opportunities and also updates on the overall Risk and Opportunity management processes undertaken by the Councils.
- Reports to the Informal Cabinet meetings - Corporate Risks and Opportunities update reports on a six monthly basis.

July 2018

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 12

Key Decision /No

Ward(s) Affected: All

Social Media Policy - updating the Councils' approach

Report by the Monitoring Officer

Executive Summary

1. Purpose

1.1. Since its inception 20 years ago, social media has rapidly transformed the way individuals and organisations interact with each other, providing a voice for those who weren't being heard before and additional platforms for promotion.

1.2. With technology constantly and quickly evolving, the Councils has a duty to regularly review its policy around social media.

1.3. This updated Social Media Policy will give clear guidance on when and how it should be used by staff and members in professional and personal capacities.

1.4. This will ensure the organisation can make best use of these technologies and so improve the way it does business.

1.5. It will also ensure staff and members know where they stand when it comes to social media, making them aware of their responsibility to comply with good practice and the law; while protecting the Councils brand and reputation.

2. Recommendations

2.1. Consider the updated Social Media Policy included in Appendix A.

2.2. Recommend the adoption of the updated social media policy to each Council for adoption and to form part of each Council's constitution.

3. Context

3.1. Social media is the creation and sharing of information, ideas, interests and other forms of expression via virtual communities and networks.

3.2. Since the inception of social media in the late 1990s and early 2000s it has become widespread, attracting billions of users worldwide and becoming part of everyday life for many people across the globe. This means the lines between personal and professional use can become blurred.

3.3. Social media includes, but is not limited to, blogs; wikis; RSS feeds; social networking sites such as Facebook, LinkedIn and Twitter; photo sharing sites such as Flickr; and video sharing sites such as YouTube.

3.4. The widespread availability and use of social networking applications brings opportunities for the Councils, Members and its Officers to better understand, engage and communicate with its customers, partner agencies and the communities it serves.

3.5. However, if social media is misused by representatives of the Councils (either corporately or by individuals) it could cause severe reputational and legal issues for the Councils and also for individuals. There are also potential safeguarding risks.

3.6. The Councils currently has a range of 'official' social media channels. It is through these that the majority of the Councils social media messaging is published.

3.6.1. The Councils' main publishing channels are Facebook and Twitter. There is also a presence on Linkedin and Youtube.

3.6.2. Social media used to communicate news and updates from the council and the wider community to residents. It is also now an

important customer service tool, allowing resident queries to be answered quickly and directly.

3.6.3. The accounts are monitored collaboratively by the Communications team and the Customer Contact Centre.

3.6.4. Engagement and reach across both main channels continue to increase across both channels, with the Councils regularly reaching an audience of more than 60,000 individuals every week.

3.7. As well as the main corporate accounts, a number of individuals and Members also have their own ‘corporate’ social media accounts, making them clearly identifiable as representatives of Adur & Worthing Councils.

3.8. Personal use of social media by Officers and Members in their own names and in their own time is also widespread. On occasions, some individuals use these personal accounts to comment on Council matters.

3.9. To avoid misuse, a Social Media Policy provides clear guidance on when and how Officers and Members should use various platforms in both professional and personal capacities. It should be noted that there may be circumstances when, despite using a personal account, an Officer or Member may be acting within the scope of their Code of Conduct and other Council policies.

4. Issues for consideration

4.1. The Councils’ current Social Media Policy was introduced in January 2016. Since then a number of factors have changed.

4.1.1. The very nature of social media as an online, engaging and interactive tool means that it is constantly evolving to meet user demands. To ensure the Councils’ approach remains relevant and up-to-date, it is good practice to regularly review its policy.

4.1.2. The Councils’ Communications team has also changed in that time, moving to a ‘newsroom style’ storytelling operation. As part of that, the use of social media has been reassessed - with the majority of activity now directed through the main Adur &

Worthing Councils accounts rather than numerous accounts with small followings. The refreshed policy takes this new approach into account and lays down formal guidelines for all Councils users.

4.2. This updated policy supports the Councils' stated purpose, ambition and values by enabling the organisation to make best use of these technologies. This can then improve the way it does business.

4.3. It also sets out a behavioural framework for Officers and Members to ensure that the considerable benefits that accrue from using social media are adequately balanced against our legal responsibilities and the need to safeguard the Council's image and reputation.

4.4. The new Social Media Policy also recognises that many of the issues facing Officers and the same as those facing Members. Rather than create and publish two separate policies, the revised document brings guidance together into one place.

4.5. The alternative to adopting this new revised policy is that the older version remains. However, as this is not aligned to either new technology or the Councils' wider communications approach, it risks becoming a redundant document.

5. Engagement and Communication

5.1. Engagement with Officers and Members around any Social Media Policy is essential to its adoption.

5.2. Before this revised Social Media Policy was presented to Members, discussions were had with both HR and legal colleagues. Feedback from informal discussions with Officers and Members around wider social media use was also used to develop the Policy.

5.3. If Members decide to adopt the revised policy, then a range of steps will be taken to update Officers and Members of the guidelines. This will include articles in internal newsletters, an easy-to-understand guide on the intranet and presentations to managers.

6. Financial Implications

6.1 There are no direct financial implications arising from the approval of this policy.

7. Legal Implications

7.1 Article 11, paragraph 11.03 of the Council's constitutions sets out the Functions of the Monitoring Officer and provides an authority for the Monitoring Officer to make 'minor and consequential amendments to the Constitution at any time'. This Policy has made significant and fundamental changes to the Policy and proposes a joint Policy for Officers and Members and therefore cannot be adopted under delegated powers.

7.2 The Joint Governance Committee within its terms of reference has the responsibility to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect.

7.3 Article 14.03 of the Constitution provides that changes to the Constitution will only be approved by the Council after consideration of the proposal by the Joint Governance Committee.

Background Papers

- The Councils' current Social Media Policy for staff was adopted in January 2016.
- Adur District Council and Worthing Borough Council Constitutions

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Sustainability & Risk Assessment

1. Economic

1.1. Matter considered and no issues identified

2. Social

2.1. Social Value

2.1.1. A particular focus of Platforms for our Places, the Councils' three year programme, is how to build capacity within our communities and community partners to enable them to shape and lead our places.

2.1.2. Social media and its online communities carry a strong and influential voice, which can be positive and negative. By creating an effective and efficient policy the Councils can understand, engage and communicate with its customers, partner agencies and the communities it serves.

2.1.3. Effective social media use can minimise the risk of misplaced or malicious allegations being made against those who work with vulnerable groups, inside and outside of the Councils.

2.1.4. Effective communication on social media by staff and elected members can also help support partners' work while ensuring their message is spread to a wider audience.

2.2. Equality Issues

2.2.1. Matter considered and no issues identified

2.3. Community Safety Issues (Section 17)

2.3.1. Good online communication, in conjunction with partners, has the potential to spread important messages and appeals which could reduce crime and disorder across our communities.

2.3.2. A failure to provide relevant guidance to staff and councillors could lead to a direct impact on crime and disorder, such as misinformation around vulnerable or minority groups being spread widely; and the sharing of potentially sensitive safeguarding information.

2.4. **Human Rights Issues**

2.4.1. An often used defence of social media is that it falls under the right of freedom of speech. The Councils also recognise that staff and members have a right to a personal life.

2.4.2. The policy aims to strike a balance by issuing guidance which upholds these rights while ensuring various laws are complied with while the reputation of the Council is upheld.

3. Environmental

3.1. Matter considered and no issues identified

4. Governance

4.1. This report provides Joint Governance Committee details why a revised Social Media Policy is required.

4.2. The presentation of this report and proposed recommendations to refer it to both respective Full Councils ensure that there requires approval from members before this approach is adopted.

SOCIAL MEDIA POLICY FOR MEMBERS AND OFFICERS

1. INTRODUCTION

1.1. Social Media includes the various online technology tools that enable people to communicate easily via the internet to share information and resources. Social media includes, but is not limited to, blogs; wikis; RSS feeds; social networking sites such as Facebook, LinkedIn and Twitter; photo sharing sites such as Flickr, Instagram and Snapchat; and video sharing sites such as YouTube.

1.2. The widespread availability and use of social networking applications brings opportunities for the Councils to better understand, engage and communicate with its customers, partner agencies and the communities it serves.

1.3. This Policy supports the Councils' stated purpose, ambition and values by enabling the organisation to make best use of these technologies and so improve the way it does business. It also sets out a behavioural framework for Officers and Members to ensure that the considerable benefits that accrue from using social media are adequately balanced against our legal responsibilities and the need to safeguard the Councils' image and reputation.

2. PURPOSE AND OBJECTIVES

2.1. The purpose of this policy is to:

- ensure Officers are aware of their responsibility to comply with good practice and the law for example in relation to data protection, confidentiality, libel, copyright, safeguarding of children and vulnerable adults, human rights, harassment and discrimination so that the Councils are not exposed to legal and governance risks;
- support safer working practice by setting standards of good practice and behaviour in the use of social media;
- ensure the reputation of the Councils and its Officers are not damaged;
- ensure children, young people and vulnerable adults are safeguarded by reducing the risk of positions of trust being abused or misused;
- minimise the risk of misplaced or malicious allegations being made against those who work with vulnerable groups;
- ensure users of social networking media are able to clearly identify where information provided via such applications is legitimately representative of the Councils;
- enable Officers to distinguish between the use of social media in their work and personal lives;
- ensure the use of social media is aligned to the Council's corporate communications approach.

3. OTHER CODES AND POLICIES

3.1. The Councils' Code of Conduct for Officers applies to all offline and online communications and includes the use of social media, and can in some circumstances apply to the use of social media in an Officer's personal life..

3.2. The Councils' Disciplinary Policy applies to online communications and includes the use of social media, and can in some circumstances apply to the use of social media in an Officer's personal life.

3.3. The Council's Code of Conduct for Elected Members applies to a Member's use of Social Media.

4. USE OF SOCIAL MEDIA BY ADUR & WORTHING COUNCIL OFFICERS

4.1. Social media is used to communicate news and updates from the Council and the wider community and residents. It is also now an important customer service tool. The two main channels used are Facebook and Twitter.

4.2. There is also a Council presence on Linkedin and Youtube.

4.3. The majority of public facing communication via the Councils' corporate social media channels should be either produced or approved by the Council's Communications Team.

4.4. Some individual Councils accounts or aspects of social media management, such as incoming customer enquiries, can be operated by other members of staff. However, this is only by prior approval of the Head of Communications and after full training delivered by the Communications team is completed.

4.5. A Council service can request to create a public social media page by submitting a business case outlining how social media would benefit this service and how it will be maintained or managed. This should be submitted for review to the Head of Communications.

4.6. If approved, the social media pages will be set up in collaboration with the Communications team and all design must be in line with the Councils branding.

4.7. All new social media pages will be reviewed after a period of 4 months. Those sites which are not performing well or are not benefiting residents will be removed. Similarly, any unauthorised sites will be closed down. Contact the Head of Communications for more information.

4.8. Officers may be permitted to use a Councils Twitter account to represent their role within the local authority. These must:

- Be requested and approved by the Head of Communications;
- Be clearly identifiable as a corporate account using @nameAWC
- Include the relevant Adur/Worthing/Joint logo in the header or profile image

5. PERSONAL USE OF SOCIAL MEDIA - OFFICERS AND MEMBERS

5.1. Social Media is now part of everyday life and routine and the lines between personal/ professional use can become blurred.

5.2. Officers and Members must be aware that their actions online on their personal pages may have wider implications on their professional role and on the Councils' image/representation. Always bear your relevant Code of Conduct in mind when you post to social media.

5.3. In the event that an officer/member's online conduct impacted on the Councils this would become a matter of council concern and may result in investigation in accordance with the council's Disciplinary Procedure.

5.4. All Officers and Members should familiarise themselves with the privacy settings of each social media platform they are using and ensure these are set up correctly. You should never include any personal information (DOB, phone number, address etc) on your personal profile, nor should you share this with residents or third parties.

5.5. Never publish confidential information which you have received as part of your job. Nor should you use any such information for personal gain or pass it on to others who may use it in such a way.

5.6. Staff should be aware not use personal online profiles to raise or discuss a complaint or grievance about the Council, your manager, colleagues etc. There are formal procedures in place for progressing these within the Council.

6. DATA PROTECTION AND SUBJECT ACCESS REQUESTS

6.1. As per section 5.5, to adhere to the latest data protection laws you should never share any sensitive or personal information to social media about a colleague, Member or resident. Any instances of this will be investigated and may lead to disciplinary action.

6.2. Members of the public can submit a Subject Access Request (SAR) via our corporate social media pages. The right of access, commonly referred to as subject access, gives individuals the right to obtain a copy of their personal data as well as other supplementary information.

6.3. More information about an SAR can be found here: https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/individual-rights/right-of-access/

7. MEMBER CODE OF CONDUCT

7.1. Members should be very careful in respect of their actions on their personal pages as the Member Code of Conduct may apply to them when they are not expecting it.

7.2 Elected and Co-opted Members are bound by the provisions of their Code of Conduct for Members when they are conducting Council business or acting, claiming to act, or giving the impression of so acting, as a representative of the Council, or in their official capacity as a Councillor. However, the law has held that whether a Councillor uses a personal social media or email account or a Councillor one is not definitive, and neither is whether he/she signs off of refers to themselves as a Councillor or not (*MC v Standards Committee of LB of Richmond 2011*).

8. LINKED DOCUMENTS

8.1. There are a number of policies which should be considered in conjunction with this social media policy. These can all be found on the Councils' Intranet, or hard copies can be provided on request. These are:

- The Councils' IT Policy
- The Councils' Disciplinary Policy
- The Councils' Use of Social Media in Investigation Policy
- The Councils' Officer Code of Conduct (see intranet)
- The Adur District Council Members Code of Conduct

- The Worthing Borough Council Members Code of Conduct

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 13

Key Decision: No

Ward(s) Affected:

Amendments to the Constitution

Report by the Monitoring Officer

Executive Summary

1. Purpose

This report seeks to update Members of the Joint Governance Committee with recent amendments made to each Council's Constitution by the Monitoring Officer, and asks Members to note those amendments.

2. Recommendations

The Joint Governance Committee is asked to note the Monitoring Officer's use of her delegated powers to make minor and consequential amendments to the Constitution as set out within the report

3. Context

3.1 The Monitoring Officer has a duty to maintain an up-to-date version of the Constitution and to ensure that it is publicly available. The Monitoring Officer has the authority, as set out in Article 11 and at paragraph 3.9.24 of the Officer Scheme of Delegations in the Constitution, to "make minor and consequential amendments to the Constitution at any time".

3.2 The Joint Governance Committee within its terms of reference has the responsibility to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect.

3.3 The purpose of the Constitution is to:

- enable the Council to provide clear leadership to the community in partnership with citizens, businesses and other organisations;
- support the active involvement of citizens and encourage all sections of the Borough and District's communities to be involved in the Council's decision-making processes;
- help Elected Members represent their constituents more effectively;
- create a powerful and effective means of holding decision-makers to public account;
- ensure that no one will review or scrutinise a decision in which they were directly involved;
- ensure that those responsible for decision-making are clearly identified to local people and that they explain the reasons for their decisions;
- provide a means of improving the delivery of services to the community;
- balance speedy and reasoned decision-making with adequate checks and balances;
- place high standards of conduct and probity at the centre of decision-making.

4. Issues for consideration

4.1 Licensing Procedure Rules
Adur District Council

In April 2017 Adur District Council resolved to introduce Licensing Procedure Rules and gave delegation to the Monitoring Officer to draft and implement them and incorporate the new Rules as part of the Adur District Council Constitution.

Such Procedure Rules, which accord with the comments and views of the Licensing Committee, were implemented and became effective on 1st April

2018. The Procedure Rules are not binding in law and may be modified for a particular case by the Chairman, provided the principles of natural justice are complied with, but they are useful in communicating procedures to applicants and setting out a clear, consistent and fair procedure for determining licensing applications.

The Rules set out the procedure for giving notice of a hearing, the rights of attendance and representation, the procedure for public attendance, the order of consideration of evidence at a hearing, the role of Officers at a hearing, timescales for determination, procedures for non-attendance and adjournments, and the right of appeal against a decision.

4.2 Protocol for Public / Press Recording of Public Council Meetings
Adur District Council and Worthing Borough Council

The Monitoring Officer has made minor amendments to the Protocol for the Public or Press Recording of Public Meetings, and these were incorporated into each Council's Constitution on 9th April 2018.

Previously the Protocol provided that members of the public in the public gallery had to expressly advise the Chairman of the meeting if they did not wish to be recorded. The Protocol has been amended to provide that members of the public in the public gallery should not be recorded unless they have expressly given their consent to be so recorded. The same applies to those asking questions or presenting petitions.

It remains the fact that no one under the age of 18 should be recorded.

Further, the Protocol has been amended to make it clear that any person recording a public meeting must take steps to ensure their compliance with their statutory obligations in respect of the use, recording and retention of public data.

In the previous version of the Protocol there was a provision discouraging Elected Members to engage in the use of social media during a public meeting in which they are sitting. This has been deleted in accordance with a decision of each Council in February 2016 which was not previously implemented.

4.3 Council Procedure Rules
Adur District Council and Worthing Borough Council

The Monitoring Officer has made consequential changes to the Council Procedure Rules in the light of the new General Data Protection Regulations

and the Data Protection Act 2018. Revised Council Procedure Rules for each Council were introduced to the Constitutions with effect from 1st May 2018.

Further changes were made on 1st June 2018 to amend Council Procedure Rule 14 'Motions on Notice at Full Council' to give effect to the change in procedures relating to Motions which were considered by this Committee in March 2018 and approved by each Council in April 2018.

Further, an additional Council Procedure Rule 42 has been introduced relating to the appointment or election of the Chairperson or Mayor and their deputies. Previously the appointment and removal of the Mayor of Worthing Borough Council and the Chairman of Adur District Council was dealt with by way of convention and established practices, which were not documented. It was felt there was merit in these practices being incorporated into Council Procedure Rules for clarity and completeness.

An additional change has been made to the Council Procedure Rules to clarify that there is no opportunity at Annual Council Meeting for either public or Member questions to be asked. This has always been the case by convention and these items never appear on the agenda for meetings of Annual Council but have now been included in the Council Procedure Rules for clarity.

4.4 Terms of Reference
Worthing Borough Council

The Monitoring Officer has made consequential amendments to the Terms of Reference for Executive Members at Worthing Borough Council, effective from 1st June 2018, to reflect the changes made by the Leader to Executive Member portfolios.

In particular, the Executive Member for Digital and Resources is now known as the Executive Member for Resources and the Executive Member for the Environment is now known as the Executive Member for Digital and Environmental Services. The A-Z of Services has been updated to reflect the changes made to services within each Executive Member's portfolio.

4.5 Articles
Adur District Council and Worthing Borough Council

The Monitoring Officer has amended Article 12 of each Council's Constitution in respect of the definition of Key Decisions, to correct an error and ensure the definition accords with the statutory provisions of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000.

This minor amendment is effective from 9th July 2018.

4.6 Code of Conduct for Council Officers
Adur District Council and Worthing Borough Council

The Monitoring Officer has amended the Code of Conduct for Council Officers, with effect from 9th July 2018 to remove the reference to the Councils' Dignity at Work Policy which has now been incorporated into the Grievance Policy.

5. Engagement and Communication

5.1 Consultation and engagement took place with Adur District Council Licensing Committee in respect of the new Licensing Procedure Rules.

In exercising delegated powers, the Monitoring Officer has consulted and engaged throughout with the Democratic Services Manager and her team.

6. Financial Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 Article 11, paragraph 11.03 of the Councils' Constitutions sets out the functions of the Monitoring Officer and states "the Monitoring Officer has the delegated authority to make minor and consequential amendments to the Constitution at any time". This provision is confirmed at paragraph 3.9.24 of the Officer Scheme of Delegations.

Background Papers
Adur District Council Constitution
Worthing Borough Council Constitution
General Data Protection Regulations and Data Protection Act 2018

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Good governance arrangements and up-to-date Constitutions support the Councils' priorities relating to partnership working. Good governance arrangements help to protect the reputations of the Councils and provide appropriate access by our communities to the democratic process.

2.2 Equality Issues

The Councils' Constitutions comply with their statutory obligations in respect of equality issues.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

The Councils' Constitutions comply with their statutory obligations in respect of human rights issues.

3. Environmental

Matter considered and no issues identified.

4. Governance

Clear and strong governance arrangements ensure that the Councils meet their statutory obligations, help to protect reputations of the Councils, aim to provide access to the democratic process by the public and our communities, and support the Councils' priorities relating to partnership working.

ADUR & WORTHING
COUNCILS

Joint Governance Committee
31 July 2018
Agenda Item 14

Ward(s) Affected: All

Budget Procedure Rules

Report by the Solicitor to the Councils & Monitoring Officer

Executive Summary

1. Purpose

1.1. Neither Council currently has procedure rules specifically relating to the Budget process and the more generalised Council Procedure Rules are not really appropriate for dealing with this item.

1.2. It is therefore proposed that the attached budget procedure rules are adopted by each Council to form part of their Constitutions to ensure a fair, efficient and consistent process is followed when considering the Council's Budget.

2. Recommendations

2.1. The Joint Governance Committee is asked to consider the Budget Procedure Rules for both Adur and Worthing Councils, as attached at Appendix A and B, and to recommend to each Council the adoption of the respective rules as part of each Council's Constitution.

3. Context

3.1. Each Council has adopted Council Procedure Rules which govern decision making and processes around Council meetings. Rules include those relating to the rules of debate, the length of time Members may speak at meetings, how they may propose amendments and what the voting arrangements are.

3.2. These rules, whilst effective for most ordinary business of the Council, are not appropriate for the process of setting the annual budget. In particular, it is considered that amendments to the budget need to be received by Officers in advance of the meeting so that professional advice can be provided on proposals; this opportunity is denied, if, in accordance with the Council Procedure Rules, amendments are allowed during the meeting with no notice provided. Further it is considered that the usual length of time allowed for proposing a recommendation to the Council by the Leader is insufficient in respect of proposing the budget. Also, there are different statutory rules regarding voting on the budget item which need to be incorporated.

3.3. Each Council has in recent years operated the budget process by means of protocol and convention but for good, fair, consistent governance, these arrangements should be documented and formally adopted into the Constitution.

4. Issues for consideration

4.1. Budget Procedure Rules for Worthing Borough Council provide for greater involvement by the Joint Overview and Scrutiny Committee, than those for Adur District Council in accordance with Members wishes.

4.2. The new rules provide that any amendments to the proposed budget may be made by Group Leaders and Independent Members. Those amendments must be provided to the Chief Financial Officer in advance to allow Finance Officers to provide professional advice to the Council on any amendments. The Chief Financial Officer has the right to reject any proposed amendments which are unlawful. All proposed amendments, signed off by Finance Officers, will not be shared with other political parties until 3 clear working days before the Council meeting. All signed off proposals will be shared with all Members of the Council by noon on the day of the Council meeting.

4.3. At the Budget setting Council meeting the Leader is provided with unlimited time to present his budget and other Group Leaders with 15 minutes for their proposal speech, and any member exercising a right of reply has 10 minutes. All other speeches are limited to 5 minutes in length.

4.4. The Budget Procedure Rules provide for a recorded vote to be taken on the substantive proposal before the Council, and on each proposed amendment, to comply with legislation.

5. Engagement and Communication

5.1. In drafting these Budget Procedure Rules engagement has been taken with other Local Authorities, and with the Chief Financial Officer, Democratic Services Manager, and Chief Executive.

6. Financial Implications

6.1. There are no financial implications arising from the adoption of the proposed procedure rules.

7. Legal Implications

7.1. Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set the budget before 11th March in the financial year preceding the one in respect of which the budget is set. .

Background Papers

- Adur District Council Constitution
- Worthing Borough Council Constitution

Officer Contact Details:-

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Sustainability & Risk Assessment

1. Economic

- Matter considered and no issues identified

2. Social

2.1 Social Value

- Matter considered and no issues identified

2.2 Equality Issues

- Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

- Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. Environmental

- Matter considered and no issues identified

4. Governance

- Good governance procedures are important for the efficient smooth running of the Councils, to ensure transparency, to provide a clear, fair and consistent procedure for sound decision making, and to uphold the Council's good reputation.

BUDGET PROCEDURE RULES

1.0 SUMMARY

1.1 The Council has a duty under section 30(6) Local Government Finance Act 1982 to set a lawful budget in a timely manner.

1.2 Members have a fiduciary duty to Council Tax payers.

1.3 This means they have a duty to facilitate the setting of a lawful budget; a process that requires flexibility and compromise.

1.4 Failure to set a lawful budget in time may lead to a loss of revenue, significant additional administrative costs, as well as reputational damage.

1.5 Failure to set a budget may lead to intervention from the Secretary of State under section 15 Local Government Act 1999.

2.0 THE LEGAL DUTY

2.1 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. This means the Council has a duty to set the budget before 11 March each year.

2.2 If the budget is set after that date, the Act says the failure to set a budget within the deadline does not, in itself, invalidate the budget. However, such delay may have significant financial, administrative and legal implications, including potential individual liability of any Member who contributed to the failure to set a budget.

2.3 Section 66 of the 1992 Act provides that failure to set a Council tax (or delay in setting a Council tax) shall not be challenged except by an application for judicial review. The Secretary of State and any other person with an interest or “standing” may apply for judicial review.

3.0 FINANCIAL IMPLICATIONS OF DELAY

3.1 Delay in setting the Council Tax means a delay in collecting the Tax due not only to the Council, but also the precepting authorities such as West Sussex County Council, the Police, and others such as Parish Council (where appropriate) on whose behalf the Council acts as a collection authority.

3.2 The Council has a legal duty to provide a range of statutory services (such as refuse collection, homeless etc.) and is not absolved from its duty because of the

late setting of the Tax. It also has to pay the monies due to the precepting authorities whether or not it collects any Council Tax.

3.3 Even if the Council sets the budget before the deadline but much later than the planned Budget Council meeting, there is still likely to be some disruption to the administrative arrangements relating to the collection of Council Tax (such as printing, posting, delivery of demands) that have cost implication.

4.0 DUTY TO TAKE ADVICE OF THE CHIEF FINANCIAL OFFICER

4.1 Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

4.2 Section 25 also requires the Council's Chief Financial Officer to make a report to Full Council when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions on the Executive's budget proposals and any alternative proposals.

4.3 The section, and the Council's Constitution, requires Members to have regard to the report in making their decisions. Any decision that ignores this professional advice, including the implications of delay, is potentially challengeable.

5.0 THE BUDGET FRAMEWORK

5.1 The Council will be responsible for the adoption of its Budget, as set out in Article 4 of the Constitution. Once a Budget is in place, it will be the responsibility of the Executive to implement it.

6.0 ANNUAL PROCESS FOR SETTING THE BUDGET

The process by which the Budget shall be set is as follows:

6.1 The budget strategy for the forthcoming year is considered and agreed by the Council in July each year.

6.2 In December each year detailed financial proposals to meet that budget strategy for the forthcoming year are considered by Joint Strategic Committee, after having being considered by the Council's Joint Overview and Scrutiny Committee by way of consultation.

6.3 These proposals are fed, by the Chief Financial Officer, into the draft budget proposals for the Council and the draft Budget Strategy is updated accordingly.

6.4 In January each year the Joint Strategic Committee will meet to consider the draft budget for the joint services of the Council, which it wishes to provide jointly with Adur District Council. The decisions in relation to joint services are then used to produce the revenue estimates and draft budget proposals for Worthing Borough Council which will be considered by a meeting of the Executive in early February.

6.5 The meeting of the Executive will recommend a draft budget to the Council, and level of Council Tax. The Proper Officer (Director for Communities) will then refer them, at the earliest opportunity, to the Council for decision.

6.6 The Executive meeting held to determine the Executive's budget proposals to Council must be held a minimum of 12 working days prior to the Council meeting being held to consider the budget for the Council.

7.0 THE BUDGET SETTING COUNCIL MEETING

7.1 The Executive's proposals will be presented to the Council under cover of a report from the Chief Financial Officer, together with a budget pack and professional financial advice upon the proposal.

7.2 The Council will be asked to agree to suspend Council Procedure Rules for the meeting, where they conflict with these Budget Procedure Rules, to allow these Budget Procedure Rules to prevail.

7.3 The Council Budget Setting Meeting will be held in February of each year to set the budget for the forthcoming year. At the Council budget setting meeting the Executive submits to the Council for its consideration in relation to the following financial year:

(a) Estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections 32 to 37 or 43 to 49, of the Local Government Finance Act 1992;

(b) Estimates of other amounts to be used for the purposes of such a calculation;

(c) Estimates of such a calculation; or

(d) Amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992.

7.4 The Executive will propose its recommendations relating to the above matters to the Council, which if seconded, will be debated by Full Council, in accordance with the provisions below and voted upon.

7.5 The Council may:

(a) Adopt the Executive's proposals; or

(b) Amend them in accordance with the provisions set out below; or

(c) Refer them back to the Executive for further consideration.

Budget proposals can only be submitted to the Council by the Executive; others can propose amendments to the Executive's proposals. The decision will be made by way of a recorded vote in accordance with Council Procedure Rule 24 and statutory requirements of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014. The Leader must confirm that he/she accepts the budget as agreed by Council or it has to be resubmitted to Council with the Executive's revised proposals, causing an inevitable delay.

7.6 If the Council accepts the recommendation of the Executive without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision, and the Leader's verbal confirmation will be sought at the meeting that the Leader accepts the budget as agreed by the Council.

7.7 The decision will be publicised in accordance with Article 4 and a copy shall be given to the Leader.

7.8 Members should put forward any amendments to the Executive's budget proposal through their Group Leader. Any Group Leader or Member who is not in a Group may put forward amended proposals to Council. However Members should not put forward proposals that would mean setting an unlawful budget and they must take Officer advice to ensure their proposals are in order. To this end any proposed amendments must be evaluated by the Chief Finance Officer, or an Officer appointed by her for the purpose, to determine the service, financial and legal implications of implementing the amended proposals. The amended proposals are required to be submitted to the Chief Financial Officer, via the Democratic Services Manager by email to democratic.services@adur-worthing.gov.uk, by no later than 12 noon 10 clear working days before the Council budget setting meeting, excluding the date of the meeting itself.

7.9 The amended proposals, once received by the Chief Financial Officer, will be held confidentially and not shared with other political parties, by the Finance Officers involved. All amended proposals will be considered by Finance Officers by no later than 12 noon 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself. Finance Officers will confirm the legality and impact of all proposed amendments. Any that in the Chief Financial Officer's opinion are unlawful shall be rejected. The Chief Financial Officer will then share all amended proposals, together with Finance sign off and comments, with the Chief Executive, Monitoring Officer and Director for Digital and Resources, by 5pm 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself.

7.10 All proposed amendments will be shared with Group Leaders and Independent Members, by email, by the Chief Financial Officer at 12 noon 3 clear working days before the Council meeting, excluding the day of the meeting itself.

7.11 By noon on the day of the Council meeting Democratic Services Officers will circulate copies of all remaining proposed amendments to all Members of the Council, by email. At the Council meeting, the Chairman will refuse to accept any proposals for amendment that have not been through the above process, and signed off as being lawful proposals by the Council's Finance Officers.

7.12 At the Council budget setting meeting the Executive will propose their budget, with the Leader of the Council having an unlimited time for his speech. The proposal will need to be seconded and the Member seconding has 5 minutes available for this purpose. The seconder may speak at the time of seconding or reserve their speech for later on in the debate.

7.13 The Leader of the next largest Group on the Council will have the right to speak first on the Executive's proposal and may propose any amendment which has been signed off by the Chief Financial Officer, and has 15 minutes maximum for their speech. The proposal will need to be seconded and the Member seconding the amendment has 5 minutes for this purpose and may make their speech at the time of seconding or reserve it for later in the debate on this amendment.

7.14 The Leader of the next largest Group will have the right to speak next on the earlier proposals put before Council, and may have 15 minutes to propose their own amendment, provided it has been signed off by the Chief Financial Officer, which shall need to be seconded with the seconder having a maximum of 5 minutes for this purpose and the right to reserve their speech until later in the debate.

7.15 This process continues until the Leader of each Group and all Members who are not in a Group have had the opportunity to speak, and the budget and all proposed amendments have been proposed and seconded.

7.16 The matter is then open to full debate from all Members of the Council. Each Member may speak only once on this item, other than the Executive Leader who has a right of reply. Each speaker, other than as set out above, has a maximum of 5 minutes to speak.

The debate is managed by the Chairman who has control of the debate and may use his or her discretion to ensure the effective, efficient, fair and orderly conduct of the business. The Chairman's interpretation of these procedure rules and their application will be final.

7.17 At the end of the debate the Leader of the Council, as the proposer of the substantive motion, will have a right of reply on behalf of the Executive and has up to 10 minutes to respond.

7.18 When the debate has concluded, the Chairman will if he/she thinks fit, sum up the debate before putting the amendments to the vote. In doing so he/she may request the Chief Financial Officer to draw the attention of the meeting to any relevant factors.

7.19 The Chairman will then put the amendments to the vote in the order of the amendments proposed by the largest Opposition Group Leader first, followed by the next largest etc. Each amendment will be voted on in turn, with a recorded vote being taken, and administered by the Democratic Services Officer, on each amendment.

7.20 Some proposed amendments may impact on others and there may be inter dependencies between them. For example, if one amendment is lost it may result in others automatically being lost, whilst some amendments may have no impact on others and may stand alone regardless of the outcome of voting on other amendments. The Chief Financial Officer will advise accordingly and the Chairman may adjourn the meeting to facilitate the provision of that advice.

7.21 Following the conclusion of the voting on the amendments, the Chief Financial Officer will confirm how the individual amendments that have been carried affect the Council Tax proposal as necessary.

7.22 There may be a need for a short adjournment to allow for the preparation of the Council Tax resolutions to reflect the budget proposals as amended/if amended to be printed and circulated prior to the substantive vote.

7.23 Once the amendments have each been voted upon and determined, the Chief Financial Officer will clarify any amendments that have been agreed and how they affect the budget proposal. The Chairman will then put the substantive motions, as amended if they have been amended, to the Council for a vote. A recorded vote will be taken and recorded by the Democratic Services Officer present.

7.24 If the budget proposal is accepted without amendment by Council, the Council may make a decision which has immediate effect. If the budget proposal is amended, and is approved as amended by Full Council, the Leader of the Council will be asked by the Chairman if they accept the budget as agreed by Council.

7.25 (a) If the Leader of the Council confirms that they do accept the budget proposals as amended by Council, the Council decision will have immediate effect.

(b) If the Leader of the Council does not accept the budget proposal as amended and agreed by the Council, the matter will be referred back to the Executive for further consideration and revised Executive proposals will need to be submitted to Council at a future meeting; this will cause an inevitable delay to the lawful setting of the budget and the Council Tax and

the associated consequences of such a delay will need to be considered.

BUDGET PROCEDURE RULES

1.0 SUMMARY

1.1 The Council has a duty under section 30(6) Local Government Finance Act 1982 to set a lawful budget in a timely manner.

1.2 Members have a fiduciary duty to Council Tax payers.

1.3 This means they have a duty to facilitate the setting of a lawful budget; a process that requires flexibility and compromise.

1.4 Failure to set a lawful budget in time may lead to a loss of revenue, significant additional administrative costs, as well as reputational damage.

1.5 Failure to set a budget may lead to intervention from the Secretary of State under section 15 Local Government Act 1999.

2.0 THE LEGAL DUTY

2.1 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. This means the Council has a duty to set the budget before 11 March each year.

2.2 If the budget is set after that date, the Act says the failure to set a budget within the deadline does not, in itself, invalidate the budget. However, such delay may have significant financial, administrative and legal implications, including potential individual liability of any Member who contributed to the failure to set a budget.

2.3 Section 66 of the 1992 Act provides that failure to set a Council tax (or delay in setting a Council tax) shall not be challenged except by an application for judicial review. The Secretary of State and any other person with an interest or “standing” may apply for judicial review.

3.0 FINANCIAL IMPLICATIONS OF DELAY

3.1 Delay in setting the Council Tax means a delay in collecting the Tax due not only to the Council, but also the precepting authorities such as West Sussex County Council, the Police, and others such as Parish Council (where appropriate) on whose behalf the Council acts as a collection authority.

3.2 The Council has a legal duty to provide a range of statutory services (such as refuse collection, homeless etc.) and is not absolved from its duty because of the

late setting of the Tax. It also has to pay the monies due to the precepting authorities whether or not it collects any Council Tax.

3.3 Even if the Council sets the budget before the deadline but much later than the planned Budget Council meeting, there is still likely to be some disruption to the administrative arrangements relating to the collection of Council Tax (such as printing, posting, delivery of demands) that have cost implication.

4.0 DUTY TO TAKE ADVICE OF THE CHIEF FINANCIAL OFFICER

4.1 Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

4.2 Section 25 also requires the Council's Chief Financial Officer to make a report to Full Council when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions on the Executive's budget proposals and any alternative proposals.

4.3 The section, and the Council's Constitution, requires Members to have regard to the report in making their decisions. Any decision that ignores this professional advice, including the implications of delay, is potentially challengeable.

5.0 THE BUDGET FRAMEWORK

5.1 The Council will be responsible for the adoption of its Budget, as set out in Article 4 of the Constitution. Once a Budget is in place, it will be the responsibility of the Executive to implement it.

6.0 ANNUAL PROCESS FOR SETTING THE BUDGET

The process by which the Budget shall be set is as follows:

6.1 The budget strategy for the forthcoming year is considered and agreed by the Council in July each year.

6.2 In December each year detailed financial proposals to meet that budget strategy for the forthcoming year are considered by Joint Strategic Committee, after having being considered by the Council's Joint Overview and Scrutiny Committee by way of consultation.

6.3 These proposals are fed, by the Chief Financial Officer, into the draft budget proposals for the Council and the draft Budget Strategy is updated accordingly.

6.4 In January each year the Joint Strategic Committee will meet to consider the draft budget for the joint services of the Council, which it wishes to provide jointly with Adur District Council. The decisions in relation to joint services are then used to produce the revenue estimates and draft budget proposals for Worthing Borough Council which will be considered by a meeting of the Executive in early February.

6.5 The proposals may be considered by the Joint Overview and Scrutiny Committee prior to the February meeting of the Executive and if the Joint Overview and Scrutiny Committee wish to make representations to the Executive upon the proposals, then it may do so, and such representations may be made verbally at the Executive meeting. The Executive will take any representations from the Joint Overview and Scrutiny Committee into account in drawing up firm proposals for submission to the Council, and the report to the Council will reflect the comments made by any consultees and the Executive's response.

6.6 The meeting of the Executive will recommend a draft budget to the Council, and level of Council Tax. The Proper Officer (Director for Communities) will then refer them, at the earliest opportunity, to the Council for decision.

6.7 The Executive meeting held to determine the Executive's budget proposals to Council must be held a minimum of 12 working days prior to the Council meeting being held to consider the budget for the Council.

7.0 THE BUDGET SETTING COUNCIL MEETING

7.1 The Executive's proposals will be presented to the Council under cover of a report from the Chief Financial Officer, together with a budget pack and professional financial advice upon the proposal.

7.2 The Council will be asked to agree to suspend Council Procedure Rules for the meeting, where they conflict with these Budget Procedure Rules, to allow these Budget Procedure Rules to prevail.

7.3 The Council Budget Setting Meeting will be held in February of each year to set the budget for the forthcoming year. At the Council budget setting meeting the Executive submits to the Council for its consideration in relation to the following financial year:

(a) Estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections 32 to 37 or 43 to 49, of the Local Government Finance Act 1992;

(b) Estimates of other amounts to be used for the purposes of such a calculation;

(c) Estimates of such a calculation; or

(d) Amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992.

7.4 The Executive will propose its recommendations relating to the above matters to the Council, which if seconded, will be debated by Full Council, in accordance with the provisions below and voted upon.

7.5 The Council may:

(a) Adopt the Executive's proposals; or

(b) Amend them in accordance with the provisions set out below; or

(c) Refer them back to the Executive for further consideration.

Budget proposals can only be submitted to the Council by the Executive; others can propose amendments to the Executive's proposals. The decision will be made by way of a recorded vote in accordance with Council Procedure Rule 24 and statutory requirements of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014. The Leader must confirm that he/she accepts the budget as agreed by Council or it has to be resubmitted to Council with the Executive's revised proposals, causing an inevitable delay.

7.6 If the Council accepts the recommendation of the Executive without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision, and the Leader's verbal confirmation will be sought at the meeting that the Leader accepts the budget as agreed by the Council.

7.7 The decision will be publicised in accordance with Article 4 and a copy shall be given to the Leader.

7.8 Members should put forward any amendments to the Executive's budget proposal through their Group Leader. Any Group Leader or Member who is not in a Group may put forward amended proposals to Council. However Members should not put forward proposals that would mean setting an unlawful budget and they must take Officer advice to ensure their proposals are in order. To this end any proposed amendments must be evaluated by the Chief Finance Officer, or an Officer appointed by her for the purpose, to determine the service, financial and legal implications of implementing the amended proposals. The amended proposals are required to be submitted to the Chief Financial Officer, via the Democratic Services Manager by email to democratic.services@adur-worthing.gov.uk, by no later than 12 noon 10 clear working days before the Council budget setting meeting, excluding the date of the meeting itself.

7.9 The amended proposals, once received by the Chief Financial Officer, will be held confidentially and not shared with other political parties, by the Finance Officers involved. All amended proposals will be considered by Finance Officers

by no later than 12 noon 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself. Finance Officers will confirm the legality and impact of all proposed amendments. Any that in the Chief Financial Officer's opinion are unlawful shall be rejected. The Chief Financial Officer will then share all amended proposals, together with Finance sign off and comments, with the Chief Executive, Monitoring Officer and Director for Digital and Resources, by 5pm 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself.

7.10 All proposed amendments will be shared with Group Leaders and Independent Members, by email, by the Chief Financial Officer at 12 noon 3 clear working days before the Council meeting, excluding the day of the meeting itself.

7.11 By noon on the day of the Council meeting Democratic Services Officers will circulate copies of all remaining proposed amendments to all Members of the Council, by email. At the Council meeting, the Mayor will refuse to accept any proposals for amendment that have not been through the above process, and signed off as being lawful proposals by the Council's Finance Officers.

7.12 At the Council budget setting meeting the Executive will propose their budget, with the Leader of the Council having an unlimited time for his speech. The proposal will need to be seconded and the Member seconding has 5 minutes available for this purpose. The seconder may speak at the time of seconding or reserve their speech for later on in the debate.

7.13 The Leader of the next largest Group on the Council will have the right to speak first on the Executive's proposal and may propose any amendment which has been signed off by the Chief Financial Officer, and has 15 minutes maximum for their speech. The proposal will need to be seconded and the Member seconding the amendment has 5 minutes for this purpose and may make their speech at the time of seconding or reserve it for later in the debate on this amendment.

7.14 The Leader of the next largest Group will have the right to speak next on the earlier proposals put before Council, and may have 15 minutes to propose their own amendment, provided it has been signed off by the Chief Financial Officer, which shall need to be seconded with the seconder having a maximum of 5 minutes for this purpose and the right to reserve their speech until later in the debate.

7.15 This process continues until the Leader of each Group and all Members who are not in a Group have had the opportunity to speak, and the budget and all proposed amendments have been proposed and seconded.

7.16 The matter is then open to full debate from all Members of the Council. Each Member may speak only once on this item, other than the Executive Leader who has a right of reply. Each speaker, other than as set out above, has a maximum of 5 minutes to speak.

The debate is managed by the Mayor who has control of the debate and may use his or her discretion to ensure the effective, efficient, fair and orderly conduct of the business. The Mayor's interpretation of these procedure rules and their application will be final.

7.17 At the end of the debate the Leader of the Council, as the proposer of the substantive motion, will have a right of reply on behalf of the Executive and has up to 10 minutes to respond.

7.18 When the debate has concluded, the Mayor will if he/she thinks fit, sum up the debate before putting the amendments to the vote. In doing so he/she may request the Chief Financial Officer to draw the attention of the meeting to any relevant factors.

7.19 The Mayor will then put the amendments to the vote in the order of the amendments proposed by the largest Opposition Group Leader first, followed by the next largest etc. Each amendment will be voted on in turn, with a recorded vote being taken, and administered by the Democratic Services Officer, on each amendment.

7.20 Some proposed amendments may impact on others and there may be inter dependencies between them. For example, if one amendment is lost it may result in others automatically being lost, whilst some amendments may have no impact on others and may stand alone regardless of the outcome of voting on other amendments. The Chief Financial Officer will advise accordingly and the Mayor may adjourn the meeting to facilitate the provision of that advice.

7.21 Following the conclusion of the voting on the amendments, the Chief Financial Officer will confirm how the individual amendments that have been carried affect the Council Tax proposal as necessary.

7.22 There may be a need for a short adjournment to allow for the preparation of the Council Tax resolutions to reflect the budget proposals as amended/if amended to be printed and circulated prior to the substantive vote.

7.23 Once the amendments have each been voted upon and determined, the Chief Financial Officer will clarify any amendments that have been agreed and how they affect the budget proposal. The Mayor will then put the substantive motions, as amended if they have been amended, to the Council for a vote. A recorded vote will be taken and recorded by the Democratic Services Officer present.

7.24 If the budget proposal is accepted without amendment by Council, the Council may make a decision which has immediate effect. If the budget proposal is amended, and is approved as amended by Full Council, the Leader of the Council will be asked by the Mayor if they accept the budget as agreed by Council.

7.25 (a) If the Leader of the Council confirms that they do accept the budget

proposals as amended by Council, the Council decision will have immediate effect.

(b) If the Leader of the Council does not accept the budget proposal as amended and agreed by the Council, the matter will be referred back to the Executive for further consideration and revised Executive proposals will need to be submitted to Council at a future meeting; this will cause an inevitable delay to the lawful setting of the budget and the Council Tax and the associated consequences of such a delay will need to be considered.