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ADUR & WORTHING COUNCILS

17 January 2022

Joint Governance Committee	
Date:	**25 January 2022**
Time:	**6.30 pm**
Venue:	**Council Chamber, Worthing Town Hall**

Committee Membership:

Adur District Council: *Councillors; Andy McGregor (Chairman), Rob Wilkinson (Vice Chairman), Catherine Arnold, Kevin Boram, Lee Cowen, Gabe Crisp, Tania Edwards, Jim Funnell and Cathy Glynn-Davies*

Worthing Borough Council: *Councillors; Roy Barraclough (Chairman), Steve Wills (Vice Chairman), Mike Barrett, Louise Murphy, Helen Silman, Emma Taylor and Steve Waight*

Agenda

Part A

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.

3. Minutes

To approve the minutes of the Joint Governance Committee meeting held on 23 November 2021, copies of which have been previously circulated.

4. Public Question Time

To receive any questions from members of the public.

Questions should be submitted by **noon on Friday 21 January 2022**.

Where relevant notice of a question has not been given, the person presiding may either choose to give a response at the meeting or respond by undertaking to provide a written response within three working days.

Questions should be submitted to Democratic Services, democratic.services@adur-worthing.gov.uk

*(**Note:** Public Question Time will operate for a maximum of 30 minutes)*

5. Items Raised under Urgency Provisions

To consider any items the Chairman of the meeting considers to be urgent.

6. Statement of Accounts 2020/21 for Adur District Council and Worthing Borough Council (Pages 1 - 296)

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 6.

7. Adur District Council and Worthing Borough Council Audit Results Reports (Pages 297 - 392)

To consider a report from the External Auditors, copies attached as item 7.

8. Appointment of External Auditor (Pages 393 - 400)

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 8.

9. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 to 2024/25, Adur District Council and Worthing Borough Council (Pages 401 - 452)

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 9.

Part B Exempt Reports - Not for Publication

None.

Recording of this meeting
Please note that this meeting is being live streamed and a recording of the meeting will be available to view on the Council's website. This meeting will be available to view on our website for one year and will be deleted after that period. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Maria Memoli Head of Legal Services and Monitoring Officer 01903 221119 maria.memoli@adur-worthing.gov.uk

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

Duration of the Meeting: Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.

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ADUR & WORTHING
COUNCILS

Joint Governance Committee
25 January 2022

Ward(s) Affected: All

Statement of Accounts 2020/21 for Adur District Council and Worthing Borough Council

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

1.1 The audits of Adur District Council's and Worthing Borough Council's 2020/21 Statements of Accounts are substantially complete. The External Auditor's Audit Results Report, 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 2020/21 financial statements have been adjusted in respect of the External Auditor's findings as at 130th January 2022. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2021 and the letters of representation which are attached as appendix 2) are being addressed in this report and what is being proposed?

1.2 The following appendices have been attached to this report:

(i) **Appendix 1** (a) Adur DC Statement of Accounts 2020/21
(b) Worthing BC Statement of Accounts 2020/21

(ii) **Appendix 2** (a) Adur DC Letter of Representation
(b) Worthing BC Letter of Representation

2. Recommendations

2.1 The Joint Governance Committee is recommended to:

- Approve the amended Adur District Council and Worthing Borough Council Statement of Accounts for the financial year ended 31st March 2021 in appendix 1.

- To delegate to the chairmen of this committee the ability to approve the final version of the accounts including any changes agreed with auditors as the audit is concluded if required.

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

- Approve the revised Annual Governance Statements included in the Statement of Accounts.

- Note the changes in use of reserves referenced in section 4.2.

3. Context

3.1 The Accounts and Audit Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2020/21.

3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2020/21 draft accounts be certified by the 31st July 2021.

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

3.4 Following the approval of the statement of accounts in July 2021, 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. These changes identified, up to 13th January 2022, have been discussed, agreed and adjusted for within the sets of accounts circulated to members.

3.5 There is an unadjusted judgemental misstatement in both Adur District Council and Worthing Borough Council relating to the net pension valuations. Subsequent to the external audit planning reports, an issue was identified across all local government audits associated with the impact of the revised auditing standard on accounting estimates, requiring auditors to test the method of measurement. The annual pension results reports are prepared by the councils' actuary Hymans Robertson LLP. The auditor was not able to access the detailed models used by the actuary and decided on an alternative procedure of creating an auditors estimate to gain assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range. The misstatement identified relates to a difference in technical methodology applied by the council actuary and the auditors consulting actuary PWC, the variance is below the performance materiality threshold for both councils and the accounts have not been adjusted on this basis. As set out in the Audit Results Report at section 2 the auditors are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.

3.6 Any significant amendments affecting the certification agreed with the auditor after 13th January 2022 will be included into the two sets of accounts before publication and members will be briefed on any such changes at the meeting. Currently there is still ongoing audit work relating to the property asset valuations, Ernst and Young have indicated that this work has been delayed due to resource issues and may not be completed by the committee date. If there are any adjustments identified after the Committee meeting, the Chairmen of the Committee will be briefed and asked to reapprove the accounts on the Committee's behalf. All the Auditors findings identified to date are contained in the Auditor's 2020/21 External Auditor's Audit Results Report (ISA 260), elsewhere on this agenda.

4. Agreed Amendments to the 2020/21 Statement of Accounts

4.1 As the External Auditor's Audit Results Report (ISA 260) (elsewhere on this agenda) explains, there are no qualification issues arising from the audit of the two sets of 2020/21 Statement of Accounts to report.

4.2 During the period of the audit it was identified by the Finance Team that an accrual relating to a payment due to South Down Leisure was omitted from the Adur accounts and that a debtor accrual within the Worthing accounts was input incorrectly. These amendments have now been made and the impact on the 2020/21 outturn positions reported in July 2021 are as follows:

	Adur	Worthing
	£	£
Outturn underspend as reported to JSC committee July 2021	640,813	1,137,579
Revised Outturn underspend	599,283	1,083,022
Amendment to 2020/21 outturn	**41,530**	**54,557**
Amended Use of reserves:		
Adjustment to the transfer to General Fund working balance	41,530	54,557

4.3 It is proposed that Adur District Council and Worthing Borough Council's Statements of Accounts 2020/21 be approved by this Committee.

4.4 Due to the publication 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.

4.5 There is one unadjusted item in the statements of accounts for both councils as set out in section 3.5 of this report and section 2 of the Audit Results Report at the time of drafting this report. The unadjusted item is below the materiality thresholds in both Adur and Worthing.

5. Annual Governance Statement

5.1 The Committee will be aware that approval was given to the draft Annual Governance Statements for 2020/21 at its meeting on the 27th May 2021. Following this approval, the External Auditors have conducted their review of the Statements as part of the annual audit of accounts. The auditor's have recommended that the inclusion of the agreed action plan. Narrative has now been added in the Annual Governance Statement to reference the plan together with a link to the full plan document prior to publication.

6. Financial Implications

6.1 The two sets of Statements of Accounts reflect the 2020/21 outturn position and the transfers to and from reserves and carry forward of balances as reported in the 'Financial Performance 2020/21 - Revenue Outturn and Capital and Projects Outturn for Joint, Adur and Worthing' report which was approved by the Joint Strategic Committee at its meeting of 13th July, 2021. The accounts have been adjusted for by the agreed amendments as noted in section 4 of this report.

6.2 **Reconciliation of 2020/21 Revenue Outturn to 2020/21 Comprehensive Income and Expenditure Accounts**

The difference between the Adur and the Worthing 2020/21 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following:

Adur District Council		**2020/21**
	£'000	£'000
Final Outturn 2020/21		
General Fund		9,142
HRA		664
Final 2020/21 Outturn Net Spend		**9,806**
Income from council tax and NDR	(4,304)	
Government grants and contributions not included in the outturn report	(9,346)	
Net income from taxation	(13,650)	(13,650)
Payments to MHCLG for housing capital receipts pool	319	
Gain/loss on disposal and de-recognition of assets	1,031	
Parish Council precepts	415	
Other Operating Expenditure not included in Outturn	1,765	1,765
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(2,222)
Net impact of accounting for pensions under IAS19		209
Revenue funded from capital under statute		10,112
Net depreciation, impairment and revaluations		5,318
Transfer to the Major Repairs Allowance		(4,079)
Capital grants applied to revenue		(9,796)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal		
Other adjustments		(153)
2020/21 Comprehensive Income and Expenditure - Deficit on provision of services		**(2,690)**

Worthing Borough Council		2020/21
Final 2020/21 Outturn Net Spend		**16,347**
Income from council tax and NDR Government grants and contributions not included in the outturn report Capital grants and contributions	(3,776) (13,551) (6,380)	
Net income from taxation	(23,707)	(23,707)
Gain/loss on disposal and de-recognition of assets	(50)	
Other Operating Expenditure not included in Outturn	(50)	(50)
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision Net impact of accounting for pensions under IAS19 Revenue funded from capital under statute Net depreciation, impairment and revaluations Capital grants credited to revenue Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal Cash sale proceeds credited to CIES as part of the gain/loss on disposa of assets. Other minor adjustments		(2,210) (300) 2,481 7,587 (2,174) (120) (232)
2020/21 Comprehensive Income and Expenditure - Deficit on provision of services		**(2,378)**

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

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

Adur District Council	2020/21	2019/20	Movement
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(17,268)	(8,470)	(8,798)
(Surplus)/Deficit from investments in equity instruments designated at fair value	0	25	(25)
Re-measurements of the Net DefinedPension Benefit Liability	147	(21,288)	21,435
Other Comprehensive Income and Expenditure	**(17,121)**	**(29,733)**	**12,612**

Worthing Borough Council	2020/21	2019/20	Movement
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(1,934)	(2,103)	169
(Surplus)/Deficit from investments in equity instruments designated at fair value	0	25	(25)
Re-measurements of the Net DefinedPension Benefit Liability	(1,960)	(27,207)	29,167
Other Comprehensive Income and Expenditure	**26**	**(29,285)**	**29,311**

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.

7. Legal Implications

7.1 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, based on International Financial Reporting Standards (IFRS).

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

8. 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. Conclusion

9.1 The Accounts and Audit Regulations 2015 place requirements on authorities in completing, approving and publishing their annual Statement of Accounts. Adur District Council and Worthing Borough Council have complied with these requirements.

9.2 Members' are asked to approve the amended Adur District Council and Worthing Borough Council 2020/21 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 2020/21 accounts.

Local Government Act 1972

Background Papers

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 2020/21 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2020/21 Accounts

2020/21 External Auditor's Report to those Charged with Governance (ISA 260)

13th July 2021 Joint Strategic Committee – Financial Performance 2020/21 Revenue Outturn and Capital Projects Outturn
https://democracy.adur-worthing.gov.uk/documents/g1583/Public%20reports%20pack%2013th-Jul-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10

27th May 2021 Joint Governance Committee – "The Annual Governance Statements 2020/21" – review and approval
https://democracy.adur-worthing.gov.uk/documents/g1575/Public%20reports%20pack%2027th-May-2021%2018.30%20Joint%20Governance%20Committee.pdf?T=10

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
The External Auditor’s Audit Results Report - ISA (UK and Ireland) 260 is a publicly available document and as such, the findings in the report have an impact on the Councils rputations with regard to financial Governance.

ADUR DISTRICT
COUNCIL

Statement of Accounts 2020/2021

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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, 2021

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 and 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 2020/21;

- 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 2021. It provides a summary of the financial position as at 31st March 2021 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 2020/21

- The 2020/21 revenue budget process and medium term financial plan

- Financial Overview of the Council 2020/21

  * Revenue spend in 2020/21
  * Capital Strategy and Capital Programme 2020/21 to 2022/23

- 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 covers an area 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 64,300 according to the Office of National Statistics with an age profile of:

Age range	Adur District Council	Nationally
0 - 15	18.5%	19.0%
16 - 64	58.0%	62.5%
65+	23.5%	18.5%

There are 2,200 businesses within the area. Business Rate income was £9.34m in 2020/21. This was significantly lower than in previous years but was due to the amount of additional business reliefs granted by the Government to support the local economy during the Covid 19 pandemic. The Council kept £2.4m of income related to Business Rates, 10% of the income was paid to the County Council with the remainder paid to the 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.

Political Structure in the 2020/21 Municipal Year

Adur has 29 Councillors representing 14 wards. The elections were postponed in 2020/21 and consequently the Council had one vacancy at the start of the year. In 2020/21 the political make-up of the Council was:

Conservative Party	16 Councillors
Labour	7 Councillors
Independent alliance	3 Councillors
Independent	1 Councillor
UK Independence Party	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 decisions, 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.

Adur District Council:

- √ Holds £340m of assets to support services and provide income to fund service delivery
- √ Generates £6.3m of income from fees, charges and rents (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 2020/21 government funding (New Homes Bonus) made up 0.25% of total income (net of Housing Benefit Subsidy and HRA Income).

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 £22.9m for 2020/21. 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 within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Covid-19 pandemic and the Council

The Coronavirus pandemic is the largest global emergency that the country has had to face since 1945. The outbreak of the Coronavirus has been recognised as a pandemic by the World Health Organisation affecting many countries. The speed of the pandemic has led to unprecedented disruption globally with many countries requiring residents to stay at home and businesses to temporarily close. As a result of the pandemic, life within the UK became very difficult throughout 2020/21 due to various restrictions on our lives.

To help support our communities, the Council in partnership with central Government administered a range of activities including:

- Providing additional business rate reliefs to local businesses worth £9m;
- Across 10 different strands, paying business grants in accordance with the guidance issued by the Department for Business Enterprise and Industrial Strategy (BEIS). The Council has paid £16.5m in grants in 2020/21.
- Supporting our high streets to reopen safely;
- Set up a network of community volunteers to support those who had to remain at home;
- Established a Community Response Team and supported people in need of help with food, isolation, money, and mental health;
- Established information and support around access to work;
- Supported the development of an Adur and Worthing Emergency Food Network;
- Awarded 1,444 additional Council Tax discounts of up to £150.00 to those residents in receipt of Council Tax support;
- Paid £80.5k of self isolation grants to enable those residents to remain at home who would have otherwise had to go to work due to their financial circumstances.
- Provided accommodation for rough sleepers and all single people who became homeless to ensure that they were housed during the crisis.
- Throughout the pandemic, the council continued to keep its offices open offering face to face appointments to its most vulnerable residents.

Officers have had to take a number of urgent decisions to incur expenditure or take urgent action over the past few months. These have been reported to the Joint Strategic Committee at the earliest opportunity in accordance with the Council's constitution.

Looking ahead to 2021/22, we still expect the pandemic to affect our communities for some months to come. However, the success of the vaccine roll out means that life is gradually returning to normal and the financial impact is likely to be less significant in the forthcoming year. That said, there is still a degree of uncertainty due to the impact of new variants of the virus on the health of the population. For the forthcoming year there will be a focus on supporting the wellbeing of our residents and on economic recovery through a range of measures including:

- Increased award of business rate reliefs;
- Continuation of grants to local businesses to support recovery
- Continuation of additional Council Tax discounts of up to £150.00 for those residents in receipt of Council Tax support
- Range of projects to support the health and wellbeing of our residents
- Working with those at risk of homelessness to ensure that they remain housed.

The financial effects are covered more fully in the relevant sections below.

3. COUNCIL PLANS AND PERFORMANCE

PLATFORMS FOR OUR PLACES - GOING FURTHER 2020 - 2022

The Council's priorities are laid out in 'Platforms for our Places - Going further' which was agreed early in 2020. The plan details how over the period 2020-22 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities. In July 2020 (7 months into that programme) both Councils adopted a refreshed set of commitments to reflect the impact that the Pandemic was having on the Council's priorities.

Five Platforms for our Communities

Platform 1: Prosperous Places

The Councils will support our businesses; our budding entrepreneurs and those prepared to invest their energy and resources responding to the new economy in Adur and Worthing through:

- Strategic influencing and business partnerships
- Inward investment and place branding
- Attractors for prosperity through place making
- The fourth industrial revolution .... Supporting digital inclusivity for business and delivering the technical infrastructure for the next 30 years.
- Clean growth
- Developing our creative economy
- Major projects and developments

Platform 2: Thriving People and Communities

The key themes for this platform include:

- Effective Strategic Partnerships ... and challenges;
- Delivering our housing strategy 2020-2023;
- Supporting stronger, participative and resilient communities;
- Start well, live well, age well: Health and wellbeing at all stages of life;
- Community, voluntary sector and social innovation;

Platform 3: Tackling Climate Change and supporting our natural environment

The themes for climate resilience include:

- Reducing carbon emissions to carbon neutral by 2030;
- Transition to clean, secure, and affordable energy;
- Improving water quality and reducing consumption;
- Rewilding to create more and better spaces for wildlife;
- Managing our land and promoting local food;
- Engaging our communities in the use and stewardship of our open spaces;
- Reducing waste and increasing reuse, recycling and composting
- Sustainable transport and improving air quality
- Improving our climate resilience
- Showing leadership and engaging our communities
- Rethinking the role of land use planning and development

Platform 4: Good services and new solutions

Themes for good services and new solutions include:

- Digital platforms and solutions
- 'Effortless' customer services
- Growing our commercial income
- Embedding our 'SameRoom' service design approach
- Staff learning and developing our leadership
- Corporate landlord and manager of the Council's assets
- Driving sustainability and value for money through contract management

Platform 5: Leadership of our place

Over the next three years, the focus of our place leadership will be on the following themes:

- Developing our elected members and fostering relationships with other leaders of our communities;
- Developing the reputation of our places (and our reputation as leaders and innovators nationally);
- The civic data agenda;
- Emergency planning and civic contingency;

Achievements in 2020/21

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: Prosperous Places

- **Responding to the pandemic:** The Council continued to steward grant funding to the business sector and we have been advising 'on the ground' to help businesses to re-open whenever that has been possible. To help create the right conditions for recovery, we have sought to ensure that our town centres remain open for business and encourage people to feel safe to return.

- **Significant movement on major sites**:

  Adur Civic Centre (Phase 2) - Work on the preparation of a planning application is nearing completion and Hyde Housing will be shortly submitting a planning application for the former Civic Centre site.

  Coastal defences - Shoreham Yacht Club- The new yacht club has been completed and work is underway to build the new coastal defences.

- **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. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables, which will benefit both local businesses and homes. Additional funding has been secured from Coast to Capital and the West Sussex business rate pool to expand the public sector scheme, creating 90 council sites with full fibre connections across our area. This has been followed by the announcement of a £25m scheme for fibre to 50,000 homes, with construction work now underway with completion expected in 2022.

Platform 2: Thriving People and Communities

- **Homelessness:** We have continued to make progress in tackling homelessness and continue to see positive effects of the work that was undertaken during 'Everyone In' in the first lockdown. We were ultimately able to make offers of accommodation to everyone across Adur and Worthing who we housed temporarily during that period and through this work have continued to maintain low rough sleeper numbers: 0 in Adur and 2 or 3 in Worthing.

  Our work over the summer was to ensure that we were able to support our street community over the winter as many of the usual winter options were not possible because of Covid. During this period we have been successful in our bid for MHCLG funding which will provide additional support to rough sleepers and those housed during 'Everyone In', 55 of which have already been moved on into suitable accommodation. The funding will help us enhance our Opening Doors offer for single people, provided accommodation over the winter for rough sleepers and leases that will 'test' tenancy management skills and enable us to move people on into sustainable housing options. We worked with West Sussex County Council to provide additional dual diagnosis support which will enhance development of our local housing first pilots as well as further supporting our work with our homeless community.

  During 2021/2022 we will continue to deliver services for rough sleepers under the Rough Sleepers Initiative 'Journey to Zero' (rough sleepers), provide additional support through our COMF (Contain Outbreak Management Fund) award whilst targeting those with security of tenure who have been impacted by the pandemic but have been protected from homelessness by the eviction ban which lifts on the 1st June 2021, this work will offer support to both tenant/owner occupiers and landlords and be delivered collaboratively with partners.

- **Housing Strategy 2020/2023:** We have seen progress in our ambitions to build with the progression of the small sites build programme. Work has commenced on the Housing Development strategy - the next deliverable within our housing work. Work is well underway for 17 new Council homes at the former Cecil Norris House in Shoreham with completion and handover expected by the end of 2021/22. The contract to build 49 homes at Albion Street has been let.

Proposed design for new homes on the old Cecil Norris site in Ravens Road, Shoreham.

A programme to build 56 new Council homes on redundant garage sites has been agreed and planning applications are progressing at pace.

- **Opening Doors Scheme:** Opening doors continues to attract new landlords and grow. Providing a valuable new source of housing for our homeless households. As we look at the impact of Covid and the worsening economic situation we are looking for ways to introduce residents and landlords to the scheme before they are in crisis.
- **Stronger Participative and Resilient Communities:** We continue to work with and support our community response network and over this period have been looking to transition this to a more self-managed peer support approach. We continue to support vulnerable people in our community and at the time of writing have supported 2,355 people and continue to support 426 of these. Our Community Response approach will continue to ensure that we are able to support people through the successive lockdowns.
- **Community Safety:** We have hosted training for 12 managers across Housing and Wellbeing to look at developing trauma informed services, adapting our policies and procedures to make our services more accessible to those most frequently excluded from services. We have instigated the Mentoring in school project for Year 6 children transitioning to High School and we have hosted Co-production sessions for young people to contribute to a new community resource to raise awareness of violence and exploitation.
- **Health and Wellbeing at all Stages of Life:** We have been focusing on the topic of “Work” as we see the impact of Covid. Combining both work and skills our new Work App is designed to help people manage their own journey through the complicated employment landscape.

  We have worked swiftly to create a digital pathway to enable people who need to self isolate to apply for self isolation payments. This is an important part of our Covid response and we are now seeing a regular flow of people accessing this service.
- **Going Local:** In 2020/21 there was a considerable increase in the number of referrals to the service from the same period in the previous year from over 16 GP surgeries across Adur and Worthing.
- **OneStop Junction:** During July to September there have been 64 Money referrals, which has led to an approximate increase of income of £90k overall. Also 52 employment referrals were received with 6 people being offered full time employment . We have donated and/or loaned out over 35 digital devices to provide access to the internet for involvement with local democracy, providing access to educational opportunities and preventing isolation of vulnerable residents.
- **Activities Strategy:** We have been continually adapting our approach to activity to respond to the pandemic and also the changing landscape of leisure in Adur with the closure of the Adur leisure facilities. Over the winter, we provided support and guidance to help people to stay safe and active with an emphasis on outdoor activities and the link between physical and mental health.

- **Community and Voluntary Sector:** Community Works continue to have a strong impact in how we support and work with our community and voluntary centre. One area of major focus has been the commissioning and set up of a food partnership across Adur and Worthing that connects our food bank network with providers and other parts of the food system. This approach is designed as a “whole system” intervention and gives a platform to connect across all aspects of food, from growing to provision to distribution.

  Progress with our community centres is still hampered by Covid but we have been making progress on securing a tenant for Eastbrook Manor Community Centre.

Platform 3: Stewarding our natural resources

- **Climate Assembly:** the Councils ran an online Climate Assembly to deepen resident engagement and help strengthen community innovation and commitment to the agenda. Between September and December 2020, 45 residents met online to listen to evidence, deliberate and then make recommendations that went to the Councils in early 2021.

- **Carbon reduction:** The newly established carbon reduction team will drive a programme of works to decarbonise our buildings and fleet as a critical part of meeting our carbon neutral 2030 target. High quality successful bids to Central Government funds were submitted, including rooftop solar schemes, insulation and heating system projects. These projects and feasibility studies starting early in 2021/22 would reduce emissions by up to 300 tonnes and further develop the Councils' ability to deliver successful energy schemes.

- **Sustainable planting schemes:** Working alongside Prairie Gardens we are exploring our park landscape to enhance and enable a pollinator landscape and lower water usage across our portfolio. This will not only support the halt of the pollinator colony collapse but will also support connectivity of our landscapes as a whole. The planting designs work towards reducing the intensive peat and water management needed for seasonal bedding displays, resulting in fewer natural resources to manage these striking displays. Prairie planting that will be used is also more resistant to extremes in climate enabling us to plan for sustainability of planting schemes within our landscape as our climate adapts around us.

- **Recycling:** Since the introduction of an alternate weekly collection strategy last year the Councils have seen an average increase in recycling of just under 6% overall, and general refuse has been cut by approximately 1,700 tonnes when compared with levels from the same period last year. This is a remarkable feat considering the fact that Councils across the country have seen, on average, an increase in residual waste in the home of 20% during Covid.

- **Investment in solar energy:** A full review of solar investment opportunities has been undertaken and an investment strategy developed. Subject to full business cases this is expected to deliver proposals for roof mounted solar on council buildings, and further large commercial solar investments.

- **Electric vehicle infrastructure:** Adur & Worthing Councils have entered into a contract with WSCC for the provision of electric vehicle charging points across our areas. We are currently working with the County Council to procure a delivery partner/operator under concession. A Network Plan will be developed identifying phasing and numbers of points for a consistent, accessible, renewable powered EV charging network on-street and in public car parks. This work will establish a proliferation of charge points delivered in Adur & Worthing on street and in Council car parks over the next 7-10 years.

- **Restoration of natural habitats:-** The Council has acted directly to secure green space for future generations. The Council purchased the 70 acre New Salts Farm and a 43 acre land purchase adjacent to the Adur river at Pad Farm. The aim is to restore habitats and involve communities through partnership work with Sussex Wildlife Trust, Ouse & Adur Rivers Trust and other local partners.

- Strategic work is underway by the councils in support of two major habitat restoration schemes with partners: Adur Estuary and Sussex Kelp

Platform 4: Good services and new solutions

- **Digital Enabling of Covid Community Response:** Our digital approach has really paid dividends during Covid. Within days our in-house Digital Team team, working collaboratively with Communities and Customer Service, built our community response platform. The platform enabled individuals to register for support, ranging from help with getting food to people requesting support with mental health and wellbeing and linking those people to volunteers or organisations who also registered through the app. To date we have supported 2,319 individuals and registered 495 volunteers and the platform continues to evolve as the needs of our communities change.

  We also adapted it to administer the Government's Self Isolation Support Grant. The same technology was used to administer government grants for businesses and to build our new platform offering employment support.

- **Staying accessible to customers during lockdown:** Covid Lockdown forced us to shut our customer service centres in Portland House and the Shoreham Centre for walk-ins at a time when some vulnerable people needed us the most. Within days we established an appointments system, usually following a telephone triage, for people who have no alternative but to see us face to face. The triage means that customers come prepared with any paperwork they need and the relevant team member, often a Housing Officer, is available in person to assist them. This has eliminated wasted journeys for customers or long waits to be seen. It has resulted in a quicker, safer and more effective process for the customers and for our staff.

- **Proactive Customer Outreach:** The Customer Service Team has created capacity to make proactive outbound calls to customers, e.g. those who have fallen into council tax arrears. These calls were really welcomed by customers, who commented that they felt "the Council cared". As a result of the exercise 455 customers were made aware of their eligibility for council tax support and 347 had the bills reprofiled. In addition the calls generated £145,000 worth of incoming payments across both Councils. The proactive work means we need to send out and process fewer reminder letters. We continue to focus on ensuring we remain accessible to individuals who may not have support networks or access to telephone or online channels.

- **New Website:** Our Covid related web pages drew almost 190,000 views between March and November 2020, guiding people to advice, information and support including our community support and our business support schemes. It highlights the importance of our website as a communication channel, which is why we launched the first phase of our new site in December 2020. The new site has been designed to GOV.UK standards which will feel familiar to anyone who has used a government website. We have updated and streamlined our content and made the site easier and friendlier to navigate. Users have been engaged throughout the development to test the functionality and the site is compliant with the latest accessibility standards. Work on the second phase to update remaining web pages is now underway. The work has been largely done in-house, at a fraction of the cost of outsourcing the project to an external agency.

- **Learning and development:** Our learning offer has continued apace, upskilling and developing staff, with courses shifting online wherever possible. Our "Leadership College" is a valued quarterly gathering which supports our leaders to gain the skills needed to develop as 21st century public servants leaders. We are becoming adept at both focusing on the learning 'fundamentals' - GDPR, management skills, safeguarding - alongside shaping our future leaders, through the Leadership Lab development programme. In addition, we have adapted to the pressing needs of our people over the past six months through our learning offer, providing resilience training, Mental Health First Aid training and management learning sets focusing on leading remote teams.

- **Service Design Apprenticeship:** The Service Design Apprenticeship has received national attention with articles in the MJ and invitations to present at international conferences. We are leading the development of this course, engaging with service designers from across industry (public, private and third sector) to create a programme of study which prepares service designers not just for the reality of today but for the future of this occupation.

Platform 5: Leadership of our place

- **Community and Voluntary Sector:** Our work with the local Community and Voluntary Sector has progressed well and has been essential in responses to the pandemic. In the community and with the formal Voluntary Sector, the voice of our places at the local level has been heard and self organisation has taken place. Of particular note has been the work done by our food banks and providers and our Mutual Aid Groups and we continue to work closely with them where we are needed.
- **Critical Relationships:** Critical relationships have been valuable with the Greater Brighton Economic Board, West Sussex County Council, other District and Borough Councils, housing partners, various NHS and Economic bodies as well as the Police and Community Safety organisations. At a regional level the Local Resilience Forum has brought together a variety of local players to deal with the pandemic response at a Sussex wide level. Daily updates and interventions with Central Government have at times proved helpful (at other times less so and challenging). Housing partners have worked skillfully together to provide a rapid and comprehensive support on homelessness. The "Everyone In" call from MHCLG to house the homeless at the early stages of lockdown was heeded (and in the space of 72 hours 90% of homeless people were housed). Broader issues, not surprisingly, have arisen around homelessness, family breakdown and economic and social consequences of the lockdown. It is encouraging to see how well partners have worked together on this and the clear commitment to continue this approach into the future however challenging that future may be.
- **Emergency Planning and Civil Contingency Work:** In "Platforms for our Places : Going Further" we had expressly referenced the importance of Emergency Planning and Civil Contingency work. With the arrival of the pandemic we employed much of our learning in the initial response phase to support aspects such as the distribution of food and in designing and implementing a community response. Over the past 9 months we have focussed on supporting West Sussex County Council, the lead authority for public health, to ensure that vulnerable people in our communities are supported as we entered the second phase of 'lockdown'. All Directors and Heads of Service have now undertaken two bespoke training events designed to help frame our response to delivering council services and supporting our communities during subsequent phases of the pandemic.

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 2020/21 may be viewed at:

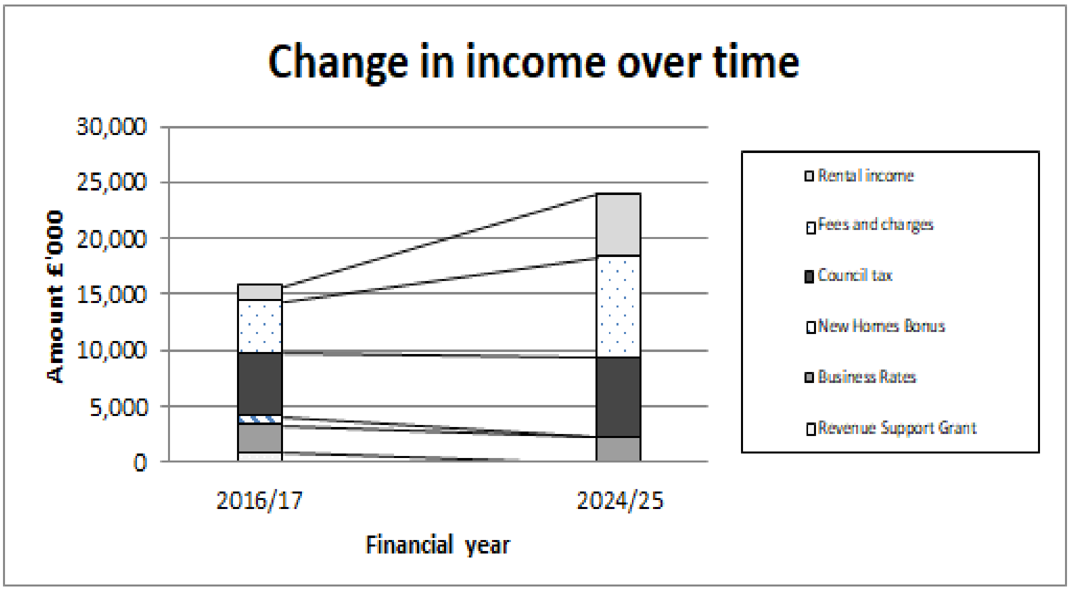
Joint Strategic Committee report 7th July 2020 (6 month progress update)

Joint Strategic Committee report 1st December 2020 (12 month update)

4. *THE REVENUE BUDGET 2020/21 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2020/21

The budget for 2020/21 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 of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property. This trend is expected to continue for at least the next 5 years in line with the Council 5-year forecast.



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;
- impact of increasing demand for such services as homelessness;
- 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 2019/20 through 4 major work streams – developing commercial income, investing in property, tackling homelessness, 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 £1.4m as part of the 2020/21 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2020.

Council Tax

The Council chose to increase Council Tax for 2020/21 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	2019/20	2020/21	Change
	£	£	%
Adur District Council – Basic Council Tax	284.22	289.62	1.90
West Sussex County Council	1,383.57	1,438.74	3.99
Sussex Police & Crime Commissioner	189.91	199.91	5.30
	1,857.70	1,928.27	3.80
Parish precepts and other adjustments:			
Lancing Parish Council	51.66	51.30	-0.70
Sompting Parish Council	29.97	33.39	11.41

Council Tax base

The Council Tax base for 2020/21 was 21,380.4 which was an increase of 185.40 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	2019/20	2020/21
	£	£
Number of Band D equivalent dwellings	21,195.0	21,380.40

Budget Strategy for 2021/22 to 2025/26

In preparing the budget strategy for 2021/22 to 2025/26, 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 development of the 2021/22 budget was approved by Council on 7th July 2020 and it set the strategic direction to address the significant challenges not only for 2021/22 but onwards.

The fall in government funding combined with the impact of the pandemic of the Council's budgets included in the forecasts highlighted that the Council needed :

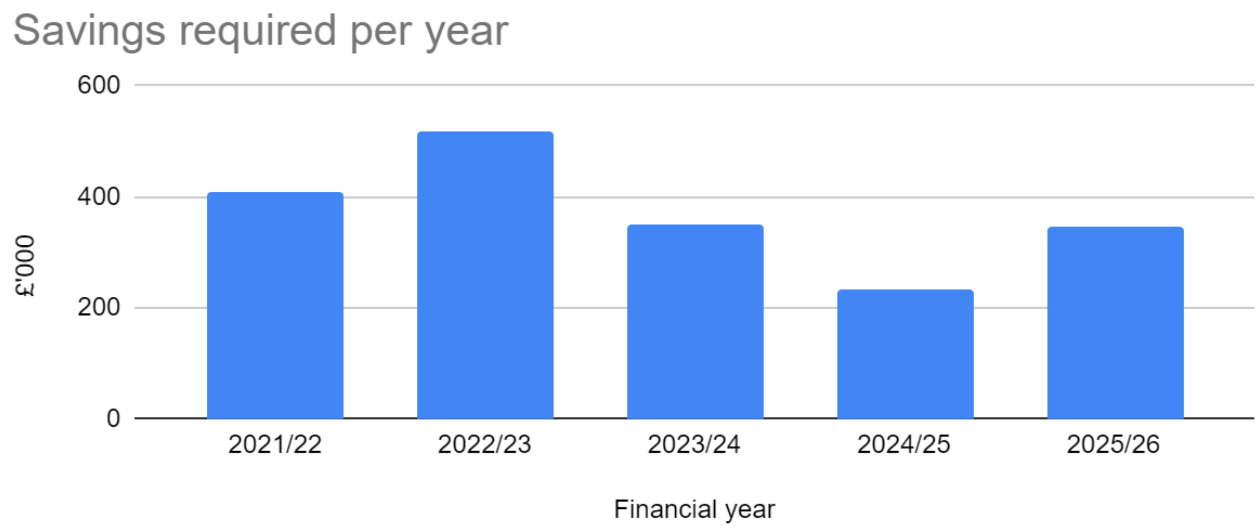
1. To transform services through the use of digital technology and by putting the customer at the heart of our business;

2. To invest in new property to generate income for the Council in the future;

3. To expand commercial activity;

4. To tackle the cost of homelessness through prevention work and commissioning better, more affordable accommodation

The Council has to identify significant budget reductions of £1.9m over the five years with a £0.4m challenge expected for 21/22 as follows:



In February 2021, the Council set a balanced budget having successfully identified further savings of £0.6m.

Further details around the most recent forecasts for both Councils will be contained in the report ‘Developing a revenue budget for 2022/23 at the time of a pandemic’, which was considered on 13th July 2021 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the Covid 19 pandemic is having on the Council’s budgets. This can be found on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any particular areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate ‘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 reports on financial performance for 2020/21 considered on 13th July 2021 by Joint Strategic Committee. There are two separate reports titled:

- Financial Performance 2020/21 - Revenue Outturn; and
- Financial Performance 2020/21 - Capital and Projects Outturn.

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 2020/21

A more detailed summary of the Council's financial results for 2020/21 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 2020/21 Adur District Council reported an underspend of £640,813 against a budget of £8,612,350, which was largely due to the substantial additional Government Grant received to offset the impact of COVID 19.

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

2020/21 Outturn	**Adur** Outturn £000
Reduction in income due to the impact of Covid 19 pandemic	918
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2020/21, due to reprofiling of the capital programme.	(198)
Budget provision related to timing differences - project funding to carry forward to 2021/22 for projects that are yet to commence or will complete next year.	(189)
Non ring fenced Government grants:	
Additional Non ring fenced grant	(85)
Government Covid 19 Grant Funding	(1,101)
Sales, Fees and Charges Guarantee Scheme	(452)
Impact of Taxation:	
Section 31 - additional NNDR grant	(3,827)
Local tax income guarantee grant	(297)
Transfers to Reserves:	
Business rates smoothing reserve	3,737
Tax Guarantee smoothing reserve	297
Transfer to/from reserves to fund revenue expenditure	598
Net over/(under) spend before contributions to/from Reserves	**(599)**

Where such items were identified when the 2020/21 budget was being prepared, an allowance for any impact on the future years was built into the budget.

In spite of an extremely difficult year from a financial perspective, the Council has supported the local community throughout the pandemic whilst maintaining 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	CURRENT ESTIMATE 2020/21	OUTTURN 2020/21	UNDER/ OVERSPEND
	£	£	£
Leader	638,050	545,980	(92,070)
CM for Environment	2,555,220	3,561,324	1,006,104
CM for Health & Wellbeing	1,274,720	1,046,497	(228,223)
CM for Customer Services	1,443,050	1,358,450	(84,600)
CM for Regeneration	1,734,060	1,727,737	(6,323)
CM for Resources	(118,450)	186,144	304,594
Support Service Holding Accounts	55,670	-	(55,670)
Total Executive Members	**7,582,320**	**8,426,132**	**843,812**
Credit Back Depreciation	(1,326,600)	(1,505,052)	(178,452)
Minimum Revenue Provision	2,356,630	2,221,644	(134,986)
Net overspend before government funding	**8,612,350**	**9,142,724**	**530,374**
Non ringfenced COVID grants		(1,552,922)	(1,552,922)
Other grants	-	(84,677)	(84,677)
Net underspend before impact of Taxation	**8,612,350**	**7,505,125**	**(1,107,225)**
Taxation Grants received:			
Section 31 NNDR Grant for additional reliefs grants	-	(3,827,589)	(3,827,589)
Tax Income Guarantee Grant	-	(297,335)	(297,335)
Total before transfers to/from Reserves	**8,612,350**	**3,380,201**	**(5,232,149)**
Contribution to Taxation Smoothing Reserves		4,034,861	4,034,861
Transfer from reserves to fund specific expenditure	-	598,005	598,005
Net Underspend Transferred to Reserves	-	599,283	599,283
Total Budget requirement before External Support from Government	**8,612,350**	**8,612,350**	**0**

Approved Use of Underspends	**£'000**
Unspent 2020/21 budget approved for use in 2021/22	189
Underspend transferred to/(from) Investment Property future Maintenance Reserve	200
Net Underspend Transferred to Capacity Issues Reserve	210
Underspend declared in year	599

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

1. **Funding from Central Government**

The Council received no Revenue Support Grant in 2020/21. However the Council did receive a substantial amount of funding related to the pandemic (£1.6m) and £88,090 of New Homes Bonus.

2. Funding from Local Taxpayers

The Council collected £40m of Council Tax relating to 2020/21 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Councils. This represented 96.29% of the £41.588m Council Tax due to be collected. In addition, Council Tax Support totalling £8.9m was awarded during the year together with other discounts such as Single Person Discount of £4m.

Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.42%, Sussex Police & Crime Commissioner 10.45% and Adur District Council and Parish Councils 16.13%.

The Council benefitted from £6.529m of Council Tax income in 2020/21. A further £0.415m was collected on behalf of the Parish Councils.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £19.1m collected, after allowing for exemptions, reliefs and provisions, the Council kept 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

The Council retained £2.4m of Business Rate and associated grant income in 2020/21 within the statutory accounts.

Total Funding from taxation:

	Budget	Actual
	£	£
Council Tax *	6,520,280	6,400,734
Parishes *	414,900	414,900
Business Rates	1,228,942	-2,511,679
Section 31 grants - compensation for loss of business rate income	851,648	4,566,373
Tax Income Guarantee Grant	0	297,335
Covid Grant Funding	0	1,560,994
New Homes Bonus	11,480	88,087
	9,027,250	10,816,744

* Net of budgeted Collection Fund surplus/deficit.

It must be noted that most of the difference in the Business Rates income budgeted and the deficit position is due to the introduction by the Government (after the 2020/21 budget had been set) of additional retail, leisure, hospitality and nursery business rate reliefs awarded to support businesses during the pandemic. The Council received compensating Government section 31 Grant. The additional section 31 grant of 3.7m was moved to the Council reserves in 2020/21 to manage and smooth the future impact on the general fund of the losses shown in the Collection fund due to the additional reliefs awarded.

In 2020/21, the Council participated in a Business Rate pilot with neighbouring Councils and the County Council. This enables the area to retain Business Rate income to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance, over and above budgeted receipts, to aid with cash flow and to allow the Council to help the residents and businesses of Adur district. This has impacted on the outturn as some grants were not used in full in the 2020/21 financial year (thus held in reserves) and others were intended to be held in reserve for use in 2021/22.

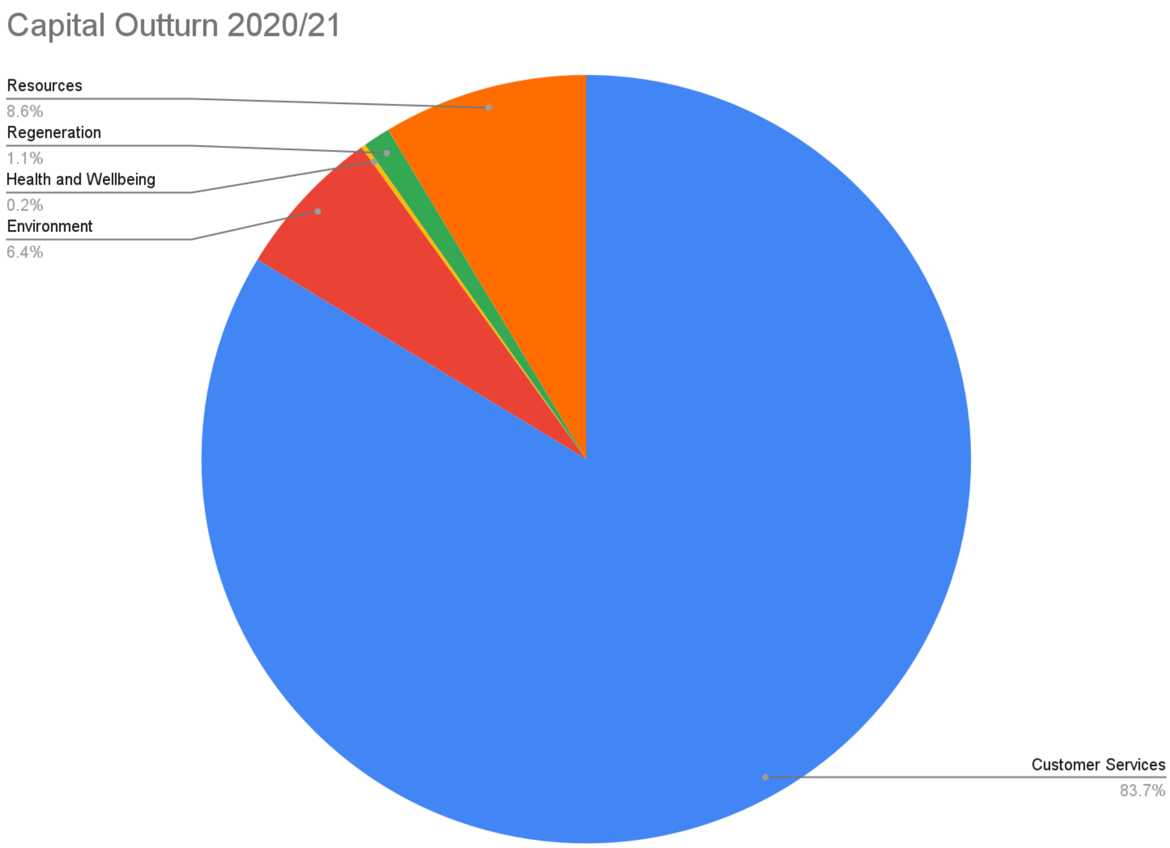
The outturn and indeed the monitoring reports all year were presented with the un-ringfenced grant received from Central Government offsetting overspending in Council Portfolio areas. This approach was chosen so the actual service impact could be seen compared to the original budget. In total three tranches of un-ringfenced grant totalling £1.1m was received and three tranches of Sales, Fees and Charges compensation grant totalling £0.452m.

There was also grant funding of £0.3m for the Local Tax Income Guarantee (LTIG). This funding, although received in 2020/21 as an unringfenced grant, is being carried forward in reserves to manage the impact on the tax losses which are to be spread over the following three financial years through the General Fund.

In addition capital grants and contributions were received totalling £2.83m.

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.



The capital investment programme for all Adur Portfolios was originally estimated at £61,430,450. Subsequent approvals and re-profiling of budgets produced a total revised budget of £23,422,070. Actual expenditure in the year totalled £17,697,720, a decrease of £5,724,350 on the revised estimate, comprising net budget carry forward to future years of £3,543,640 and a net underspend of £2,180,710. 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.

5. Availability of suitable investment properties to purchase.

6. The impact of Covid 19 on the ability to deliver some projects at the year end.

The re-profiling of schemes was on-going throughout the year and in total 18 schemes did not complete as planned in 2020/21.

Expenditure in 2020/21 was financed as follows:

	£'000
Government grants and other contributions	10,721
Capital receipts	1,282
Borrowing	3,700
Major Repairs Reserve	1,961
General Fund Reserve	9
Revenue contribution	24
	17,697

Significant investments in 2020/21 included:

- Continued spend on the development of Albion Street and Cecil Norris House sites

Proposed design of the new council homes at Albion Street

- Improvements to Council homes including fire protection works.

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Financial Performance 2020/21 - Capital and Projects Outturn" which was considered on the 13th July 2021. 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 15 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 13th July 2021 Joint Strategic Committee report "Financial Performance 2020/21 - Capital and Projects Outturn". 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 2,537 homes which are worth £198m.
- In 2020/21 the Council collected £12m in dwelling rents (£11.9m in 2019/20).
- The Council is planning to spend £44.9m over the next 3 years to increase the supply of affordable homes and improve the condition of existing housing stock.

Capital Investment Plans 2021/22 – 2023/24

The Council plans to invest £79m in its capital assets over the next 3 years (including £44.9m 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 fire safety and backlog maintenance issues;
- Improvements to leisure and play facilities throughout the District;
- Coast Protection works along the river Adur;
- Purchase of commercial property to support the local economy and produce a sustainable income stream for the future.

	3-year plan			
Expenditure by Portfolio	**2021/22** £'000	**2022/23** £'000	**2023/24** £'000	**Total** £'000
Customer Services	23,782	20,471	6,076	50,329
Environment	1,899	831	646	3,376
Health and Wellbeing	71	111	36	218
Regeneration	1,632	50	50	1,732
Resources	21,019	1917	637	23,573
Total Expenditure	**48,403**	**23,380**	**7,445**	**79,228**
Funded by:				
Capital grants and contributions	1,425	963	375	2,763
Revenue contributions and reserves	5,009	18,455	3,125	26,589
Borrowing	40,170	3,941	3,941	48,052
Capital receipts	1,799	21	4	1,824
Total Funding	**48,403**	**23,380**	**7,445**	**79,228**

6. *TOP STRATEGIC RISKS*

Detailed below are the most significant risks that the Council is currently managing.

Risk overview	<u>**Covid-19**</u> Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. The Government, on the advice of medical experts, has introduced social distancing measures, emergency legislation and economic packages to mitigate the effects of the crisis. This will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery effort which may last 12 months or more before we reach a stage of “relative normality”. A future social and economic landscape will be significantly different and our ability to adapt will require careful consideration.
Commentary / Mitigation measures	The self isolation payment platform has been enhanced to include the recently introduced grants for parents/guardians The Community Response approach has shifted into community recovery and work is progressing well working with the Emergency Food Partnership. Good Work is developing well. The new Youth Hub as part of Good Work is planning to start in May for young people aged 18-24. The employment platform is still in place and we are using the employment advisors in a more targeted way through the Proactive Project. In addition officers are also working through some new Contain Outbreak Management Funding for work in relation to Covid and health outcomes. This will be focusing on prevention and early intervention to enable and support our communities Various types of support are in place for the Councils’ staff to help with their resilience at this difficult time, including regular meetings with their line

	manager, resilience training and enabling staff to work flexibly around caring responsibilities. The Employee Assistance Program is available to all Council staff (and their family living in the same household) and they can access a wide range of advice and support ranging from counselling, to financial, legal and childcare advice.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**Council finances** Council finances continue to be under pressure after several years of reducing income from central government. The Councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.
Commentary / Mitigation measures	Councils have set a balanced budget for 2021/22 and the challenge now moves to 2022/23. There is considerable uncertainty regarding both the timing and the impact of the fairer funding review. Government funding for Covid related pressures has now increased.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk Overview	**Welfare reform:** 'Welfare Reform' is used to cover a range of issues in particular: ● Changes to how benefits are paid to those who are working, to incentivise work. ● Changes to the maximum level of benefits paid to families and individuals who are not working ● Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC) ● Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities. ● Benefits for young people and single people reduced ● Benefits for larger families reduced The impact of these changes are still working through the system but in areas where Universal Credit has been rolled out fully, the following effects have been reported. ● 5-6 weeks gap before UC is paid (in some cases longer) ● Local systems unable to track individuals in need, as the system is centralised and data is no longer available ● Housing costs not being met by the level of out of work benefits The impact for the Councils of this is potentially on two fronts: increased homelessness presentations and/or reduced rental income for Adur Homes. Recent agreements to cut budgets from WSCC lines - e.g the Local Assistance Network funding; Supported Housing and IPEH (Universal services) may also impact in these areas.

Commentary / Mitigation measures	The situation in respect of the impact of Universal Credit on the live Housing Benefit caseload remains unchanged and the increased volumes of claims for Council Tax Support continues. Local Housing Allowance Rates increased during the pandemic and are set to remain at the increased rate. UC loans (whilst claims are assessed) are impacting low income households as the loans are reclaimed reducing income and households ability to meet daily living costs, Emergency Assistance Programme(EAP) funding: COMF funding has been secured to re-establish an emergency assistance fund for 1 year (21/22) to mitigate this impact Average weekly volumes of claims for Council Tax Support have been ● Throughout 2019/20: 40 ● Throughout 2020/21: 58 ● April 2021: 42 Between 01.04.2020 and 01.05.2021 the number of "live" claims for Council Tax Support has risen by 0.56% in Adur
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**Economic Uncertainty** Covid 19 will have a severe impact on the local economy. The impact on our town centres will be significant and key sectors such as hotels, restaurants and retail will be particularly adversely affected. Some businesses will not survive and there will be an increase in unemployment. Resilience will be key and local councils will be expected to play a key role in supporting economic recovery. As part of this, many businesses will need to change their model of operation and the councils will need to respond to their changing needs in terms of factors such as regulation, infrastructure and logistics.
Commentary / Mitigation measures	The Councils will need to respond quickly to support the interests of local business and the wider economy. A number of measures will be needed to ensure that the local economy develops the necessary resilience: ● Supporting the local economy where there are opportunities for growth. The digital and creative industries sector has been growing at a significant rate nationally. Understanding this sector and nurturing its growth in our local economy will continue to be important; ● Supporting our major businesses as they develop new business models; ● There will be an expectation that local authorities play a more central role and we have already seen this in the distribution of Government grants and processing of Business Rate relief requests. We will need to partner with some of our major employers to secure access to public investment monies that do become available;

	● Economic recovery will require local authorities to be agile and flexible in using their powers to respond at pace to support the economy. This is likely to mean that new and innovative approaches will be needed to overcome traditional barriers and traditional bureaucratic obstacles; ● A resilient local economy will demand affordable and high speed digital infrastructure 'on tap'. Publicly available digital access will help to support town centre recovery and the wider visitor economy. New ultrafast fibre is currently being installed across our area, the first towns in the south east, and a funded initiative to provide "Citizen WiFi" will also support the town centre and seafront, and those who cannot afford data plans. ● Supporting our town centres and helping create the right conditions for trade. In the short term this will include working to help ensure that our town centres and supporting infrastructure offer a safe environment for residents and visitors. ● We have also been co-ordinating the development of additional measures in our towns to help with Covid-safe practices including appointing 3 new information officers (using government funding) to provide guidance and engagement to businesses and groups around covid. A Safe Towns Group is still in operation to help co-ordinate actions to help support businesses to reopen safely including: ● Developing a new pavement policy - to make greater use of outdoor space, ● Developing a new #WelcomeBackAW campaign for local residents to the town centre ● Continuing with wise regulation to ensure businesses are operating safely ● Providing information and guidance for businesses to enable them to reopen safely, including targeted advice and support ● Adapting practices within the PH&R Team to ensure businesses can adapt, e.g. online food safety assessments. ● Adding greater 'on the ground' capacity to assist businesses and, where needed individuals, to outline up to date covid safety guidance from Council officers (enabling a real-time response for businesses) Using our asset base wisely to provide opportunities for employment to support start up businesses and those with the opportunity to scale up; this includes providing grant funding. Launched a new Employment Support App (November 2020) to provide detailed and direct support for those in our communities that have / are facing redundancy or unemployment. Accelerating our programme of major development projects to support economic recovery; Accelerating the the digital infrastructure programme to ensure that local businesses are well placed to compete; Respond to changing patterns of consumer behaviour together with greater expectations around ethical supply chains and locally sourced products. The Councils are well placed to support business through their procurement activity;

	Working with training and skills providers to assist people back into employment; The Councils commissioned a review of economic data during the pandemic in 2020/21. The pandemic recovery will demand that we continue to closely monitor this data and trends to ensure that we can make timely and well informed decisions. Respond to national and / or lockdown scenarios by adapting delivery into 'covid response', which includes the distribution of nationally funded covid business support grants (primarily focusing on those mandated to close).
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Risk overview	**<u>Housing supply</u>** Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging their statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams. Emergency/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 move on accommodation at affordable rates means there are blockages in TA. 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.
Commentary / Mitigation measures	Demand for emergency / temporary housing continues to increase locally, across the county and nationally. In the last 12 months the increase has been largely from single person households, in the next six months this will shift to families as eviction ban ends and mortgage holidays come to an end. The eviction ban was further extended to 31 May 2021 and targeting households whose homelessness can be prevented will be a priority. Private rented sector is becoming increasingly inaccessible despite LHA uplift, attributable to i) fewer voids in all types of housing as the pandemic has slowed people moving ii) we are an attractive coastal area with property and rental cheaper than London and other areas in the Southeast - people moving into the area as they can now work from home. The Council is both increasing the supply of temporary accommodation (TA) and working to prevent homelessness through a number of initiatives: ● Opening Doors has increased its portfolio to 55 homes and continues to work to increase its portfolio. Referral process agreed for RSLs to joint work cases to prevent homelessness.

	● Communication to landlords/letting agents/ tenants under notice to be created to enable targeted prevention work ● Funding secured through COMF to support homeless prevention to provide a fund for personalised prevention packages and an additional member of staff to support prevention / relief work and casework households in TA. ● The Debt Respite Scheme went live 4 May 2021 - this will give more time to rescue tenancies but will impact our ability to take enforcement action for our own cases. West Sussex Districts and Boroughs and WSCC established a quarterly report 'Rough Sleepers Needs Audit': all rough sleepers, single people in temporary and supported accommodation have their housing, health, substance misuse needs audited and reported into housing, social care, Sussex Partnership Foundation Trust (SPFT) and other health providers to facilitate a strategic approach and co-commissioning. West Sussex Covid Response Group is progressing this with RSL and Multi-disadvantage sub groups established. A partnership bid (West and East Sussex and Brighton and Hove) for the MHCLGs Changing Futures Programme has been shortlisted. As a member of the Steering Group we are preparing our submission for the final stage - if successful the work aims to lead system change for multi-disadvantaged and complex needs, bringing together housing,health, mental health, criminal justice and the third sector. The adopted Local Plan for Adur has identified key strategic housing sites and planning applications have been submitted and/ or approved on the following sites which will deliver a significant level of housing and affordable housing to meet future housing needs: ● New Monks Farm (600 homes inc. 180 affordable homes) ● West Sompting (520 homes inc. 156 affordable homes) ● Western Harbour Arm (Free Wharf 540 inc. 162 affordable homes) To assist the delivery of these sites the Council has worked with the developers and has helped to secure over £20 million additional public sector funding from the LEP and Homes England. The Council has also contracted to sell the Civic Centre site to a Registered Provider to deliver 170 affordable homes on the site of the former Council offices.
***Risk Rating*:**	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**<u>Major project delivery</u>** Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.

Internal controls / Mitigation measures	Delivery of new homes including affordable homes, improving and supporting town centres, and providing employment opportunities are key priorities for our communities. The delayed delivery of significant development projects either by the public or private sector will result in the economic and social dividend from these projects being unrealised. The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This will help to 'de-risk' projects and create the right conditions for development to take place. The Councils have made clear and unambiguous the importance of delivery to the development sector, and also indicated their willingness to work in partnership. A dedicated team has been established to manage the major projects and capital budgets, adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings take place to oversee progress. The Council has used Local Growth Fund monies to deliver the necessary infrastructure to support development. The Councils have also played a proactive role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding. In 2020 a series of major milestones were reached on each of the major development projects. The challenge and the opportunity will be to maintain progress and delivery on the ground whilst adapting to changes in the wider economic landscape.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

The most recent details about the Council's risks can be found in the report to the Joint Governance Committee "Risk and Opportunity Management updates" which was considered on the 27th May 2021. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

It has been a remarkable year. The pandemic is creating new challenges for the Council to address.

This is a challenging time for the whole of Local Government. The Council faced significant cost pressures from the impact of the current emergency on its income and cost of service delivery. However, working in partnership with central government, the Council has supported its residents and business community at this critical time and managed the financial impact well.

The overall underspend for 2020/21 is most welcome at this time to help the Council build its reserves to manage the continued impact of the pandemic on its finances. The Council continues to balance the need to invest in future service developments with the inevitable financial pressures from the pandemic and the continued changes to government funding.

Looking ahead, 2022/23 is another difficult year with uncertainty due to changes in how funding is allocated to Local Government together with new emerging cost pressures. The outturn position will inform the development of the 2022/23 budget. The intention is to build recurring under spends into the 2022/23 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 and particularly at this time when all staff are working under difficult conditions due to the impact of the national emergency.

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 2021. It comprises 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 2020/21 (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: **Page no:**

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

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

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

This statement summarises the Council's assets and liabilities as at 31st March 2021 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' reserves.

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

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

Collection Fund **1116-118**

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 2020/21:

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 the 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 36 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 £356k 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 professional judgement of the actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 36.

Provisions, contingencies and material events

The Council has no contingencies.

There are no material income or expenditure items to disclose in 2020/21, that are not disclosed on the face of the accounts. The provisions made in 2020/21 are laid out in Note 19.

CHANGES TO ACCOUNTING POLICIES

The accounting policies are laid out within Note 1 of the Accounts. These policies reflect the 2020/21 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 2021

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 2020/21 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..

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 "true and fair" view of the financial position of the Council.

In preparing the statement of accounts the Chief Financial Officer has 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, 2021 and its income and expenditure for the year ended on that date.

Sarah Gobey

SARAH GOBEY

Chief Financial Officer **Dated: 25/01/2022**
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 25th January 2022..

ANDY McGREGOR
Chairman, Joint Governance Committee **Dated: 25/01/2022**

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 charged 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 Council.

	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 2019 c/fwd	**(519)**	**(1,611)**	**(1,752)**	**(1,865)**	**(2,997)**	**(3,329)**	**(6,015)**	**(18,088)**	**(120,771)**	**(138,859)**
Surplus or (deficit) on provision of services	11,443	-	901	-	-	-	-	12,344	-	12,344
Other Comprehensive Expenditure & Income	-	-	-	-	-	-	-	-	(29,733)	(29,733)
Total Comprehensive Expenditure Income	**11,443**	**-**	**901**	**-**	**-**	**-**	**-**	**12,344**	**(29,733)**	**(17,389)**
Adjustments between accounting and funding basis under Regs. (Note 7)	(11,577)	-	(162)	-	(457)	(2,020)	3,902	(10,314)	10,314	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(134)**	**-**	**739**	**-**	**(457)**	**(2,020)**	**3,902**	**2,030**	**(19,419)**	**(17,389)**
Transfers to/from Earmarked Reserves (Note 8)	(299)	299	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year	**(433)**	**299**	**739**	**-**	**(457)**	**(2,020)**	**3,902**	**2,030**	**(19,419)**	**(17,389)**
Balance at 31st March 2020 c/fwd	**(952)**	**(1,312)**	**(1,013)**	**(1,865)**	**(3,454)**	**(5,349)**	**(2,113)**	**(16,058)**	**(140,190)**	**(156,248)**
Movement in Reserves during 2020/21										-
Surplus or (deficit) on provision of services	(1,433)	-	(1,257)	-	-	-	-	(2,690)	-	(2,690)
Other Comprehensive Expenditure & Income	-			-	-	-	-	-	(17,121)	(17,121)
Total Comprehensive Expenditure and Income	**(1,433)**	**-**	**(1,257)**	**-**	**-**	**-**	**-**	**(2,690)**	(17,121)	(19,811)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(3,851)	-	1,921	-	1,132	(2,118)	(1,904)	(4,820)	4,820	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(5,284)**	**-**	**664**	**-**	**1,132**	**(2,118)**	**(1,904)**	**(7,510)**	(12,301)	(19,811)
Contribution to Major Repairs Reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Transfers to/from Earmarked Reserves (Note 8)	5,285	(5,285)	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year	**1**	**(5,285)**	**664**	**-**	**1,132**	**(2,118)**	**(1,904)**	**(7,510)**	(12,301)	(19,811)
Balance at 31st March 2021	**(951)**	**(6,597)**	**(349)**	**(1,865)**	**(2,322)**	**(7,467)**	**(4,017)**	**(23,568)**	(152,491)	(176,059)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2020/21 Gross Expenditure	2020/21 Gross Income	Note	2020/21 Net Expenditure	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Income/ Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
The Leader	609	(43)		566	910	(213)	697
Environment	5,939	(2,008)		3,931	5,584	(2,676)	2,908
Health & Wellbeing	1,876	(1,062)		814	2,068	(657)	1,411
Customer Services	26,848	(25,490)		1,358	26,177	(24,440)	1,737
Regeneration	2,326	(884)		1,442	10,951	(672)	10,279
Resources	5,284	(2,512)		2,772	4,763	(1,442)	3,321
Net Cost of General Fund Services	42,882	(31,999)		**10,883**	**50,453**	**(30,100)**	**20,353**
Housing Revenue Account	10,596	(13,421)		(2,825)	11,560	(13,744)	(2,184)
Net Cost of Services	53,478	(45,420)		**8,058**	**62,013**	**(43,844)**	**18,169**
Other Operating Expenditure				1,765			1,304
Financing and Investment Income and Expenditure			10	1,137			2,898
Taxation and non-specific grant income			11	(13,650)			(10,027)
(Surplus) or Deficit on Provision of Services				**(2,690)**			**12,344**
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			21	(17,268)			(8,470)
(Surplus)/Deficit from investments in equity instruments designated at fair value			15	-			25
Remeasurements of the net defined pension benefit liability			21	147			(21,288)
Other Comprehensive Income and Expenditure				**(17,121)**			**(29,733)**
Total Comprehensive Income and Expenditure				**(19,811)**			**(17,389)**

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 2021	As at 31st March 2020
		£'000	**£'000**
Long Term Assets:			
Property, Plant & Equipment	12	261,192	243,063
Heritage Assets	13	366	366
Investment Property	14	78,012	78,587
Intangible Assets		669	468
Long Term Investments	15	2,738	2,757
Long Term Debtors	16	25	41
Total Long Term Assets		**343,002**	**325,282**
Current Assets:			
Short Term Investments	15	3,012	7,063
Assets Held For Sale		280	-
Inventories		71	109
Short Term Debtors	16	12,118	6,830
Cash & Cash Equivalents	17	7,540	4,197
Total Current Assets		**23,021**	**18,199**
Current Liabilities:			
Short Term Borrowing	15	(8,756)	(10,575)
Short Term Creditors	18	(13,784)	(9,106)
Provisions	19	(862)	(600)
Grants Received in Advance Revenue	31	(563)	(279)
Total Current Liabilities		**(23,965)**	**(20,560)**
Long Term Liabilities:			
Long Term Borrowing	15	(151,385)	(152,415)
Other Long Term Liabilities	35	(14,614)	(14,258)
Total Long Term Liabilities		**(165,999)**	**(166,673)**
Net Assets		**176,059**	**156,248**
Financed By Reserves:			
Usable Reserves	20	(23,568)	(16,058)
Unusable Reserve	21	(152,491)	(140,190)
Total Reserves		**(176,059)**	**(156,248)**

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:	2020/21	2019/20
		£'000	**£'000**
Net (surplus) or deficit on provision of services	22	2,690	(12,344)
Adjustments to net surplus or deficit on the provision of services for non cash movements	22	15,110	16,447
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(13,105)	(9,991)
Net cash flows from Operating Activities	22	**4,695**	**(5,888)**
Investing Activities	23	6,971	(39,494)
Financing Activities	24	(8,323)	44,832
Net increase or decrease in cash and cash equivalents		**3,343**	**(550)**
Cash and cash equivalents at the beginning of the reporting period		4,197	4,747
Cash and cash equivalents at the end of the reporting period	17	**7,540**	**4,197**

NOTE 1: ACCOUNTING POLICIES

GENERAL PRINCIPLES

The accounts comply with the Code of Practice on Local Authority Accounting (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and used having regard to the accounting principles and concepts set out in International Financial Reporting Standards *Framework for the Preparation of Financial Statements*, specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understand ability
- Materiality
- Accruals
- Going concern

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS

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. The current de minimis is £1,000.

COUNCIL TAX AND BUSINESS RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards, that the amount of council tax, and NDR collection could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council’s share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council’s General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Accounting for Council Tax and NDR

The Balance Sheet includes the Councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and repayments and provision for appeals.

REVENUE RECOGNITION

Revenue recognition has been accounted for in accordance with IFRS 15. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The majority of the Council's transactions are 'non exchange' and the impact of IFRS 15 is not material to the accounts.

SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

JOINT OPERATIONS

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 arrangement and income that it earns from the activity of the operation.

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.

Grants and contributions for capital purposes are recognised as income on receipt as long as there is no condition for their use that has not been satisfied. Where there is a condition the amount will be held as a receipt in advance until the condition is satisfied at which point the amount is recognised as income.

Where capital grants are recognised as income they are reversed out of the General Fund in the Movement in Reserves Statement and held as unapplied reserves until used to finance 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.

A de minimis value of £10,000 per leased asset within a lease contract has been applied to all items obtained by lease. Leased assets valued below these limits are treated as revenue expenditure. Software rentals are not treated as 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 repayment of borrowing undertaken to finance the 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 benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor - 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.

The Council as Lessor - Finance Leases:

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.

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 (e.g. 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 and at the end of each financial year the market value of each category of assets is reviewed. If there has been an increase or decrease of 5% or more during the year, the relevant asset category is revalued in line with the valuation change. 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 are 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 2020/21 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 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 and some of its financial instruments such as shareholding for policy purposes 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.

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	15-60 years (except when impairment has occurred)
Vehicles	7-10 years
Equipment	>1 to <25 years
Intangible Assets, Software	>1 to <7 years
Infrastructure assets	5 - 50 years
Community assets	Held in perpetuity
Assets (Finance Leases)	Up to 10 years

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:

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.

Impairment

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and there was 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 economic life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets as 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 and useful lives are used:

- Land - Indefinite
- Main building structures - 60 years
- Replaceable building structures - 25 years
- Services - 20 years
- External works - 35 years

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:

- The asset must be identifiable
- The asset must lack physical substance.
- The asset is controlled by the Authority which will realise future economic benefits.

Intangible assets are measured at cost.

- Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

HERITAGE ASSETS

Definition

- 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

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

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 a 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

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation of 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

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

INVESTMENT PROPERTIES

Investment Properties are those held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, is held for sale or for the purposes of regeneration, employment or support of the local economy.

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. The Council's policy is to capitalise the interest where it is material.

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

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into 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 non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

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 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.

A provision is made for business rates 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.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

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.

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 (CIES) 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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 CIES 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payments of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

The Council has two small shareholdings acquired for policy purposes, which are designated as FVOCI:

- shares in the UK Municipal Bonds Agency, which was set up to help local councils finance their investment in projects - no value is currently assigned to these shares
- deferred shares in Boom! Credit Union, which supports people who live or work in Surrey, West Sussex or Kingston

The Council will recognise losses on these shareholdings to the extent that the underlying assets of the organisation are no longer sufficient to promote its purpose.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value measurement of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets 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

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.

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

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 that when soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

The Council issues soft loans to employees in respect of car loans, cycle loans and professional fees 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.

DEBT REDEMPTION

Statutory Guidance issued under s21(1A) of the Local Government Act 2003 places 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 Provision (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. Where appropriate, the Council may also make overpayments of MRP, which can be offset in future years.

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 coins, current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours' notice.

EXCEPTIONAL ITEMS

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

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made where the adjustment will have a material effect on the accounts for the cost of holiday entitlements (or any form of leave, eg.time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Any accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The Council's annual cost of accumulated absences as defined by the IFRS code of practice is not considered material and therefore has chosen not to accrue these costs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council (unless they choose to opt out). This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Pension Scheme

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie 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 returns on bonds.

- The assets of the West Sussex 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 analysed into the following components:

- Service Cost comprising:

  - 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 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;
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;

    - Re-measurements comprising:

- 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;
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 the 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.

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:

- 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.

- 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 over £10,000 received from the sale of land or other capital assets which may be used to finance capital expenditure or repay debt.

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) 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 by the 2020/21 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified.

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS39 and IFRS 7.
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND GOING CONCERN

Critical Judgements

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 provisions in the CIPFA/LASAAC Code of Practice of Local Authority Accounting 2020/21 and the Financial Reporting Council’s Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, correspondence from MHCLG during Covid-19 is supportive of this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority’s services will continue to operate for the foreseeable future.

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. The potential impact in the longer term of the Coronavirus (Covid-19) pandemic is not known. However, the Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.

- The Council holds a significant portfolio of investment property and although in general terms economic activity is fragile, the Council judges that its portfolio is robust and that the assets will not be impaired as a result of a decrease in economic activity.

- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates 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. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 36.

- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases.

- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in Note 19.

- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 5% of the Council spending baseline which equates to £135k.

Going Concern

The Council has seen the impact of the Covid 19 pandemic on its finances during 2020/21, with revenue from sales, fees and charges and local taxation having decreased. However it has received substantial emergency funding support from Government in the form of new burden grants, tax income guarantee and sales, fees and charges compensation schemes plus a range of specific grants to support key areas of the resident and business community. Despite the challenges, with the funding to help offset the new pressures, the council reported a £599k underspend for the financial period ending 31st March 2021.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2020/21, 2021/22 and beyond. This has included modelling scenarios that consider the impact on the following:

- Reductions in income
- Increased expenditure
- Cash Flow and liquidity
- General fund balances and reserves

In February 2021 the Council approved a balanced budget for 2021/22. This includes a Covid 19 contingency budget of £447,000 set aside to meet continuing pressures from the pandemic and included known impacts. Whilst uncertainty on income remains, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term, helped by the cashflow from Government grants. This is based on our review of the cashflow forecast which covers a period up to 31st March 2023. The Council also has sufficient headroom on it borrowing limit to be able to borrow short term for revenue purposes if needed.

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.

As at 31 March 2021 the Council has the following reserves to call on in delivering its services.

- General Fund Working Balance £0.951m
- General Fund Earmarked Reserves £6.597m
- Capital Grants £4.017m
- Capital Receipts £2.322m

In the event of a serious financial situation it will be prepared to 'un-earmark' certain reserves to meet its commitments.

Furthermore, the Council has a modest capital programme and could postpone non-essential capital projects that would further protect the levels of cash and usable reserves if the position further deteriorated. The programme focuses on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

As a result, the Council is satisfied that there are no identified risks regarding liquidity of cash flow, and it can prepare its accounts on a going concern basis.

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 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Building 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 building 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 building 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. For example the additional cost for Land and Buildings (excluding council dwellings) would be £21k. 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. In 2020/21 the assumptions include an estimation of the impact of the McCloud judgement.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pension liability has increased by a net £0.36m, of this a 0.21m increase is as a result of estimates being corrected as a result of experience and an increase of £0.15m attributable to updating of the assumptions. Refer to note 36 for further details.
Impairment Loss Allowance	At 31st March 2021 the Council had a net balance of debtors due (excluding government departments) of £7.49m. A review of significant balances suggested that an impairment of doubtful debt of £1.46m was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment. An increase in the net balance of debtors (excluding government departments) by 10% would increase the impairment for bad debts by £42k
Business Rate Appeals Provision	At March 2021 the total provision for the impact of appeals on business rate income is £1.037m, the Council share of this is £0.415m. 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 of appeals. If the success rate was to increase by 1% the impact on the provision would be an increase of £54k. The Council share of this would be £22k.

Fair Value Investments	When the fair values of nonfinancial assets and financial assets/liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow (DCF) model). Where possible these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk for financial assets and rent growth for non-financial assets. Where Level 1 inputs are not available the Council employs relevant experts to identify the most appropriate valuation	Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.

Material Valuation Uncertainty

The impact of the COVID-19 pandemic is a significant source of estimation uncertainty. It continues to cause major disruption and unprecedented volatility in markets and economies globally. This has implications for the property valuations included in these financial statements. The Council's property valuers, Wilks, Head and Eve have included a material valuation uncertainty clause with the valuations at 31 March 2021.

The valuer has stated that they consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and that the current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book global standards effective from 31 January 2021.

Consequently, less certainty and a higher degree of caution should be attached to their valuation than would normally be the case.

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 2021 and the date when the Statement of Accounts is authorised for issue.

The UK has been affected by the global Covid-19 Coronavirus pandemic emergency since March 2020, the financial impact of this for Adur District Council up to 31st March 2021 is reflected in the accounts. Restrictions imposed in response to the pandemic have been eased in a phased approach during April and May 2021 with the government roadmap indicating that all restrictions will be eased in July if the data indicates it is appropriate to do so.

NOTE 6: 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.

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

	2020/21	2020/21	2020/21	2019/20	2019/20	2019/20
	Net Expenditure Chargeable to the General Fund Balance	**Adjustments between Funding and Accounting Basis** (Note 7)	**Net Expenditure in the Comprehensive Income and Expenditure Statement**	**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Leader	508	58	566	668	29	697
Environment	2,870	1,061	3,931	1,886	1,022	2,908
Health & Wellbeing	708	106	814	1,188	223	1,411
Customer Services	(8,335)	9,693	1,358	(6,014)	7,751	1,737
Regeneration	1,809	(367)	1,442	1,636	8,643	10,279
Resources	1,939	833	2,772	3,099	222	3,321
HRA	(2,068)	(757)	(2,825)	(2,074)	(110)	(2,184)
Net Cost of Services	**(2,569)**	**10,627**	**8,058**	**389**	**17,780**	**18,169**
Other income and expenditure	(2,051)	(8,698)	(10,748)	216	(6,041)	(5,825)
(Surplus) or deficit on provision of services	**(4,620)**	**1,930**	**(2,690)**	**605**	**11,739**	**12,344**
Opening General Fund & HRA Reserve Balance at 31st March	(5,142)			(5,747)		
Deficit/(surplus) in Year	(4,620)			605		
Closing General Fund & HRA Reserve Balance at 31st March *	**(9,762)**			**(5,142)**		

2020/21 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	37	21	-	58
Environment	869	192	-	1,061
Health & Wellbeing	19	87	-	106
Customer Services	9,590	103	-	9,693
Regeneration	(517)	150	-	(367)
Resources	748	85	-	833
Housing Revenue Account	(1)	(756)	-	(757)
Net Cost of Services	**10,745**	**(118)**	**-**	**10,627**
Other income and expenditure from the Funding Analysis	(12,908)	327	3,884	(8,698)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**(2,163)**	**209**	**3,884**	**1,930**

2019/20 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	19	-	29
Environment	824	198	-	1,022
Health & Wellbeing	46	177	-	223
Customer Services	7,615	136	-	7,751
Regeneration	8,383	260	-	8,643
Resources	59	163	-	222
Housing Revenue Account	156	(266)	-	(110)
Net Cost of Services	**17,093**	**687**	**-**	**17,780**
Other income and expenditure from the Funding Analysis	(6,545)	828	(324)	(6,041)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**10,548**	**1,515**	**(324)**	**11,739**

Income and Expenditure analysed by nature	2020/21	2019/20 Restated
	£'000	£'000
Employee Expenses*	4,460	6,094
Depreciation, amortisation, impairment	5,318	12,336
Precepts	415	405
Payments to the Government Housing Capital Receipts Pool	319	384
Other service expenditure	50,815	51,791
Total Expenditure	61,327	71,010
Grants and contributions	(21,054)	(1,495)
Fees, charges and other service income	(35,015)	(43,844)
(Gain)/loss on disposal of non current assets	1,031	(769)
Income from council tax and business rates	(4,304)	(8,532)
Interest and Investment Income	(4,675)	(4,026)
Total Income	(64,017)	(58,666)
Deficit or surplus on Provision of Services	(2,690)	12,344

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

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

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

2020/21 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 Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non current assets (Note 12 and 21)	(1,425)	(4,062)	-	-	-	**5,487**
Revaluation losses on Property Plant and Equipment (Note 21)	839	2	-	-	-	**(841)**
Movements in the market value of investment Properties (Note 14)	(575)	-	-	-	-	**575**
Amortisation of intangible assets (Note 21)	(80)	(17)	-	-	-	**97**
Capital grants and contributions applied (Note 21)	9,430	653	-	-	-	**(10,083)**
Revenue Expenditure funded from capital under statute (Note 21)	(10,112)	-	-	-	-	**10,112**
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)	(180)	(1,320)	-	-	-	**1,500**
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)	2,222	-	-	-	-	**(2,222)**
Capital expenditure charged against the General Fund and HRA balances	33		-	-	-	**(33)**
Write Down of shares in Municipal Bond Agency	-					**-**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	829	1,713	-	-	(2,542)	**-**

Repayment of Capital Grant	-	-	-	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account (Note 21)	-	-	-	-	638	**(638)**
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	21	447	(468)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 33)	-	-	1,282	-	-	**(1,282)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 9)	(319)	-	319	-	-	**-**
Write down of Housing Repairs Grant	1		(1)			
Transfer from **Deferred Capital Receipts Reserve** upon receipt of cash	-	-	-	-	-	**-**
Adjustments involving the Major Repairs Reserve						**-**
Transfer of depreciation to the Major Repairs Reserve (HRA Note 5)	-	4,079	-	(4,079)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	1,961	-	**(1,961)**
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	3	-	-	-	-	**(3)**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override (Note 15)	(19)	-	-	-	-	**19**

2020/21 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 Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 36)	(3,703)	426	-	-	-	**3,277**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 36)	3,068	-	-	-	-	**(3,068)**
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	(3,884)	-	-	-	-	**3,884**
TOTAL ADJUSTMENTS 2020/21	**(3,851)**	**1,921**	**1,132**	**(2,118)**	**(1,904)**	**4,820**

2019/20 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 Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets (Note 12 and 21)	(1,365)	(4,021)	-	-	-	**5,386**
Revaluation losses on property plant and equipment	(4,913)	(157)	-	-	-	**5,070**
Movements in the market value of investment properties	(1,826)	-	-	-	-	**1,826**
Amortisation of intangible assets	(37)	(17)	-	-	-	**54**
Capital grants and contributions applied	7,013	764	-	-	-	**(7,777)**
Movement in the Donated Assets Account	-	-	-	-	-	-

2019/20 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
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Revenue Expenditure funded from capital under statute	(10,887)	-	-	-	-	**10,887**
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	(234)	(1,915)	-	-	-	**2,149**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory and voluntary provision for the financing of capital investment (Note 21)	1,391	-	-	-	-	**(1,391)**
Capital expenditure charged against the General Fund & HRA	69	-	(2)	-	-	**(67)**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	551	-	-	-	(551)	**-**
Repayment of Capital Grant	-	-	-	-	4,453	**(4,453)**
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	63	1,571	(1,634)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	795	-	-	**(795)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(384)	-	384	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	**-**

2019/20 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 Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA (HRA Note 5)	-	4,038	-	(4,038)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,018	-	**(2,018)**
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.	3	-	-	-	-	**(3)**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override (Note 15)	(255)	-	-	-	-	**255**
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)	(4,161)	(425)	-	-	-	**4,586**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 21)	3,071	-	-	-	-	**(3,071)**
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 requirements.	324	-	-	-	-	**(324)**
TOTAL ADJUSTMENTS 2019/20	**(11,577)**	**(162)**	**(457)**	**(2,020)**	**3,902**	**10,314**

NOTE 8: 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 2020/21.

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

Movement in Earmarked Reserves	Balance at 01/04/19	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	425	(169)	81	337	(63)	399	673
Insurance Fund	153	(30)	30	153	(37)	31	147
Special & Other Emergency	60	-	-	60	-	-	60
Property Investment Risk Reserve	-	-	100	100	-	200	300
Election Reserve	8	-	-	8	-	-	8
Grants & Contributions	563	(36)	96	623	(223)	943	1,343
Sub Total	**1,209**	**(235)**	**307**	**1,281**	**(323)**	**1,573**	**2,531**
Reserves to manage Collection Fund timing difference:							
Business Rates Smoothing	402	(371)	-	31	-	3,738	3,769
Local Tax Income Guarantee	-	-	-	-	-	297	297
Total General Fund	**1,611**	**(606)**	**307**	**1,312**	**(323)**	**5,608**	**6,597**
Housing Revenue Account							
New Development & Acquisition Reserve	1,640	-	-	1,640	-	-	1,640
Discretionary Assistance Fund	116	-	-	116	-	-	116
Business Improvement Reserve	109	-	-	109	-	-	109
Total Housing Revenue Account	**1,865**	**-**	**-**	**1,865**	**-**	**-**	**1,865**
Total Earmarked Reserves	**3,476**	**(606)**	**307**	**3,177**	**(323)**	**5,608**	**8,462**

Reserves and their purpose:

Capacity Issues Fund
To cushion the impact of economic changes and fund one-off initiatives for the community.

Insurance Fund
To fund uninsured losses.

Special & Other Emergency Expenditure Reserve
This will fund expenditure such as seaweed removal, uninsured losses (eg storm damage) and any other strategic or unforeseen one-off expenditure which may arise.

Property Investment Risk Reserve
To enable the council to manage the income stream from the strategic properties, for example through restructuring of leases or during void periods and to facilitate the future maintenance of the properties.

Election Reserve
To replace and update election equipment that previously had been funded by government.

Grants & 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

Business Rates Smoothing Reserve
This reserve is intended to smooth the impact of changes to reliefs in year. In 2020/21 the council received additional section 31 grants to compensate for losses in business rates income due to the extended reliefs given to retail, hospitality and leisure businesses to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit incurred as a result of the in year loss in business rate income will not be charged to the General Fund until 2021/22. As a result the additional income has been transferred to the Business Rates Smoothing Reserve to fund the losses when they are incurred and are not available for other purposes.

Local Tax Income Guarantee
The council received grant funding in 2020/21 towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the collection fund, the 2020/21 losses are due to be funded by the general fund over the next three years (2021/22-2023/24). This reserve will be used to offset losses over that period.

New Development & Acquisition Reserve
Earmarked reserve specifically for new development and refurbishment of council housing

Business Improvement 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 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2020/21	2019/20
	£'000	£'000
Parish Council Precepts	415	405
Payments to the Government Housing Capital Receipts Pool	319	384
(Gains)/losses on the disposal of non-current assets	1,031	515
TOTAL	**1,765**	**1,304**

NOTE 10:FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2020/21	2019/20
	£'000	£'000
Interest payable & similar charges (Note 15)	4,656	4,270
Pensions interest cost & expected return on pensions assets (Note 36)	327	828
Interest receivable & similar income	(186)	(276)
Income and expenditure in relation to investment properties (Note 14)	(4,104)	(3,798)
Changes in fair value of investment properties (Note 14)	575	1,826
Changes in fair value of investments (Note 15)	19	255
Other investment income (Trading Operations Note 25)	(150)	(207)
TOTAL	**1,137**	**2,898**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2020/21	2019/20
	£'000	£'000
Council Tax Income (including Parish Council Precepts)	(6,816)	(6,713)
Non Domestic Rates income and expenditure	2,512	(1,819)
Non-ringfenced Government Grants (Note 31)	(6,513)	(562)
Capital Grants and Contributions (Note 31)	(2,833)	(933)
TOTAL	**(13,650)**	**(10,027)**

The Impact of the Covid 19 pandemic is reflected in the table above as follows:

Non Domestic Rates - The amount of business rates collected reduced in 2020/21 as a result of the extended retail relief given to retail, hospitality and leisure businesses, and nursery providers to support them through the pandemic. After payment of the tariff and levy payments to the government for 2020/21 this has resulted in a large movement on the comparative year. The government has compensated councils for the reduced income from the additional reliefs through additional section 31 grant, this amountof £4.5m is included within the Non ringfenced grant figure.

Non Ringfenced grants - In addition to the section 31 grants received associated with Business Rates £4.5m (see above) this amount also includes additional Covid 19 government funding received totalling £1.8m. See note 31 for a further breakdown.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2020/21	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								
1st April 2020	190,561	38,103	6,084	6,753	1,788	1,297	4,946	249,532
Prior Year Cost Adjustment	-	-	-	-	-	-	-	
Additions	1,960	493	486	213	-	-	4,359	7,511
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,161	4,648	-	6	-	1,491	-	13,306
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(24)	(63)	-	-	-	-	-	(87)
Derecognition	(1,057)	(147)	(540)	(169)	-	-	-	(1,913)
Assets reclassified (to)/from Held for Sale	(315)	-	-	-	-	(280)	-	(595)
Reclassifications to Intangible Assets	-	-	-	-	-	-	-	-
Reclassifications between PPE asset classes and REFCUS	-	353	-	1	-	13	(592)	(225)
As at 31st March 2021	**198,286**	**43,387**	**6,030**	**6,804**	**1,788**	**2,521**	**8,713**	**267,529**
Accumulated Depreciation and Impairment								
1st April 2020	-	(417)	(3,431)	(2,578)	-	(1)	(42)	(6,469)
Prior Year Cost Adjustment / Roundings	-	-	(2)	1	-	-	-	(1)
Depreciation charge	(3,954)	(747)	(547)	(238)	-	(1)	-	(5,487)
Depreciation written out to the Revaluation Reserve	3,891	984	-	-	-	-	-	4,875
Deprecation written out to the Surplus/Deficit on the Provision of Services	9	5	-	-	-	1	-	15
Derecognition	47	8	529	139	-	-	-	723
Reclassifications between PPE asset classes and Assets Held for Sale	7	-	-	-	-	-	-	7
As at 31st March 2021	**-**	**(167)**	**(3,451)**	**(2,676)**	**-**	**(1)**	**(42)**	**(6,337)**
Net Book Value at 31st March 2021	**198,286**	**43,220**	**2,579**	**4,128**	**1,788**	**2,520**	**8,671**	**261,192**
Net Book Value at 31st March 2020	**190,561**	**37,686**	**2,653**	**4,175**	**1,788**	**1,296**	**4,904**	**243,063**

OPERATIONAL ASSETS

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

Movements in 2020/21	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
1st April 2020	5,165	98	5,263
New Assets	-	-	-
Additions	478	-	478
Reclassifications	-	(98)	(98)
Derecognition - Other	(526)	-	(526)
at 31st March 2021	**5,117**	**-**	**5,117**
Accumulated Depreciation and Impairment			
1st April 2020	(2,824)	-	(2,824)
Transfer out of Joint Account	-	-	-
Depreciation charge	(467)	-	(467)
Derecognition - Other	513	-	513
at 31st March 2021	**(2,778)**	**-**	**(2,778)**
Net Book Value at 31st March 2021	**2,339**	**-**	**2,339**
Net Book Value at 31st March 2020	**2,341**	**98**	**2,439**

The Authority has agreed to sell the Shoreham Cemetery Lodge and the asset has been reclassified as held for sale. The sale is anticipated in 2021/22.

Comparative Movements 2019/20

Movements in 2019/20	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 2019	185,416	32,598	5,831	6,625	1,764	1,390	13,778	247,402
Prior Year Adjustment	-	-	-	-	-	-	-	-
Additions	2,049	710	518	171	-	-	2,395	5,843
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,957	(747)	11	20	-	-	-	4,241
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(176)	(4,874)	-	-	-	-	(71)	(5,121)
Derecognition	(1,110)	(132)	(276)	(63)	-	(110)	-	(1,691)
Assets reclassified (to)/from Held for Sale	(855)	-	-	-	-	-	-	(855)
Reclassifications to Intangible Assets	-	-	-	-	-	-	(199)	(199)
Reclassifications between PPE asset classes and Heritage Assets	280	10,548	-	-	24	17	(10,957)	(88)
As at 31st March 2020	**190,561**	**38,103**	**6,084**	**6,753**	**1,788**	**1,297**	**4,946**	**249,532**
Accumulated Depreciation and Impairment								-
At 1st April 2019	-	(113)	(3,187)	(2,404)	-	(10)	(44)	(5,758)
Prior Year Adjustment	-	-	(1)	-	-	-	-	(1)
Depreciation charge	(3,916)	(725)	(511)	(231)	-	(3)	-	(5,386)
Depreciation written out to the Revaluation Reserve	3,862	366	-	-	-	-	-	4,228
Deprecation written out to the Surplus/Deficit on the Provision of Services	5	47	-	-	-	-	-	52
Derecognition	51	7	268	57	-	13	-	396
Reclassifications between PPE asset classes	(2)	1	-	-	-	(1)	2	-
As at 31st March 2020	**-**	**(417)**	**(3,431)**	**(2,578)**	**-**	**(1)**	**(42)**	**(6,469)**
Net Book Value **As at 31st March 2020**	**190,561**	**37,686**	**2,653**	**4,175**	**1,788**	**1,296**	**4,904**	**243,063**
As at 31st March 2019	**185,416**	**32,485**	**2,644**	**4,221**	**1,764**	**1,380**	**13,734**	**241,644**

Comparative Movements 2019/20

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

Movements in 2019/20	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
At 1st April 2019	4,917	199	5,116
Transfer out of Joint Account	7	-	7
Additions	487	98	585
Reclassifications	-	(199)	(199)
Derecognition - Other	(246)	-	(246)
As at 31st March 2020	**5,165**	**98**	**5,263**
Accumulated Depreciation and Impairment			
At 1st April 2019	(2,628)	-	(2,628)
Transfer out of Joint Account	-	-	-
Depreciation charge	(434)	-	(434)
Derecognition - Other	238	-	238
As at 31st March 2020	**(2,824)**	**-**	**(2,824)**
Net Book Value at 31st March 2020	**2,341**	**98**	**2,439**
Net Book Value at 31st March 2019	**2,289**	**199**	**2,488**

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

At 31st March 2021 the Council had entered into 4 significant contracts for the acquisition, development and enhancement of assets which will continue in future years estimated to cost £14.569m. The significant commitments at 31st March 2020 were £3.95m. The significant commitments at 31st March 2021 are:

- Albion Street Development of 49 units: £9.98m.
- Cecil Norris Housing Development: £3.25m.
- Bushby Close External Works Programme: £565k.
- Beachcroft Place External Works Programme: £774k.

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 Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,579	4,128	1,788	-	8,671	17,166
Valued at current value as at:								
31st March 2021	198,286	24,157	-	-	-	2,520	-	224,963
31st March 2020	-	6,178	-	-	-	-	-	6,178
31st March 2019	-	8,884	-	-	-	-	-	8,884
31st March 2018	-	1,212	-	-	-	-	-	1,212
31st March 2017	-	2,789	-	-	-	-	-	2,789
Total Cost or Valuation	**198,286**	**43,220**	**2,579**	**4,128**	**1,788**	**2,520**	**8,671**	**261,192**

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

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2021:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31st March 2021 £'000
Land	-	2,480	-	2,480
Offices	-	40	-	40
TOTAL	**-**	**2,520**	**-**	**2,520**

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.

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.
As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2021 valuations due to the market volatility caused by the Coronavirus pandemic.

Details of the authority's surplus assets fair value hierarchy as at 31st March 2020 are shown below:

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 2020
	£'000	£'000	£'000	£'000
Land	-	1,256	-	1,256
Offices	-	40	-	40
TOTAL	**-**	**1,296**	**-**	**1,296**

NOTE 13: HERITAGE ASSETS

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

Movements in 2020/21	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2020	12	29	325	366
Additions	-	-	-	-
Reclassifications	-	-	-	-
As at 31st March 2021	**12**	**29**	**325**	**366**
As at 31st March 2020	**12**	**29**	**325**	**366**

COMPARATIVE MOVEMENTS 2019/20

Movements in 2019/20	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2019	12	29	185	226
As at 31st March 2020	**12**	**29**	**325**	**366**

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.

In 2020/21 the Council constructed a fitting and lasting memorial to the eleven men who lost their lives as a result of the tragic incident at Shoreham Air Show in August 2015. The memorial is reported in the Balance Sheet at historical cost as it is not practical to provide a valuation.

NOTE 14: INVESTMENT PROPERTIES

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

	2020/21	2019/20
	£'000	**£'000**
Rental income	(4,339)	(4,291)
Direct operating expenses	235	493
Net (gain)/loss	**(4,104)**	**(3,798)**

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.

	2020/21	2019/20
	£'000	**£'000**
Balance at start of the year	78,587	37,013
Additions:		
Acquisitions	-	43,400
Net gains/losses from fair value adjustments:		
General Fund	(575)	(1,826)
Balance at end of the year	78,012	78,587

Fair Value Measurement of Investment Property

Details of the authority's investment properties and information about the fair value hierarchy as at 31st March 2021 and 31st March 2020 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
	£'000	£'000	£'000	£'000
Land	-	548	-	548
Office	-	42,968	-	42,968
Retail	-	14,066	-	14,066
Leisure	-	20,430	-	20,430
TOTAL	-	78,012	-	78,012

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
	£'000	£'000	£'000	£'000
Land	-	546	-	546
Office	-	43,354	-	43,354
Retail	-	14,438	-	14,438
Leisure	-	20,249	-	20,249
TOTAL	-	78,587	-	78,587

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. As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2021 valuations due to the market volatility caused by the Coronavirus pandemic.

NOTE 15: FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000
Fair Value through Profit and Loss	2,708	2,728	-	-	-	-	-	-	**2,708**
Amortised Cost - Investments and debtors	5	4	25	41	3,000	7,000	2,689	3,000	**5,719**
Amortised Cost - accrued interest	-	-	-	-	12	63	-	-	**12**
Cash and cash equivalents	-	-	-	-	7,540	4,197	-	-	**7,540**
Fair Value through other comprehensive income	25	25	-	-	-	-	-	-	**25**
Total Financial Assets	**2,738**	**2,757**	**25**	**41**	**10,552**	**11,260**	**2,689**	**3,000**	**16,004**
Assets not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**9,429**	**3,830**	**9,429**
Total	**2,738**	**2,757**	**25**	**41**	**10,552**	**11,260**	**12,118**	**6,830**	**25,433**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000
Amortised Cost - Principal	(151,385)	(152,415)	-	-	(7,972)	(9,810)	(3,095)	(4,093)	**(162,452)**
Amortised cost - accrued interest	-	-	-	-	(784)	(765)	-	-	**(784)**
Total Financial Liabilities	**(151,385)**	**(152,415)**	**-**	**-**	**(8,756)**	**(10,575)**	**(3,095)**	**(4,093)**	**(163,236)**
Liabilities not defined as financial instruments	-	-	-	-	-	-	**(10,689)**	**(5,013)**	**(10,689)**
Total	**(151,385)**	**(152,415)**	**-**	**-**	**(8,756)**	**(10,575)**	**(13,784)**	**(9,106)**	**(173,925)**

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

The assets and liabilities not defined as financial instruments are the balances such as tax-based debtors and creditors.

Classification of Assets and Liabilities

Most of the Council's investments are fixed term deposits with UK banks, which are still valued on an amortised basis. They are included in Long Term Investments and Short Term Investments on the Balance Sheet, although as at 31 March 2021 they are all Short Term Investments. The Council's investments in money market funds are valued at amortised cost and the principal is included in Cash and Cash Equivalents.

The Council's other investments continue to be carried on the Balance Sheet at fair value, assessed on a recurring basis, and the following classifications have been used from 1 April 2018:

The Council's investment in the Local Authorities' Property Fund is classified as Fair Value through Profit or Loss and the value at 31 March 2021 of £2.708m is included in the Long Term Investments on the Balance Sheet. However due to statutory override, any unrealised gain or loss (shown in the table below) is not charged to the revenue account. - it is posted to the Financial Instrument Revaluation Reserve. This investment is classified as a Level 1 input, as explained in the Accounting Policies (Note1), and the valuation technique used is the bid value of the units in the Fund as at 31 March 2021, supplied by the Local Authorities' Property Fund. Dividends are received quarterly and are credited to the revenue account.

The Council holds two investments for policy purposes, which have been designated as Fair Value through Other Comprehensive Income, because they are not held in order to collect contractual cash flows and no income has been received:

- £25,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- 75,000 ordinary shares with the UK Municipal Bonds Agency, which was set up to provide financing choices for UK local authorities.

These investments are classified as Level 2 inputs, using "other significant observable inputs" to arrive at the fair value. On this basis the Boom Credit Union holding is valued at cost and the UK Municipal Bonds Agency holding was written down on 31 March 2020 from £25,000 to zero, due to uncertainty regarding its future activity. The loss is shown in the table below. These assets are included in Long Term Investments on the Balance Sheet.

There were no transfers between input levels during the year and no changes in the valuation techniques used.

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:

	2020/21	2020/21	2019/20	2019/20
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss (change in value in the Council's investment in the Local Authorities' Property Fund)	19	-	255	-
Financial assets measured at amortised cost	40	-	151	-
Financial assets measured at fair value through other comprehensive income (write down of investment in Municipal Bonds Agency)	-	-	-	25
Total net (gains)/losses	**59**	**-**	**406**	**25**
Interest revenue:				
Financial assets measured at amortised cost	(69)	-	(161)	-
Other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(117)	-	(115)	-
Total interest revenue	**(186)**	**-**	**(276)**	**-**
Interest expense	**4,653**	**-**	**4,270**	**-**
Fee expense on financial liabilities that are not at fair value through profit or loss	**3**	**-**	**21**	**-**

The losses and gains in assets measured at amortised cost relate to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies.

Capitalisation of Borrowing Costs

In 2020/21 the Council capitalised £18k of interest relating to borrowing on the development of Housing Revenue Account properties that have not yet been completed.

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 and long term debtors and creditors are carried on 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.
The fair value of the reported carrying amounts at 31st March 2021 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, prevailing market 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.

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

	31st March 2021		31st March 2020	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	(136,726)	(156,068)	(142,238)	(155,224)
Non-PWLB Debt	(23,415)	(39,439)	(20,752)	(35,086)
Total Borrowing	(160,141)	(195,507)	(162,990)	(190,310)
Short Term Creditors	(3,095)	(3,095)	(4,093)	(4,093)
Total	**(163,236)**	**(198,602)**	**(167,083)**	**(194,403)**

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £156.07m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £220.8m, 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.

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.

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

	31st March 2021		at 31st March 2020	
Financial Assets - valued at amortised cost	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Short term investments	3,012	3,016	7,063	7,063
Long term investments	5	5	4	4
Cash and cash equivalents	7,540	7,540	4,197	4,197
Short term debtors	2,689	2,689	3,000	3,000
Long term debtors	25	25	41	41
Total	**13,271**	**13,275**	**14,305**	**14,305**

The fair value of the financial assets is effectively the same as the carrying amount because the Council's fixed rate loans held at 31st March, 2021 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

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

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 is available on the Council's website JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22 to 2023/24, ADUR DISTRICT COUNCIL AND WORTHI

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy and particular regard is given to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Except for the UK, a minimum sovereign credit rating of AA- will be used.
- 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 - to be used for short term liquidity with a maximum limit of £3m for any one MMF.

The full investment strategy for 2020/21 was approved by the Council on 20th February 2020 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.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk in relation to its total investments of £9m 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 2021 that this was likely to crystallise and there is no material Expected Credit Loss.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectibility.

Credit Risk Exposure	Carrying Amount at 31-Mar-21	Estimated Maximum Exposure to Loss 31-Mar-21	Estimated Maximum Exposure 31-Mar-20
	£'000	£'000	£'000
Lease debtors	162	51	46
Sundry debtors	2,527	863	828

This table excludes statutory debtors such as Council Tax/NNDR.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2021 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 16.

Credit Risk Exposure

At 31st March 2021 the Council held £3m of bank investments at credit rating AA- (which is in a call account so classified as Cash and Cash Equivalents), £1m at rating A+ and £2m at rating A-. £3m classified as Cash and Cash Equivalents was held in AAA rated money market funds. There has been no significant increase in credit risk since initial recognition and no credit impairment. The Council received large Covid Business Support Grants from the Government on 1st April 2020 and subsequently. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. The Chief Executive used urgency powers to increase the counterparty investment limits temporarily and this was reported to Council. The credit risk was mitigated by spreading the additional funds across counterparties with high credit ratings, using the usual criteria of "security, liquidity then yield" and no losses were incurred.

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 Public Works Loan Board 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. All sums owing are due to be paid in less than one year.

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 procedures, 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 provides 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by the Council in the Treasury Management Strategy):

	Approved Minimum Limits	**Approved Maximum Limits**	**Actual 31 March 2021**	**Actual 31 March 2021**	**Actual 31 March 2020**	**Actual 31 March 2020**
				£'000s		**£'000s**
Maturing within one year	0%	20%	6%	(8,756)	7%	(10,575)
Maturing in 1-2 years	0%	25%	7%	(11,666)	5%	(7,527)
Maturing in 2-5 years	0%	40%	13%	(20,835)	13%	(21,415)
Maturing in 5-10 years	0%	70%	24%	(38,910)	24%	(39,584)
Maturing in 10-20 years	0%	80%	29%	(45,974)	31%	(50,153)
Maturing in 20-30 years	0%	60%	1%	(1,998)	2%	(3,700)
Maturing in 30-40 years	0%	60%	7%	(11,804)	7%	(11,798)
Maturing in more than 40 years	0%	45%	13%	(20,198)	11%	(18,238)
TOTAL			**100%**	**(160,141)**	**100%**	**(162,990)**

The Council has £7.25m of Lender Option Borrower Option loans, which could be called for repayment, however as the interest rates payable are 6.66% and 4.035% it has been assumed that they will run until maturity and they are included in the “Maturing in more than 40 years” line. This treatment will be reviewed with respect to market interest rates each year.

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

Market Risk

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 (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. 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 the 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 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 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments - impact on Surplus or Deficit on the Provision of Services	(116)
Share of overall impact credited or debited to the HRA	(19)
Decrease in fair value of fixed rate investment assets - impact on Other Comprehensive Income and Expenditure	-
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)	21,365

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 Note - Fair Value of Assets and Liabilities carried at Amortised Cost.

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. The Council holds £2.7m in the Local Authorities' Property Fund and the value varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

Foreign Exchange Risk

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

NOTE 16: DEBTORS

	31-Mar-21	31-Mar-20
Amounts falling due in one year net of bad debt impairment provision:	**£'000s**	**£'000s**
Central Government Bodies	4,630	148
Other Local Authorities	3,233	1,774
NHS Bodies	35	28
Other Entities and Individuals	4,220	4,880
	12,118	6,830
*** Of which £1.4m relates to net Housing Benefit overpayment arrears**		

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

Overall Aged Debt Analysis	31-Mar-21	31-Mar-20
	£'000	**£'000**
Under 1 year	11,806	6,554
1 - 2 years	67	54
2 - 3 years	39	39
Over 3 years	206	183
	12,118	6,830

Long Term Debtors

Long Term Debtors	31-Mar-21	31-Mar-20
	£'000s	**£'000s**
Car loans	25	41
TOTAL	**25**	**41**

NOTE 17: CASH AND CASH EQUIVALENTS

	31-Mar-21	31-Mar-20
	£'000	**£'000**
Cash held/(overdrawn) by the Council	1	1
Bank Current Accounts	1,539	531
Call Accounts and Money Market Funds	6,000	3,665
Total Cash & Cash Equivalents	**7,540**	**4,197**

NOTE 18: CREDITORS

	31-Mar-21	31-Mar-20
	£'000s	**£'000s**
Central Government Bodies *	(9,784)	(1,018)
Other Local Authorities	(720)	(1,328)
Other Entities and Individuals	(3,280)	(6,760)
TOTAL	**(13,784)**	**(9,106)**

* Included within the Central Government Bodies category are significant Government contributions towards the financial impact of COVID 19 grants and reliefs administered by the Council. Any unused sums will be repaid during 2021/22.

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-20	Additional provisions made in 2020/21	Amounts used in 2020/21	Balance at 31-Mar-21
	£'000	**£'000**	**£'000**	**£'000**
Courtfields Major works	(398)	(16)	-	(414)
Insurance Provision	(25)	-	-	(25)
Land Charges Provision	(8)	-	-	(8)
Business Rates Appeals	(169)	(246)	-	(415)
	(600)	**(262)**	**-**	**(862)**

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:

This Reserve is a provision for the cost of works that the Council is obliged to undertake at Courtfields. 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 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.

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 34.

NOTE 21: UNUSABLE RESERVES

UNUSABLE RESERVES	**31st March 2021**	**31st March 2020**
	£'000s	**£'000s**
Revaluation Reserve	(122,435)	(106,264)
Capital Adjustment Account	(49,663)	(49,277)
Financial Instruments Adjustment Account	424	427
Financial Instruments Revaluation Reserve	342	323
Deferred Capital Receipts Reserve	-	-
Pension Reserve	14,606	14,250
Collection Fund Adjustment Account	4,235	351
TOTAL UNUSABLE RESERVES	**(152,491)**	**(140,190)**

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	2020/21 £'000	2019/20 £'000
Balance at 1st April	(106,264)	(99,134)
Upward revaluation of assets	(21,181)	(11,441)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,913	2,971
Surplus or deficit on revaluation of non-current assets charged to other comprehensive income and expenditure	**(17,268)**	**(8,470)**
Difference between fair value depreciation and historical cost depreciation	937	865
Accumulated gains on assets sold	160	475
Amount written off to Capital Adjustment Account	**1,097**	**1,340**
Balance at 31st March	**(122,435)**	**(106,264)**

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	2020/21	2019/20
	£'000	£'000
Balance at 1st April	**(49,277)**	**(56,807)**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	5,487	5,386
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	(841)	5,070
Amortisation of intangible assets	97	54
Revenue expenditure funded from capital under statute Current Year	9,888	10,887
Revenue expenditure funded from capital under statute Prior Years	224	-
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	1,500	2,149
Net written out amount of the cost of non-current assets consumed in the year	**16,355**	**23,546**
Adjusting amounts written out of the Revaluation Reserve	(1,097)	(1,341)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,282)	(795)
Use of the Major Repairs Reserve to finance new capital expenditure	(1,961)	(2,018)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,083)	(7,777)
Application of grants to capital financing from the Capital Grants Unapplied Account	(638)	(4,453)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,222)	(1,391)
Capital expenditure charged against the General Fund and HRA balances	(33)	(67)
	(17,316)	**(17,842)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	575	1,826
Balance at 31st March	**(49,663)**	**(49,277)**

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.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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

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	2020/21	2019/20
	£'000	£'000
Balance at 1st April	14,250	34,023
Remeasurements of the net defined benefit liability / (asset)	147	(21,288)
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	3,277	4,586
Employer's pension contributions and direct payments to pensioners payable in the year	(3,068)	(3,071)
Balance at 31st March	14,606	14,250

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements between the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2020/21	2019/20
	£'000	£'000
Balance at 1 April	351	674
Amount by which council tax income recognised in the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	120	8
Amount by which non domestic rates income recognised in the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	3,764	(331)
Balance at 31 March	**4,235**	**351**

NOTE 22: CASH FLOW - OPERATING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	237	277
Interest paid	(4,639)	(4,006)
Total	**(4,402)**	**(3,729)**

Cash Flow – Net Cash Flow From Operating Activities

	Net 2020/21	Net 2019/20
	£'000	**£'000**
Net Surplus or (Deficit) on the Provision of Services	**2,690**	**(12,344)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	5,487	5,386
Impairment and downward valuations	(841)	5,070
Amortisation	97	54
Increase/(Decrease) in Creditors	7,622	2,124
(Increase)/Decrease in Debtors	145	(1,723)
(Increase)/Decrease in Inventories	38	(4)
Movement in Pension Liability	209	1,515
Contributions to/(from) Provisions	262	(202)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,500	2,149
Movement in Investment property values	591	2,078
	15,110	**16,447**
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	(476)	(1,660)
Net capital Grants credited to surplus or deficit on the provision of services	(12,629)	(8,331)
	(13,105)	**(9,991)**
Net Cash Flows from Operating Activities	**4,695**	**(5,888)**

NOTE 23: CASH FLOW - INVESTING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	**£'000**
Purchase of property, plant and equipment, investment property and intangible assets	(10,225)	(46,938)
Purchase of short-term and long-term investments	(93,689)	(103,793)
Other payments for investing activities	(13)	(61)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	575	1,540
Proceeds from short-term and long-term investments	97,689	100,793
Other receipts from investing activities	12,634	8,965
Net cash flows from investing activities	**6,971**	**(39,494)**

NOTE 24: CASH FLOW - FINANCING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	**£'000**
Cash receipts of short- and long-term borrowing	6,822	51,672
Repayments of short- and long-term borrowing	(9,687)	(6,037)
Other payments for financing activities	(5,458)	(803)
Net cash flows from financing activities	**(8,323)**	**44,832**

NOTE 25: 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:

	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Income	2019/20 Net Income
	£'000	**£'000**	**£'000**	**£'000**
Trade Refuse	420	(570)	(150)	(207)
	420	**(570)**	**(150)**	**(207)**

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 26: AGENCY SERVICES

Adur District Council have entered into an Agency Agreement with West Sussex County Council to improve the Parking Enforcement for the District. In 2020/21 income collected was £159,781, (2019/20 £147,868) and expenditure was £110,389, which includes a refund from previous year overpayments (2019/20 £144,944). West Sussex County Council contributes £51,250 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, 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 27: MEMBERS' ALLOWANCES

The total allowances paid to Members were as follows:

2020/21	2019/20
£	**£**
211,866	208,497

NOTE 28: 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:-

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

Remuneration Bands	Number of Employees 2020/21	Number of Employees 2019/20
£50,000 to £54,999	23	16
£55,000 to £59,999	5	6
£60,000 to £64,999*	1	4
£65,000 to £69,999	6	1
£70,000 to £74,999	4	3
£75,000 to £79,999	2	5
£80,000 to £84,999	4	-
£85,000 to £89,999	1	-
£90,000 to £94,999	-	1
£95,000 to £99,999	-	3
£100,000 to £104,999	2	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	1
£125,000 to £129,999*	2	-
	50	**40**

* These include redundancy, efficiency of service and settlement payments relating to 2020/21. Please see note 29 Exit Packages and 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.

Note 1: There were no staff whose salary was more than £150,000 in 2020/21 and in 2019/20.

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 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 2020/21 or 2019/20.

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**	**Total Remuner-ation excluding Pension Contributions**	**Pension Contribut-ion Employer Only**	**Total Remunera-tion including Pension Contributions**	**Net Cost borne by Worthing B.C. and paid to Adur D.C.**	**Net Cost borne by Adur D.C. Employing Authority**
Chief Executive						
2020/21	125,406	125,406	25,207	150,613	75,307	75,306
2019/20	124,240	124,240	26,215	150,455	75,228	75,227
Director for Communities						
2020/21	78,795	78,795	15,499	94,294	56,577	37,717
2019/20	97,411	97,411	20,554	117,965	70,779	47,186
Director for Digital & Resources						
2020/21	102,333	102,333	20,569	122,902	73,741	49,161
2019/20	99,750	99,750	21,047	120,797	66,740	54,057
Director for the Economy						
2020/21	100,326	100,326	20,166	120,492	73,500	46,992
2019/20	99,750	99,750	21,047	120,797	82,142	38,655
Head of Finance						
S151 Officer						
2020/21	80,794	80,794	16,240	97,034	48,517	48,517
2019/20	78,632	78,632	16,591	95,223	55,134	40,089
Head of Legal						
Monitoring Officer						
2020/21	57,301	57,301	11,517	68,818	36,549	32,269
2019/20	70,897	70,897	15,127	86,024	48,764	37,260
Head of Planning & Development						
Strategic Planning						
2020/21	73,666	73,666	14,807	88,473	45,121	43,352
2019/20	71,694	71,694	15,127	86,821	44,279	42,542
Head of Housing						
Strategic Housing						
2020/21	78,516	78,516	15,782	94,298	32,062	62,236
2019/20	75,513	75,513	15,933	91,446	32,920	58,526

NOTE 29 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**	
	2020/21	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
							£	**£**
£0 - £20,000	1	-	3	5	4	5	20,335	56,752
£20,000 - £40,000	-	-	1	-	1	-	20,571	-
£40,000 - £60,000	-	-	1	-	1	-	47,000	-
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings	1	-	5	5	6	5	87,906	56,752
Total cost included in CIES	1	-	5	5	6	5	87,906	56,752

These redundancy costs are shared between Adur & Worthing Councils in proportion to the service allocation. The total cost of £87,906 in the table above includes **£35,162** for exit packages that have been charged to Adur's Comprehensive Income and Expenditure Statement in the current year.

TERMINATION BENEFITS

	Adur
	£
Redundancy costs	35,162
Enhanced Pension Benefits	41,962
Total termination benefit 2020/21	77,124
Termination benefits 2019/20	94,868

Of this total, £35,162 is payable in the form of compensation for loss of office and £41,962 is the 2020/21 cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 30: EXTERNAL AUDIT COSTS

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

	2020/21	2019/20
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	40	37
Fees payable to external auditors for the certification of grant claims and returns for the year	44	30
TOTAL	**84**	**67**

NOTE 31: GRANT INCOME

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

Credited to Taxation and Non specific Grant Income	**2020/21**	**2019/20**
	£'000s	**£'000s**
General Fund Grants & Donations		
New Homes Bonus Scheme	(88)	(126)
Section 31 Grant	(4,566)	(429)
Council Tax Income Guarantee	(181)	-
NNDR Tax Income Guarantee	(116)	-
MHCLG - Sales Fees & Charges	(452)	-
MHCLG - COVID New Burdens	(1,101)	-
Other	(9)	(7)
	(6,513)	**(562)**
Capital Grants & Donations		
S106 Other Contributions	(88)	(43)
Homes England Housing Grant	(1,800)	(731)
Local Enterprise Partnership Funding	-	(135)
MHCLG - Hidden Homes	(566)	-
Coast to Capital	(328)	
Other Grants & Donations	(51)	(24)
	(2,833)	**(933)**

Credited to Services	2020/21	2019/20
	£'000s	£'000s
Capital Grants & Donations - Specific		
MHCLG Land Release Fund	(566)	-
Homes England Housing Grant	(1,800)	(6,750)
MHCLG Disabled Facilities Grant	(700)	(645)
Local Enterprise Partnership Funding	(9,309)	-
Sport England	(50)	-
Environment Agency	(115)	(18)
S106 Receipts	(88)	-
Donations	(1)	-
	(12,629)	**(7,413)**
General Fund Grants & Donations		
Ministry of Housing, Communities and Local Government (MHCLG) - Housing	(234)	(139)
MHCLG - Re-opening High Streets Safely	(45)	-
MHCLG - Test & Trace	(183)	-
MHCLG - Covid 19	(21)	-
MHCLG - Other Grants	-	(122)
Department of Work and Pensions	(87)	(68)
MHCLG - Covid Hardship Fund	(453)	-
Cabinet Office - IER s31 grant	-	(12)
WSCC - LEAP Funding	(43)	(69)
Highways England - Rapid Charger	-	(32)
DEFRA - Export Health Certificate	(75)	-
DEFRA - Other	(1)	-
West Sussex County Council (WSCC) - Cycling Strategy	(61)	-
WSCC - Community & Wellbeing	(247)	-
Chichester District Council - Retail Training Programme	(50)	-
Horsham District Council - Journey to Work	(89)	-
English Sports Council - Leisure Recovery	(12)	-
Business, Energy and Industrial Strategy - Heat Network	(82)	-
Other Grants	(12)	-
Grants recognised in the Joint Committee	(552)	(539)
	(2,247)	**(981)**
TOTAL	**(24,222)**	**(9,889)**

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:

	2020/21	2019/20
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government (MHCLG)		
MHCLG - Covid 19	(10)	-
MHCLG - Housing	(7)	-
West Sussex County Council - Covid 19	(150)	-
WSCC - LEAP funding	(47)	(20)
English Sports Council - Leisure Recovery	(110)	-
Business, Energy and Industrial Strategy - Heat Network	(82)	-
Salix - Low Carbon Skills Fund	(113)	-
Grants recognised in the Joint Committee	(44)	(259)
TOTAL	**(563)**	**(279)**

NOTE 32: 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 31. Grant receipts which remain to be used at 31st March 2021 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies**.** The total of members' allowances paid in 2020/21 is shown in Note 27. During 2020/21 there were no related party transactions declared by Councillors. In 2020/21 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' Interests, open to public inspection on the Council's website.

There were no related party transactions declared by officers in 2020/21.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

The Council had a 30 year agreement with Adur Community Leisure Limited (ACL) to manage two leisure centres and one community swimming pool, however during 2020/21 ACL went into administration and the agreement ceased. The council has since entered a 5 year agreement with South Downs Leisure for the provision of leisure services within the district.

During 2020/21 a subsidy payment of £125,000 was made to Adur Community Leisure Ltd. A service fee payment of £59,108 was made to South Down Leisure.

NOTE 33: 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.

	2020/21	2019/20
	£'000	**£'000**
Opening Capital Financing Requirement	167,018	123,250
Capital Investment		
Property, Plant and Equipment	7,511	5,843
Heritage Assets	-	51
Investment Properties	-	43,400
Intangible Assets	298	89
Revenue Expenditure Funded from Capital Under Statute	9,888	10,887
Sources of Finance		
Capital receipts	(1,282)	(795)
Government grants and other contributions	(10,721)	(12,231)
Sums set aside from revenue:		
Direct revenue contributions	(24)	(67)
MRP/loans fund principal	(2,222)	(1,391)
Revenue funding	(1,970)	(2,018)
Closing Capital Financing Requirement	**168,496**	**167,018**
Explanation of movements in year		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	1,478	43,768
Increase/(decrease) in Capital Financing Requirement	**1,478**	**43,768**

NOTE 34: 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

- as part of the Council's Strategic Investment Policy to maximise rental income for the Authority (see note 14).

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

	31-Mar-21	31-Mar-20
	£'000	£'000
Not later than one year	5,098	5,127
Later than one year and not later than five years	18,966	19,000
Later than five years	27,423	28,801
	51,487	52,928

Operating Leases - Lessee

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 35: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities		31-Mar-21	31-Mar-20
	See Note No.	£'000s	£'000s
Commuted Sums		(8)	(8)
Pension Reserve Liability	36	(14,606)	(14,250)
TOTAL		**(14,614)**	**(14,258)**

NOTE 36: DEFINED BENEFIT PENSION PLANS

Participation in Pension Plans

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by West Sussex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General

Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	**Consolidation of Joint Committee**		**Local Government Pension Scheme**	
	Adur 2020/21	**Joint Committee 2020/21**	**Total 2020/21**	**Total 2019/20**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Cost of services				
Current service cost	(620)	(2,330)	(2,950)	(3,874)
Past service cost	-	-	-	116
Effect of business combination	-	-	-	-
Financing & Investment Income & Expenditure				
Net Interest cost	(367)	40	(327)	(828)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(987)**	**(2,290)**	**(3,277)**	**(4,586)**
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)	14,637	11,649	26,286	(5,035)
Actuarial gains and losses arising on changes in demographic assumptions	(168)	(84)	(252)	6,784
Actuarial gains and losses arising on changes in financial assumptions	(12,151)	(15,355)	(27,506)	10,756
Other (if applicable)	913	412	1,325	8,783
Total remeasurements recognised in the other comprehensive income	**3,231**	**(3,378)**	**(147)**	**21,288**
Total post-employment benefits charged to the CI&E statement	**2,244**	**(5,668)**	**(3,424)**	**16,702**

Transactions Relating to Post-employment Benefits

	Adur 2020/21	Joint Committee 2020/21	Total 2020/21	Total 2019/20
	£'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	(987)	(2,290)	(3,277)	(4,586)
Actual amounts charged against the General Fund balance for pensions in the year:				
Employer's contributions payable to the scheme	1,444	1,477	2,921	2,921
Retirement benefits payable to pensioners	147	-	147	150
Total charged against the General Fund balance	1,591	1,477	3,068	3,071

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2020/21			019/20		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(88,141)	(63,543)	(151,684)	(77,805)	(45,313)	(123,118)
Fair value of plan assets	75,516	61,562	137,078	61,345	47,523	108,868
Net liability arising from defined benefit obligation	**(12,625)**	**(1,981)**	**(14,606)**	**(16,460)**	**2,210**	**(14,250)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2020/21			2019/20		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
Opening fair value of scheme assets	61,344	47,524	108,868	64,755	47,152	111,907
Interest income	1,389	1,106	2,495	1,534	1,150	2,684
Remeasurement gain / (loss):			-			-
The return on plan assets, excluding the amount included in the net interest expense	14,637	11,649	26,286	(2,971)	(2,064)	(5,035)
Contributions from employer	1,591	1,477	3,068	1,622	1,449	3,071
Contributions from employees into the scheme	120	493	613	114	465	579
Benefits paid	(3,566)	(686)	(4,252)	(3,710)	(628)	(4,338)
Rounding adjustment	1	(1)	-		-	-
Closing fair value of scheme assets	**75,516**	**61,562**	**137,078**	**61,344**	**47,524**	**108,868**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2020/21			2019/20		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1st April	(77,805)	(45,313)	(123,118)	(94,897)	(51,033)	(145,930)
Current service cost	(620)	(2,330)	(2,950)	(761)	(3,113)	(3,874)
Interest cost	(1,756)	(1,066)	(2,822)	(2,248)	(1,264)	(3,512)
Contributions from scheme members	(120)	(493)	(613)	(114)	(465)	(579)
Remeasurement (gains) and losses:		-			-	-
Actuarial gains / losses arising from changes in demographic assumptions	(168)	(84)	(252)	3,990	2,794	6,784
Actuarial gains / losses arising from changes in financial assumptions	(12,151)	(15,355)	(27,506)	3,916	6,840	10,756
Other experience	913	412	1,325	8,580	203	8,783
Past service cost	-	-	-	19	97	116
Benefits paid	3,566	686	4,252	3,710	628	4,338
Liabilities extinguished on settlements	-	-	-	-	-	-
Closing balance 31st March	**(88,141)**	**(63,543)**	**(151,684)**	**(77,805)**	**(45,313)**	**(123,118)**

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					
	2020/21			2019/20		
	Adur	Joint Committee	Total	Adur	Joint Committee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,348.0	2,729.3	6,077.3	2,146.0	1,662.5	3,808.5
Equity instruments:						
Consumer	7,845.1	6,395.4	14,240.5	5,815.9	4,505.4	10,321.3
Manufacturing	4,408.3	3,593.7	8,002.0	3,347.0	2,592.9	5,939.9
Energy and Utilities	1,156.7	943.0	2,099.7	950.5	736.3	1,686.8
Financial Institutions	6,841.8	5,577.5	12,419.3	5,486.5	4,250.3	9,736.8
Health and Care	5,050.1	4,116.9	9,167.0	4,369.8	3,385.2	7,755.0
Information Technology	10,480.1	8,543.5	19,023.6	7,076.6	5,482.1	12,558.7
Other	2,502.5	2,040.1	4,542.6	1,310.3	1,015.1	2,325.4
Sub-total equity	**38,284.6**	**31,210.1**	**69,494.7**	**28,356.6**	**21,967.3**	**50,323.9**
Debt Securities:						
UK Government	959.0	781.8	1,740.8	1,647.0	1,275.9	2,922.9
Investment Funds and Unit Trusts:						
Bonds	25,412.4	20,716.2	46,128.6	22,283.6	17,262.8	39,546.4
Property:						
UK Property	0.0	0.0	0.0	0.0	0.0	0.0
Overseas Property	-	-	-	-	-	-
Sub-total property	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Private equity	0.0	0.0	0.0	0.0	0.0	0.0
Other investment funds	1,184.5	966.1	2,150.6	386.2	299.2	685.4
Total assets in active markets	**69,188.5**	**56,403.5**	**125,592.0**	**54,819.4**	**42,467.7**	**97,287.1**
Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	**Adur**	**Joint Committee**	**Total**	**Adur**	**Joint Committee**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	1,203.2	980.8	2,184.0	1,300.4	1,007.4	2,307.8
Real Estate:						
UK Property	5,124.3	4,177.4	9,301.7	5,225.2	4,047.8	9,273.0
Total assets - not in active markets	**6,327.5**	**5,158.2**	**11,485.7**	**6,525.6**	**5,055.2**	**11,580.8**
Total assets	**75,516.0**	**61,561.7**	**137,077.7**	**61,345.0**	**47,522.9**	**108,867.9**

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, 2021.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	**2019/20**
Mortality assumptions		
Current pensioners:		
Male	22.1 years	22.2 years
Female	24.4 years	24.2 years
Future pensioners:		
Male	23.1 years	23.3 years
Female	26.1 years	25.9 years
Rate of inflation		
Rate of increase in salaries	3.35%	2.40%
Rate of increase in pensions	2.85%	2.00%
Rate for discounting scheme liabilities	1.95%	2.30%

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.

Change in assumptions at 31st March 2021	**Approximate % increase to Employer Liability**	**Approximate monetary amount (£000)**
0.5% decrease in Real Discount Rate	7%	5,809
0.5% increase in Salary Increase Rate	0%	120
0.5% increase in the Pension Increase Rate	6%	5,599

Included within the actuary assumptions is the potential impact to the Council of the ongoing legal case concerning alleged age discrimination in the administration of public sector pension schemes at a national level. The Court of Appeal has issued a decision regarding transitional arrangements for the benefit changes. The ruling has implications for the Local Government Pension Scheme and Firefighters Pension Scheme since similar reforms have been implemented by these schemes.

The outcome for the employer liabilities is not clear, since the Government may appeal and timescales for resolution may be lengthy. Any remediation process, including cost cap considerations, may also affect the resolution, and so the financial impact at an overall scheme level cannot be estimated at this time. Should an obligation arise, any increase in current or past service costs may affect employer pension contributions in future years, potentially as part of a deficit recovery plan.

Impact on the Council's Cash Flow:

The Council anticipates paying £1,393,000 contributions to the scheme in 2021/22 and approximately £1,364,000 contributions to the Adur-Worthing Joint Services scheme (40% share).

NOTE 37: 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.

Buckingham Park House Ruin: Comprises the remains of an old listed building situated in Buckingham Park - a 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 38: 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 the cost of this maintenance.

NOTE 39: 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 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
	£'000	**£'000**	**£'000**
NET EXPENDITURE ON SERVICES			
Net Cost Of General Fund Services	19,017	(3,316)	15,701
Holding Accounts	10,610	(599)	10,011
NET COST OF SERVICES	**29,627**	**(3,915)**	**25,712**
Funded by:			
Financing Investment and expenditure			346
Adur District Council			(9,834)
Worthing Borough Council			(14,194)
(Surplus) or deficit on provision of services			**2,030**
Remeasurement of the net defined pension benefit liability			8,446
Other Comprehensive Income & Expenditure			**8,446**
Total Comprehensive Income & Expenditure			**10,476**

HOUSING REVENUE ACCOUNT (HRA)
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	HRA Note	2020/21 Net Expenditure		2019/20 Net Expenditure	
		£'000	£'000	£'000	£'000
INCOME					
Dwelling rents		(12,005)		(11,991)	
Non-dwelling rents		(552)		(579)	
Charges for services and facilities		(864)		(1,174)	
Total Income			**(13,421)**		**(13,744)**
EXPENDITURE					
Repairs and maintenance		3,597		3,758	
Supervision and management		2,901		3,450	
Rents, rates, taxes and other charges		65		49	
Depreciation	5&9	4,079		4,038	
Revaluation and impairment of non-current assets	10	(2)		157	
Movement in the allowance for bad debts		(44)		108	
Total Expenditure			**10,596**		**11,560**
Net (Income) / Cost of HRA Services as included in the whole authority CI&E Statement			**(2,825)**		**(2,184)**
HRA services share of Corporate and Democratic Core			563		656
Net (Income) / Cost of HRA Services			**(2,262)**		**(1,528)**
HRA share of the operating income and expenditure included in the CI&E Statement					
(Gain) or loss on sale of HRA non-current assets	1	(139)		(716)	
Derecognition of assets	1	1,012		1,060	
Interest payable and similar charges		2,197		2,225	
HRA Interest and Investment income		(29)		(66)	
Net interest on the net defined benefit liability (asset)		330		690	
Capital grants and contributions receivable		(2,366)		(764)	
			1,005		2,429
Deficit / (surplus) for the year on HRA Services			**(1,257)**		**901**

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	2020/21	2019/20
	£'000s	**£'000s**
Balance on the HRA at the end of the previous reporting period	(1,013)	(1,752)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	(1,257)	901
Adjustments between accounting basis and funding basis under statute	1,921	(162)
Net (Increase) or Decrease before transfers to reserves	664	739
Net transfers to or (from) Earmarked Reserves		
Contribution from the New Development & Acquisition Reserve	-	-
Transfer to/(from) HRA Business Improvement Reserve	-	-
Total net transfers to/from earmarked reserves	-	-
Balance on the HRA at the end of the current reporting period	**(349)**	**(1,013)**

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

	2020/21	2019/20
	£'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	139	716
Derecognition of assets	(1,012)	(1,060)
HRA share of contributions to or from the Pensions Reserve	426	(425)
Transfers to/(from) Capital Adjustment Account	(4,077)	(4,195)
Voluntary Provision for Repayment of Debt	-	-
Transfers to/(from) Major Repair Reserve	4,079	4,038
	(445)	**(926)**
Amounts not included in the Income and Expenditure Account, but required by statute to be included when determining the Movement on the Housing Revenue Account for the year		
Amortisation of Premiums	-	-
Capital grants and contributions repayable	653	764
Capital grants unapplied	1,713	-
Capital expenditure funded by the HRA	-	-
Net additional amount required to be debited or (credited) to the Housing Revenue Account balance for the year.	**1,921**	**(162)**

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

	31st March 2021	31st March 2020
	Number	**Number**
Houses	996	996
Bungalows	169	169
Flats	1,372	1,377
TOTAL DWELLINGS	**2,537**	**2,542**

The Authority recognised the following assets as held for sale during 2020/21:

- 5 Council Dwellings being sold under 'Right to Buy' Regulations were reclassified as held for sale.

  5 sales of 'Right to Buy' Council Dwellings completed in 2020/21.

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

	31st March 2021	31st March 2020
	£'000s	£'000s
Council Dwellings	198,286	190,561
Other Land and Buildings	6,268	6,005
Infrastructure	21	22
Assets Under Construction	7,441	4,167
Total Balance Sheet Value of Land, Houses and the Other Property	**212,016**	**200,755**

NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA

	2020/21	2019/20
	£	£
Vacant Possession Value of Dwellings within the HRA	600,866	577,457

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

	2020/21	2019/20
	£'000s	£'000s
Balance at 1st April	5,349	3,329
Capital expenditure funded from Major Repairs Reserve	(1,961)	(2,018)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	4,079	4,038
Transfer from the MRR to abate the depreciation charge to the value of the Notional Major Repairs Allowance	-	-
Balance of Major Repairs Reserve at 31st March	**7,467**	**5,349**

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 was established in 2013/14 for the purpose 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	2020/21	2019/20
	£'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

	2020/21	2019/20
EXPENDITURE	£'000s	£'000s
Council Dwellings	1,961	2,049
Other Properties	4	5
Assets Under Construction	3,221	1,805
TOTAL CAPITAL EXPENDITURE	**5,186**	**3,859**
FINANCING		
Capital Grants and Contributions	653	908
HRA usable Capital Receipts	1,275	742
Borrowing	1,297	191
Major Repairs Reserve	1,961	2,018
TOTAL CAPITAL EXPENDITURE FINANCED	**5,186**	**3,859**

NOTE 8: CAPITAL RECEIPTS

	2020/21	2019/20
Capital Receipts from the disposal of HRA property	£'000s	£'000s
Sale of Council Dwellings	445	1,582
Less Administration Costs	(7)	(16)
Lease Extensions	9	5
Mortgage Receipts received from previous years sale of Council Dwellings	-	-
	447	**1,571**
Retained for capital investment	128	1,187
Paid to central government	319	384
	447	**1,571**

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

	2020/21	2019/20
	£'000s	£'000s
Council Dwellings	3,955	3,916
Other Land and Buildings	73	72
Infrastructure	1	1
Equipment	33	34
Intangible Assets	17	17
TOTAL DEPRECIATION IN YEAR	**4,079**	**4,040**

NOTE 10: REVALUATION

In 2020/21 the revaluation of the Housing Revenue Account dwellings by external valuers at 1st April, 2020 resulted in an decrease in the Authorities housing stock value by £2.1m. This was due to a lower increase in market values during 2019/20 than originally estimated at 31st March 2020. At 31st March 2021 the external valuers advised that residential properties had risen by 5.14% during the financial year and this increase has been reflected in the Authority's HRA.

Revaluations of Council dwellings in 2020/21 totalled £11.073m. £11.05m was added to the HRA Revaluation Reserve and a downward revaluation of £15,464.01 was included in the HRA income and expenditure account. Revaluations in 2020/21 for HRA other land and property totalled £334,974; £317,773 was added to the Revaluation Reserve and £17,201 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, £329,700 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 2021	31st March 2020
	£'000s	£'000s
Gross arrears as at 31st March	916	1,080
Bad Debt provision for uncollectible debts	444	471

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

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.

Adur District Council						
COLLECTION FUND - COUNCIL TAX AND BUSINESS RATES						
	2020/21			**2019/20**		
	Business Rates	**Council Tax**	**TOTAL**	**Business Rates**	**Council Tax**	**TOTAL**
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	41,588	41,588	-	40,026	40,026
Business Rates Receivable	9,717	-	9,717	17,150	-	17,150
TOTAL INCOME (C) = (A+B)	**9,717**	**41,588**	**51,305**	**17,150**	**40,026**	**57,176**
EXPENDITURE (D)						
Contribution From Previous Year Surplus / Deficit (-)						
Central Government	(286)	-	(286)	(801)	-	(801)
Adur District Council	(229)	(9)	(238)	(641)	(39)	(680)
West Sussex County Council	(663)	(39)	(702)	(160)	(180)	(340)
Sx Police & Crime Commissioner	-	(5)	(5)	-	(22)	(22)
	(1,178)	**(53)**	**(1,231)**	**(1,602)**	**(241)**	**(1,843)**
Precepts, Demands & Shares (E)						
Central Government	9,135	-	9,135	4,598	-	4,598
Adur District Council:	7,307	-	7,307	3,678		3,678
Adur DC (Excl. Parish Precept)	-	6,529	6,529	-	6,347	6,347
Lancing Parish Council	-	322	322	-	322	322
Sompting Parish Council	-	93	93	-	83	83
West Sussex County Council	1,827	30,762	32,589	10,114	29,325	39,439
Sussex Police and Crime Commissioner	-	4,274	4,274	-	4,025	4,025
	18,269	**41,980**	**60,249**	**18,390**	**40,102**	**58,492**
Charges to Collection Fund (F)						
Less: Write off of uncollectable amounts	18	8	26	207	139	346
Less: Inc / Dec (-) in Bad Debt Provision	114	402	516	(189)	79	(110)
Less: Inc / Dec (-) in Provision for Appeals	1,048	-	1,048	205	-	205
Less: Cost of Collection	84	-	84	85	-	85
	1,264	**410**	**1,674**	**308**	**218**	**526**
TOTAL EXPENDITURE (G) = (D+E+F)	**18,355**	**42,337**	**60,692**	**17,096**	**40,079**	**57,175**
Sur. / Def. (-) arising during the year (C-G)	**(8,638)**	**(749)**	**(9,387)**	**54**	**(53)**	**1**
Surplus / Deficit (-) b/fwd. 01.04.20	**(1,515)**	**(334)**	**(1,849)**	**(1,569)**	**(281)**	**(1,850)**
Surplus / Deficit (-) c/fwd. 31.03.21	**(10,153)**	**(1,083)**	**(11,236)**	**(1,515)**	**(334)**	**(1,849)**

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 2020/21 was 21,380.4 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	Average Band D Council Tax £
West Sussex County Council	£30,762,275.00	21,380.4	1,438.81
Sussex Police & Crime Commissioner	£4,274,356.00	21,380.4	199.92
Adur District Council	£6,528,930.00	21,380.4	305.37

NOTE 2: BUSINESS RATES

For 2019/20, the Council participated in a countywide business rate pilot scheme. Under this arrangement the Council only kept 20% of business rate income with 55% paid to the County Council. The benefit of the pilot was that additional income of circa £31m was retained locally from the purpose of investing in digital infrastructure and other economic regeneration initiatives.

For 2020/21, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Adur District Council, Mid Sussex District Council, Arun District Council, and West Sussex County Council. The levy for 2020/21 was paid into the West Sussex County Council Pool and used to fund economic regeneration initiatives throughout the County area. Without the Pool, the levy would be paid to MHCLG and not retained for the benefit of the residents of West Sussex.

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 49.9p in 2020/21 (49.1p in 2019/20) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £46.3m (£46.5m in 2019/20).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £1,727k and £311k for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2020/21 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
	£	£	£	£
Apportionment based on 2021/22 demand	**73.42%**	**10.45%**	**16.13%**	**100%**
Council Tax Arrears	2,619,735	372,714	575,554	**3,568,003**
Provision for Bad Debts	(1,268,307)	(180,444)	(278,646)	**(1,727,397)**
Receipt in Advance	(526,372)	(74,887)	(115,644)	**(716,903)**
(Surplus)/Deficit	794,878	113,088	174,634	**1,082,600**
Balance as at 31st March 2021	**1,619,934**	**230,471**	**355,898**	**2,206,303**

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. There is an exceptionally large deficit attributable to the expanded reliefs, mainly for retail businesses. This is compensated by section 31 grants from MHCLG which are received in the General fund. See note 11 - Non ring fenced Government grants.

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	38,659	7,731	30,927	**77,317**
Provision for Bad Debts	(155,340)	(31,068)	(124,272)	**(310,680)**
Provision for Appeals	(518,457)	(103,691)	(414,766)	**(1,036,914)**
Receipt in Advance	(74,626)	(14,925)	(59,701)	**(149,252)**
(Surplus)/Deficit	5,076,288	1,015,258	4,061,030	**10,152,576**
Balance as at 31st March 2021	**4,366,524**	**873,305**	**3,493,218**	**8,733,047**

ADUR DISTRICT COUNCIL
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.gov.uk or 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 2021 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 Council's 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 2020/21.

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 ● Equalities Impact Assessments
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 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 regularly reviews and updates 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 2018) 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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.

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 agreed a new plan ‘Platforms for our Places - Going Further’ that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2020-22).

The Councils have agreed programmes of work for this period under five themes or ‘Platforms’ which set out their aspirations for the town.

- **Prosperous Places**
- **Thriving People and Communities**
- **Tackling Climate Change and Supporting our Natural Environment**
- **Good Services and New Solutions**
- **Leadership of Place**

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: Going further.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places: Going Further.

This has recently been reviewed in the light of the Covid 19 pandemic in the 'And Then' document which amended the priorities. This can be found on the Council's website at "And then...." bouncing back in post pandemic Adur and Worthing. These changed priorities will be monitored as part of the regular report of progress in delivering the Councils' priorities.

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.

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, 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 £2.1m by 2025/26 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 OPERATION OF THE GOVERNANCE FRAMEWORK

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

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.

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, 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 regular performance development reviews, which seek 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 a 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 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 area. 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 the finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have recently been revised 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

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.

For 2020/21 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Adur District Council for the year ended 31st March 2021 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 27th May 2021.

The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound".

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Any weaknesses identified by Internal Audit are subject to regular monitoring to ensure that they are addressed. The Joint Governance Committee is updated 4 times a year on progress in addressing any audit recommendations.

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.

The current detailed plan to address any weakness and improve the Council's governance was approved on the 27th May 2021 at the Joint Governance Committee in the report titled 'Annual Governance Statements 2020/21'. This can be found on the Council's intranet using the following link :
https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020_21.pdf

Overall opinion:

It is the opinion of the Council is, that with the exception of the issues identified below, the framework is satisfactory. The Council will continue to assess and make improvements to the governance framework.

SIGNIFICANT GOVERNANCE ISSUES

There is one significant governance issue 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) Housing management procurement, 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 commissioned 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 2020 review together with any issues which have been identified during the current review.

Part of 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.

The Council complies with all other requirements of the statement.

Covid 19 Emergency

The recent pandemic has required the Council to act swiftly to support the local community. The emergency has necessitated an increased use of urgency powers in 2020/21, which has been formally reported to members at the next available meeting of the Joint Strategic Committee in June 2020 and in November 2020.

To ensure that our Governance arrangements have remained fit for purpose during this emergency, included in the audit plan are a number of audits that review different aspects of the Council's response to the pandemic.

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: 

Signed: 

Councillor Neil Parkin
Leader of the Council
Adur District Council

Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 21st June2021

Dated: 21st June 2021

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

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 2020/21 which means the year commencing 1st April 2020 and ending 31st March 2021. 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 2020/2021

WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2021

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 and 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 2020/21;
- 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 2021. It provides a summary of the financial position as at 31st March 2021 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 2020/21
- The 2020/21 revenue budget process and medium term financial plan
- Financial Overview of the Council 2020/21
  - Revenue spend in 2020/21
  - Capital strategy and Capital Programme 2020/21 to 2023/24
- 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 covers an area 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 110,570 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 15	17.8%	19.0%
16 - 64	59.6%	62.5%
65+	22.6%	18.5%

There are 3,695 businesses within the area. Business Rate income was £13.9m in 2020/21. This was significantly lower than in previous years but was due to the amount of additional business reliefs granted by the Government to support the local economy during the Covid 19 pandemic. The Council kept £3.0m of income related to Business Rates (including associated grants), 10% of the income was paid to the County Council with the remainder paid to the 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 2020/21 Municipal Year

Worthing has 37 Councillors representing 13 wards. In 2020/21 the political make-up of the Council was:

Conservative Party	23 Councillors
Labour	10 Councillors
Liberal Democrat Party	3 Councillors
UK Independent Party	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 decisions, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The leader of the Council during 2020/21 was Councillor Daniel Humphreys, following his resignation as leader a new leader, Councillor Kevin Jenkins, was elected by the full Council on 10th November 2021.

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.

Worthing Borough Council:

- √ Holds £245m of assets to support services and provide income to fund service delivery
- √ Generates £15.6m of income from fees, charges and rents (net of Housing 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 2020/21 government funding (New Homes Bonus) made up 2% of total income (net of Housing Benefit Subsidy).

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 £22.9m for 2020/21. 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 within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Covid-19 pandemic and the Council

The Coronavirus pandemic is the largest global emergency that the country has had to face since 1945. The outbreak of the Coronavirus has been recognised as a pandemic by the World Health Organisation affecting many countries. The speed of the pandemic has led to unprecedented disruption globally with many countries requiring residents to stay at home and businesses to temporarily close. As a result of the pandemic, life within the UK became very difficult throughout 2020/21 due to various restrictions on our lives.

To help support our communities, the Council in partnership with central Government administered a range of activities including:

- Providing additional business rate reliefs to local businesses worth £17m;
- Across 10 different strands, paying business grants in accordance with the guidance issued by the Department for Business Enterprise and Industrial Strategy (BEIS). The Council has paid £32m in grants to local businesses in 2020/21;
- Supporting our high streets to reopen safely;
- Set up a network of community volunteers to support those who had to remain at home;
- Established a Community Response Team and supported people in need of help with food, isolation, money, and mental health;
- Established information and support around access to work;
- Supported the development of an Adur and Worthing Emergency Food Network;
- Awarded 4,317 additional Council Tax discounts of up to £150.00 to those residents in receipt of Council Tax support;
- Paid £137k in self isolation grants to enable those residents to remain at home who would have otherwise had to go to work due to their financial circumstances.
- Provided accommodation for rough sleepers and all single people who became homeless to ensure that they were housed during the crisis.
- Throughout the pandemic, the council continued to keep it’s offices open offering face to face appointments to its most vulnerable residents.

Officers have had to take a number of urgent decisions to incur expenditure or take urgent action over the past few months. These have been reported to the Joint Strategic Committee at the earliest opportunity in accordance with the Council’s constitution.

Looking ahead to 2021/22, we still expect the pandemic to affect our communities for some months to come. However, the success of the vaccine roll out means that life is gradually returning to normal and the financial impact is likely to be less significant in the forthcoming year. That said, there is still a degree of uncertainty due to the impact of new variants of the virus on the health of the population. For the forthcoming year there will be a focus on supporting the wellbeing of our residents and on economic recovery through a range of measures including:

- Increased award of business rate reliefs;
- Continuation of grants to local businesses to support recovery
- Continuation of additional Council Tax discounts of up to £150.00 for those residents in receipt of Council Tax support
- Range of projects to support the health and wellbeing of our residents
- Working with those at risk of homelessness to ensure that they remain housed.

The financial effects are covered more fully in the relevant sections below.

3. *COUNCIL PLANS AND PERFORMANCE*

PLATFORMS FOR OUR PLACES - GOING FURTHER 2020 - 2022

The Council's priorities are laid out in 'Platforms for our Places - Going further' which was agreed early in 2020. The plan details how over the period 2020-22 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities. In July 2020 (7 months into that programme) both Councils adopted a refreshed set of commitments to reflect the impact that the Pandemic was having on the Council's priorities.

Five Platforms for our Communities

Platform 1: Prosperous Places

The Councils will support our businesses; our budding entrepreneurs and those prepared to invest their energy and resources responding to the new economy in Adur and Worthing through:

- Strategic influencing and business partnerships
- Inward investment and place branding
- Attractors for prosperity through place making
- The fourth industrial revolution …. Supporting digital inclusivity for business and delivering the technical infrastructure for the next 30 years.
- Clean growth
- Developing our creative economy
- Major projects and developments

Platform 2: Thriving People and Communities

The key themes for this platform include:

- Effective Strategic Partnerships ... and challenges;
- Delivering our housing strategy 2020-2023;
- Supporting stronger, participative and resilient communities;
- Start well, live well, age well: Health and wellbeing at all stages of life;
- Community, voluntary sector and social innovation;

Platform 3: Tackling Climate change and supporting our natural environment

The themes for climate resilience include:

- Reducing carbon emissions to carbon neutral by 2030;
- Transition to clean, secure, and affordable energy;
- Improving water quality and reducing consumption;
- Rewilding to create more and better spaces for wildlife;
- Managing our land and promoting local food;
- Engaging our communities in the use and stewardship of our open spaces;
- Reducing waste and increasing reuse, recycling and composting
- Sustainable transport and improving air quality
- Improving our climate resilience
- Showing leadership and engaging our communities
- Rethinking the role of land use planning and development

Platform 4: Good services and new solutions

Themes for good services and new solutions include:

- Digital platforms and solutions
- 'Effortless' customer services
- Growing our commercial income
- Embedding our 'SameRoom' service design approach
- Staff learning and developing our leadership
- Corporate landlord and manager of the Council's assets
- Driving sustainability and value for money through contract management

Platform 5: Leadership of our place

Over the next three years, the focus of our place leadership will be on the following themes:

- Developing our elected members and fostering relationships with other leaders of our communities;
- Developing the reputation of our places (and our reputation as leaders and innovators nationally);
- The civic data agenda;
- Emergency planning and civic contingency;

Achievements in 2020/21

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: Prosperous Places

- **Responding to the pandemic:** The Council continued to steward grant funding to the business sector and we have been advising 'on the ground' to help businesses to re-open whenever that has been possible. To help create the right conditions for recovery, we have sought to ensure that our town centres remain open for business and encourage people to feel safe to return.

- **Significant movement on major sites**:

  Worthing Integrated Care Centre - Planning permission has now been achieved for the ground breaking Worthing Integrated Care Centre as part of a new Civic Quarter and work is scheduled to commence on site in earnest in 2021/22.

  Colonnade House - Our plans for a creative and digital hub at Colonnade House have reached an advanced stage; detailed designs have been prepared to complement a full business plan. The new project will provide additional space for start-up and expanding businesses with a digital focus.

  Decoy Farm - Work began in earnest on the decontamination of Decoy Farm and the work on this stage completed in April 2021.

- **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. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables, which will benefit both local businesses and homes. Additional funding has been secured from Coast to Capital and the West Sussex business rate pool to expand the public sector scheme, creating 90 council sites with full fibre connections across our area. This has been followed by the announcement of a £25m scheme for fibre to 50,000 homes, with construction work now underway with completion expected in 2022.

Platform 2: Thriving People and Communities

- **Homelessness** - We have continued to make progress in tackling homelessness and continue to see positive effects of the work that was undertaken during 'Everyone In' in the first lockdown. We were ultimately able to make offers of accommodation to everyone across Adur and Worthing who we housed temporarily during that period and through this work have continued to maintain low rough sleeper numbers: 0 in Adur and 2 or 3 in Worthing.

  Our work over the summer was to ensure that we were able to support our street community over the winter as many of the usual winter options were not possible because of Covid. During this period we have been successful in our bid for MHCLG funding which will provide additional support to rough sleepers and those housed during 'Everyone In', 55 of which have already been moved on into suitable accommodation. The funding will help us enhance our Opening Doors offer for single people, provide accommodation over the winter for rough sleepers and leases that will 'test' tenancy management skills and enable us to move people on into sustainable housing options. We worked with West Sussex County Council to provide additional dual diagnosis support which will enhance development of our local housing first pilots as well as further supporting our work with our homeless community.

  During 2021/2022 we will continue to deliver services for rough sleepers under the Rough Sleepers Initiative 'Journey to Zero' (rough sleepers), provide additional support through our COMF award whilst targeting those with security of tenure who have been impacted by the pandemic but have been protected from homelessness by the eviction ban which lifts on the 1st June 2021, this work will offer support to both tenant/owner occupiers and landlords and be delivered collaboratively with partners.

- **Housing Strategy 2020/2023** -

  We have signed contracts to develop 27 new homes on 2 sites in Worthing at Rowlands Road and a second phase at the former Downview Public House which will be used for temporary accommodation.

- **Opening Doors Scheme** - Opening doors continues to attract new landlords and grow. Providing a valuable new source of housing for our homeless households. As we look at the impact of Covid and the worsening economic situation we are looking for ways to introduce residents and landlords to the scheme before they are in crisis.
- **Stronger Participative and Resilient Communities** - We continue to work with and support our community response network and over this period have been looking to transition this to a more self-managed peer support approach. We continue to support vulnerable people in our community and at the time of writing have supported 2,355 people and continue to support 426 of these. Our Community Response approach will continue to ensure that we are able to support people through the second lockdown.
- **Community Safety** - We have hosted training for 12 managers across Housing and Wellbeing to look at developing trauma informed services, adapting our policies and procedures to make our services more accessible to those most frequently excluded from services. We have instigated the Mentoring in school project for Year 6 children transitioning to High School and we have hosted Co-production sessions for young people to contribute to a new community resource to raise awareness of violence and exploitation.
- **Health and Wellbeing at all Stages of Life** - We have been focusing on the topic of "Work" as we see the impact of Covid. Combining both work and skills our new Work App is designed to help people manage their own journey through the complicated employment landscape.

  We have worked swiftly to create a digital pathway to enable people who need to self isolate to apply for self isolation payments. This is an important part of our Covid response and we are now seeing a regular flow of people accessing this service.
- **Going Local** - In 2020/21 there was a considerable increase in the number of referrals to the service from the same period in the previous year from over 16 GP surgeries across Adur and Worthing.
- **OneStop Junction** - During July to September there have been 64 Money referrals, which has led to an approximate increase of income of £90k overall. Also 52 employment referrals were received with 6 people being offered full time employment . We have donated and/or loaned out over 35 digital devices to provide access to the internet for involvement with local democracy, providing access to educational opportunities and preventing isolation of vulnerable residents.
- **Activities Strategy** - We have been continually adapting our approach to activity to respond to the pandemic. Looking to the winter, we will be providing support and guidance to help people to stay safe and active with an emphasis on outdoor activities and the link between physical and mental health.
- **Community and Voluntary Sector** - Community Works continue to have a strong impact in how we support and work with our community and voluntary centre. One area of major focus has been the commissioning and set up of a food partnership across Adur and Worthing that connects our food bank network with providers and other parts of the food system. This approach is designed as a "whole system" intervention and gives a platform to connect across all aspects of food, from growing to provision to distribution.

Platform 3: Stewarding our natural resources

- **Climate Assembly -** the Councils ran an online Climate Assembly to deepen resident engagement and help strengthen community innovation and commitment to the agenda. Between September and December 2020, 45 residents met online to listen to evidence, deliberate and then make recommendations that went to the Councils in early 2021.
- **Carbon reduction** - The newly established carbon reduction team will drive a programme of works to decarbonise our buildings and fleet as a critical part of meeting our carbon neutral 2030 target. High quality successful bids to Central Government funds were submitted, including rooftop solar schemes, insulation and heating system projects. These projects and

feasibility studies starting early in 2021/22 would reduce emissions by up to 300 tonnes and further develop the Councils' ability to deliver successful energy schemes.

- **Sustainable planting schemes** - Working alongside Prairie Gardens we are exploring our park landscape to enhance and enable a pollinator landscape and lower water usage across our portfolio. This will not only support the halt of the pollinator colony collapse but will also support connectivity of our landscapes as a whole. The planting designs work towards reducing the intensive peat and water management needed for seasonal bedding displays, resulting in fewer natural resources to manage these striking displays. Prairie planting that will be used is also more resistant to extremes in climate enabling us to plan for sustainability of planting schemes within our landscape as our climate adapts around us.

- **Recycling** - Since the introduction of an alternate weekly collection strategy last year the Councils have seen an average increase in recycling of just under 6% overall, and general refuse has been cut by approximately 1,700 tonnes when compared with levels from the same period last year. This is a remarkable feat considering the fact that Councils across the country have seen, on average, an increase in residual waste in the home of 20% during Covid.

- **Heat Network at the Worthing Civic Centre -** A major project to develop a Heat Network at the Worthing Civic Centre site is being progressed which aims to supply heat to council buildings, the library, courts and the new Worthing Integrated Care Centre. Subject to viability work currently underway, a sewer source heat network could also serve Union Place, Teville Gate, Worthing Hospital and other sites in the area.

- **Investment in solar energy** - A full review of solar investment opportunities has been undertaken and an investment strategy developed. Subject to full business cases this is expected to deliver proposals for roof mounted solar on council buildings, and further large commercial solar investments.

- **Electric vehicle infrastructure** - Adur & Worthing Councils have entered into a contract with WSCC for the provision of electric vehicle charging points across our areas. We are currently working with the County Council to procure a delivery partner/operator under concession. A Network Plan will be developed identifying phasing and numbers of points for a consistent, accessible, renewable powered EV charging network on-street and in public car parks. This work will establish a proliferation of charge points delivered in Adur & Worthing on street and in Council car parks over the next 7-10 years.

- **Restoration of natural habitats** - The Council has acted directly to secure green space for future generations. The aim is to restore habitats and involve communities through partnership work with Sussex Wildlife Trust, Ouse & Adur Rivers Trust and other local partners.

- Strategic work is underway by the councils in support of two major habitat restoration schemes with partners: Adur Estuary and Sussex Kelp

Platform 4: Good services and new solutions

- **Digital Enabling of Covid Community Response -** Our digital approach has really paid dividends during Covid. Within days our in-house Digital Team team, working collaboratively with Communities and Customer Service, built our community response platform. The platform enabled individuals to register for support, ranging from help with getting food to people requesting support with mental health and wellbeing and linking those people to volunteers or organisations who also registered through the app. To date we have supported 2,319 individuals and registered 495 volunteers and the platform continues to evolve as the needs of our communities change.

  We also adapted it to administer the Government’s Self Isolation Support Grant. The same technology was used to administer government grants for businesses and to build our new platform offering employment support.

- **Staying accessible to customers during lockdown** - Covid Lockdown forced us to shut our customer service centres in Portland House and the Shoreham Centre for walk-ins at a time when some vulnerable people need us the most. Within days we established an appointments system, usually following a telephone triage, for people who have no alternative but to see us face to face. The triage means that customers come prepared with any paperwork they need and the relevant team member, often a Housing Officer, is available in person to assist them. This has eliminated wasted journeys for customers or long waits to be seen. It has resulted in a quicker, safer and more effective process for the customers and for our staff.
- **Proactive Customer Outreach** - The Customer Service Team has created capacity to make proactive outbound calls to customers, e.g. those who have fallen into council tax arrears. These calls were really welcomed by customers, who commented that they felt “the Council cared”. As a result of the exercise 455 customers were made aware of their eligibility for council tax support and 347 had the bills reprofiled. In addition the calls generated £145,000 worth of incoming payments across both Councils. The proactive work means we need to send out and process fewer reminder letters. We continue to focus on ensuring we remain accessible to individuals who may not have support networks or access to telephone or online channels.
- **New Website** - Our Covid related web pages drew almost 190,000 views between March and November 2020, guiding people to advice, information and support including our community support and our business support schemes. It highlights the importance of our website as a communication channel, which is why we launched the first phase of our new site in December 2020. The new site has been designed to GOV.UK standards which will feel familiar to anyone who has used a government website. We have updated and streamlined our content and made the site easier and friendlier to navigate. Users have been engaged throughout the development to test the functionality and the site is compliant with the latest accessibility standards. Work on the second phase to update remaining web pages is now underway. The work has been largely done in-house, at a fraction of the cost of outsourcing the project to an external agency.
- **Learning and development** - our learning offer has continued apace, upskilling and developing staff, with courses shifting online wherever possible. Our “Leadership College” is a valued quarterly gathering which supports our leaders to gain the skills needed to develop as 21st century public servants leaders. We are becoming adept at both focusing on the learning ‘fundamentals’ - GDPR, management skills, safeguarding - alongside shaping our future leaders, through the Leadership Lab development programme. In addition, we have adapted to the pressing needs of our people over the past six months through our learning offer, providing resilience training, Mental Health First Aid training and management learning sets focusing on leading remote teams.
- **Service Design Apprenticeship** - the Service Design Apprenticeship has received national attention with articles in the MJ and invitations to present at international conferences. We are leading the development of this course, engaging with service designers from across industry (public, private and third sector) to create a programme of study which prepares service designers not just for the reality of today but for the future of this occupation.

Platform 5: Leadership of our place

- **Community and Voluntary Sector** - Our work with the local Community and Voluntary Sector has progressed well and has been essential in responses to the pandemic. In the community and with the formal Voluntary Sector, the voice of our places at the local level has been heard and self organisation has taken place. Of particular note has been the work done by our food banks and providers and our Mutual Aid Groups and we continue to work closely with them where we are needed.
- **Critical Relationships** - Critical relationships have been valuable with the Greater Brighton Economic Board, West Sussex County Council, other District and Borough Councils, housing partners, various NHS and Economic bodies as well as the Police and Community Safety

organisations. At a regional level the Local Resilience Forum has brought together a variety of local players to deal with the pandemic response at a Sussex wide level. Daily updates and interventions with the Central Government have at times proved helpful (at other times less so and challenging). Housing partners have worked skillfully together to provide a rapid and comprehensive support on homelessness. The "Everyone In" call from MHCLG to house the homeless at the early stages of lockdown was heeded (and in the space of 72 hours 90% of homeless people were housed). Broader issues, not surprisingly, have arisen around homelessness, family breakdown and economic and social consequences of the lockdown. It is encouraging to see how well partners have worked together on this and the clear commitment to continue this approach into the future however challenging that future may be.

- **Emergency Planning and Civil Contingency Work** - In "Platforms for our Places : Going Further" we had expressly referenced the importance of Emergency Planning and Civil Contingency work. With the arrival of the pandemic we employed much of our learning in the initial response phase to support aspects such as the distribution of food and in designing and implementing a community response. Over the past 9 months we have focussed on supporting West Sussex County Council, the lead authority for public health, to ensure that vulnerable people in our communities were supported as we entered the second phase of 'lockdown'. All Directors and Heads of Service have now undertaken two bespoke training events designed to help frame our response to delivering council services and supporting our communities during subsequent phases of the pandemic.

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/

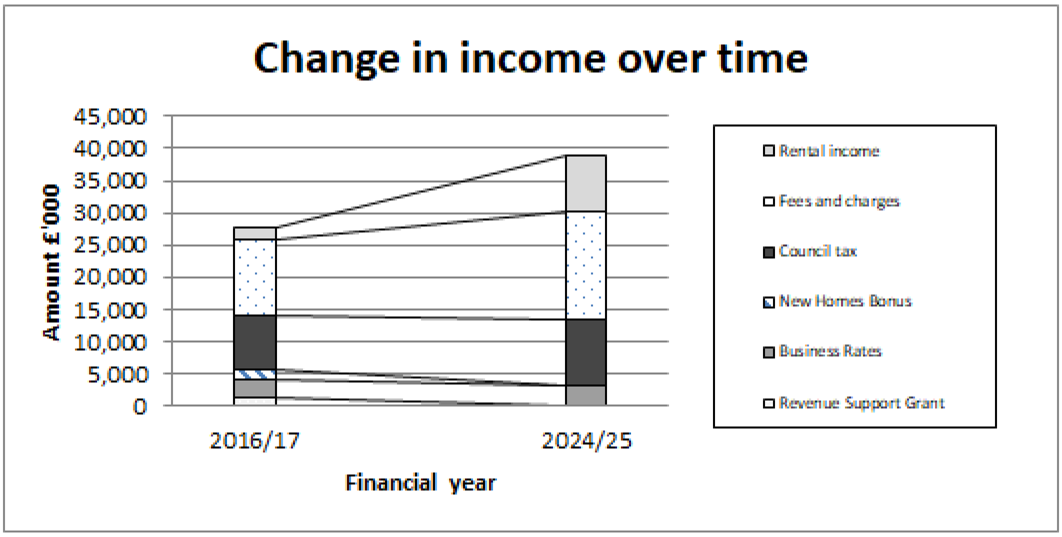
The full monitoring reports to JSC in 2020/21 may be viewed at:

Joint Strategic Committee report 7th July 2020 (6 month progress update)
Joint Strategic Committee report 1st December 2020 (12 month update)

4. *THE REVENUE BUDGET 2020/21 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2020/21

The budget for 2020/21 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 of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property. This trend is expected to continue for at least the next 5 years in line with the Council 5-year forecast.



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;
- impact of increasing demand for such services as homelessness;
- 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 2020/21 through 4 major work streams – developing commercial income, investing in property, tackling homelessness, 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 £2.5m as part of the 2020/21 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2020.

Council Tax

The Council chose to increase Council Tax for 2020/21 by 2.01%.

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

Band D Council Tax	2019/20	2020/21	Change
	£	£	%
Worthing Borough Council	237.78	242.55	2.01
West Sussex County Council	1,383.57	1,438.74	3.99
Sussex Police & Crime Commissioner	189.91	199.91	5.30
	1,811.26	1,881.20	3.86

Council Tax base

The Council Tax base for 2020/21 was 39,269.50 which was an increase of 765.2 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	2019/20	2020/21
Number of Band D equivalent dwellings	£ 38,504.30	£ 39,269.50

Budget Strategy for 2021/22 to 2025/26

In preparing the budget strategy for 2021/22 to 2025/26, 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 development of the 2021/22 budget was approved by Council on 14th July 2020 and it set the strategic direction to address the significant challenges not only for 2021/22 but onwards.

The fall in government funding combined with the impact of the pandemic of the Council's budgets included in the forecasts highlighted that the Council needed :

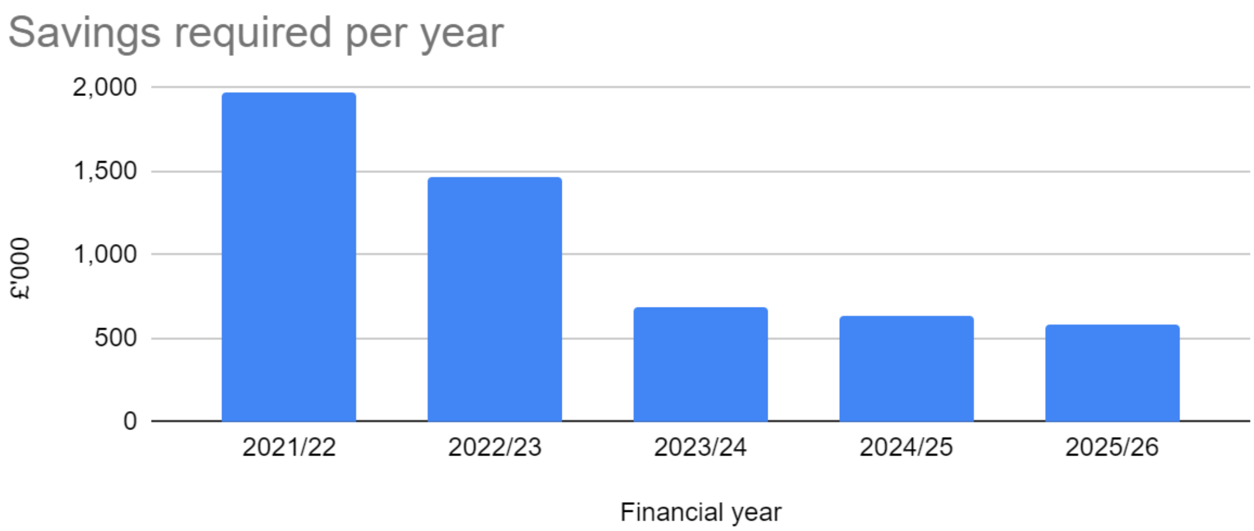
1. To transform services through the use of digital technology and by putting the customer at the heart of our business;

2. To invest in new property to generate income for the Council in the future;

3. To expand commercial activity;

4. To tackle the cost of homelessness through prevention work and commissioning better, more affordable accommodation

The Council has had to identify significant budget reductions of £5.3m over the five years with a £2m challenge expected for 21/22 as follows:



In February 2021, the Council set a balanced budget having successfully identified further savings of £1.1m.

Further details around the most recent forecasts for both Councils will be contained in the report ‘Developing a revenue budget for 2022/23 at the time of a pandemic’, which is due to be considered on 13th July 2021 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the Covid 19 pandemic is having on the Council’s budgets. This can be found on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any particular areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate ‘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 reports on financial performance for 2020/21 considered on 13th July 2021 by Joint Strategic Committee. There are two separate reports titled:

- Finance Performance 2020/21 - Revenue Outturn; and
- Financial Performance 2020/21 - Capital and Projects Outturn.

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 2020/21

A more detailed summary of the Council's financial results for 2020/21 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 2020/21 Worthing Borough Council reported an underspend of £1.083m against a budget of £13,358,700, largely due to the substantial additional government support received during the year.

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

2020/21 Outturn	Worthing £000
Over/(under)spend in operational services – including share from Joint	3,831
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2020/21, due to reprofiling of the capital programme.	(580)
Major Projects - overspend (£130k funded from reserves)	165
Budget provision related to timing differences - project funding to carry forward to 2021/22 for projects that are yet to commence or will complete next year.	(214)
Overspend before Government Funding and Transfers to reserves	3,075
Non ringfenced Government grants	
Additional Non ring fenced grant	(443)
Government Covid 19 Grant Funding	(1,754)
Sales, Fess and Charges Guarantee Scheme	(2,096)
Outturn underspend before impact of taxation and transfer to/from reserves	(1,218)
Impact of Taxation	
Section 31 - additional NNDR grant	(6,217)
Local tax income guarantee grant	(703)
	(8,138)
Transfers to Reserves	
Business rates smoothing reserve	6,549
Tax Guarantee smoothing reserve	703
Transfer from reserves to fund revenue expenditure	(196)
Outturn net Underspend	(1,083)

Where such items were identified when the 2021/22 budget was being prepared, an allowance for any impact on the future years was built into the budget.

In spite of an extremely difficult year from a financial perspective, the Council has supported the local community throughout the pandemic whilst maintaining 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	CURRENT ESTIMATE 2020/21	OUTTURN 2020/21	UNDER/ OVERSPEND
	£	£	£
Leader	810,290	1,034,707	224,417
CM for Digital & Environment	3,020,850	4,519,213	1,498,363
CM for Health & Wellbeing	1,729,360	1,487,320	(242,040)
CM for Customer Services	5,266,890	5,691,076	424,186
CM for Regeneration	2,050,920	4,707,772	2,656,852
CM for Resources	727,290	732,229	4,939
Holding Accounts	389,570		(389,570)
Total Executive Members	**13,995,170**	**18,172,317**	**4,177,147**
Credit Back Depreciation	(3,195,320)	(4,035,153)	(839,833)
Minimum Revenue Provision	2,472,600	2,210,158	(262,442)
Net overspend before government funding	**13,272,450**	**16,347,322**	**3,074,872**
Non ringfenced Covid grants	-	(3,850,065)	(3,850,065)
Other grants		(442,894)	(442,894)
Net underspend before impact of Taxation	**13,272,450**	**12,054,363**	**(1,218,087)**
Taxation Grants Received:			
Section 31 NNDR Grant		(6,217,307)	(6,217,307)
Tax Income Guarantee Grant		(703,354)	(703,354)
Total before transfers to/from Reserves	**13,272,450**	**5,133,702**	**(8,138,748)**
Contribution to Taxation Smoothing Reserves	-	7,252,143	7,252,143
Transfer to /(from) reserves to fund specific expenditure	86,250	(110,167)	(196,417)
Net Underspend Transferred to Reserves	-	1,083,022	1,083,022
Total Budget requirement before External Support from Government	**13,358,700**	**13,358,700**	**-**

Approved Use of Underspends	**£'000**
Unspent 2020/21 budget approved for use in 2021/22	214
Underspend transferred to/(from) Investment Property Reserve	250
Underspend transferred to/(from) Building Maintenance Reserve	383
Net Underspend Transferred to Capacity Issues Reserve	236
Underspend declared in year	1,083

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

1. **Funding from Central Government**

   The Council received no Revenue Support Grant in 2020/21. However the Council did receive a substantial amount of funding related to the pandemic (£3.8m) and £961,034 of New Homes Bonus.

2. Funding from Local Taxpayers

The Council collected £73.56m of Council Tax due in 2020/21 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Councils. This represented 96.3% of the total Council Tax due to be collected. In addition, Council Tax Support totalling £14.3m was awarded during the year together with other discounts such as Single Person Discount of £7.7m.

Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.57%, Sussex Police & Crime Commissioner 10.89% and Worthing Borough Council 12.54%.

The Council benefitted from £9.4m of Council Tax income in 2020/21.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £14m collected, after allowing for exemptions, reliefs and provisions, the Council kept 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

Total Funding from Taxation:

	Budget	Actual
	£	£
Council Tax *	9,493,900	9,373,227
Business Rates *	1,541,593	(5,596,538)
Section 31 grants - compensation for loss of business rate income	1,799,547	8,030,412
Tax Income Guarantee	0	703,354
Covid Grant Funding	0	3,855,583
New Homes Bonus	523,660	961,034
	13,358,700	17,327,072

* Net of budgeted Collection Fund surplus/deficit.

It must be noted that most of the difference in the Business Rates income budgeted and the deficit position is due to the introduction by the Government (after the 2020/21 budget had been set) of additional retail, leisure, hospitality and nursery business rate reliefs awarded to support businesses during the pandemic. The Council received compensating Government section 31 Grant.The additional section 31 grant of £8m was moved to the Council reserves in 2020/21 to manage and smooth the future impact on the general fund of the losses shown in the Collection fund due to the additional reliefs awarded.

As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance, over and above budgeted receipts, to aid with cash flow and to allow the Council to help the residents and businesses of Worthing. This has impacted on the outturn as some grants were not used in full in the 2020/21 financial year (thus held in reserves) and others were intended to be held in reserve for use in 2021/22.

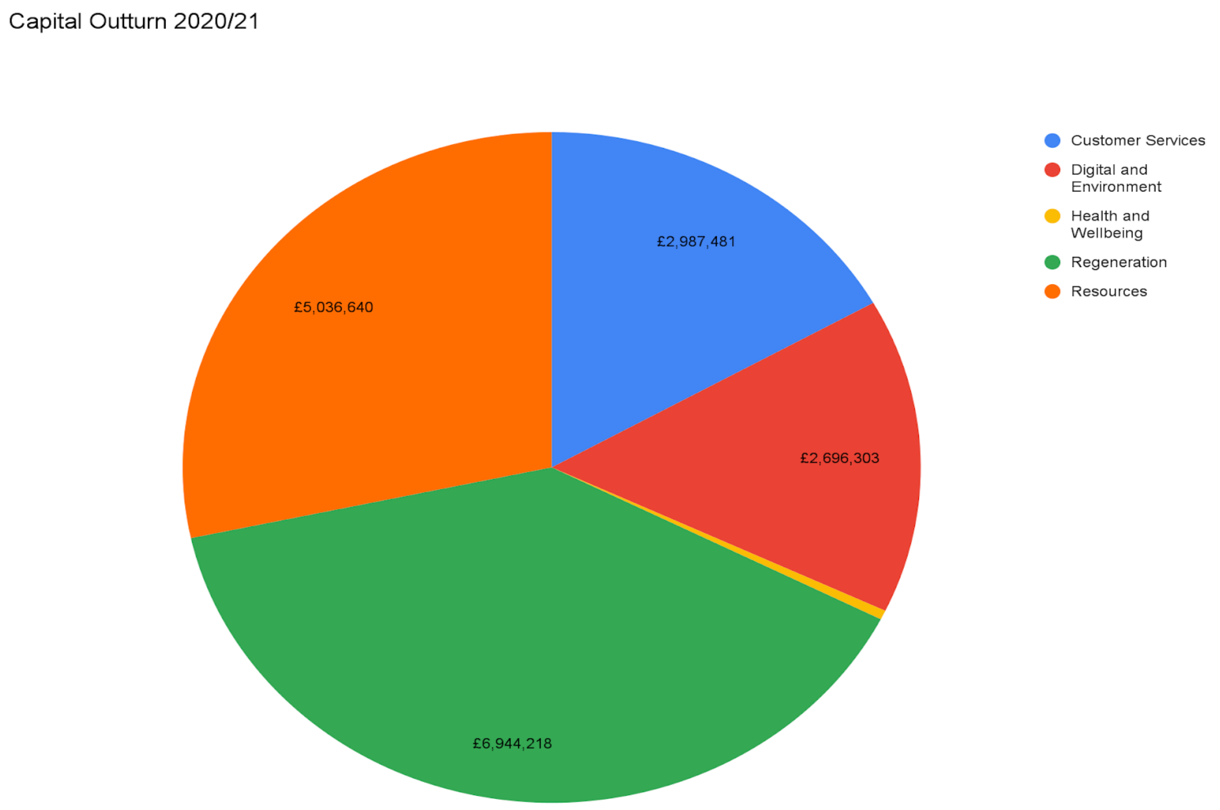
The outturn and indeed the monitoring reports all year were presented with the un-ringfenced grant received from Central Government offsetting overspending in Council Portfolio areas. This approach was chosen so the actual service impact of the pandemic could be seen compared to the original budget. In total three tranches of non-ring fenced grant totalling £1.754m was received and three tranches of Sales, Fees and Charges compensation grant totalling £2.096m.

There was also grant funding of £0.7m for the Local Tax Income Guarantee (LTIG). This funding, although received in 2020/21 as an unringfenced grant, is being carried forward in reserves to manage the impact on the tax losses which are to be spread over the following three financial years through the General Fund.

In addition capital grants and contributions were received totalling £6.4m.

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.



The capital investment programme for all Worthing Portfolios was originally estimated at £60,066,980. Subsequent approvals and re-profiling of budgets produced a total revised budget of £16,470,810. Actual expenditure in the year totalled £17,744,319, an increase of £1,273,509 on the revised estimate, comprising a net budget brought forward from future years of £1,729,440 and a net underspend of £455,931. The major factors contributing to the re-profiling of the budgets 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.

5. Availability of suitable investment properties to purchase.

6. The impact of Covid 19 on the ability to deliver some projects at the year end.

The re-profiling of schemes was on-going throughout the year and in total 25 schemes did not complete as planned in 2020/21.

Expenditure in 2020/21 was financed as follows:

	£'000
Government grants and other contributions	7,328,454
Capital receipts	1,210,790
Borrowing	9,054,345
Revenue contribution	150,730
	17,744,319

Significant investments in 2020/21 included:

- Redevelopment and refurbishment of two properties which are being converted into small homes for the purpose of providing temporary and emergency accommodation to residents who become homeless.
- Disabled adaptations to residents homes
- Purchase of two commercial properties to support economic regeneration initiatives to create employment space, support the provision of new housing and to generate a long term income stream to the Council sufficient to fund the investment and support the delivery of wider regeneration projects.
- Improvements to Brooklands and Highdown Gardens
- Continued repairs and improvements to the multi storey car parks.

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Financial Performance 2020/21 - Capital and Projects Outturn" which was considered on the 13th July 2021. This report is available on the joint Worthing Borough 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 15 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 13th July 2021 Joint Strategic Committee report "Financial Performance 2020/21 - Capital and Projects Outturn". This report is available on the joint Worthing Borough Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Capital Investment Plans 2021/22 – 2023/24

The Council plans to invest £86m in its capital assets over the next 3 years.

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

- Redevelopment and refurbishment of two properties which are being converted into small homes for the purpose of providing temporary and emergency accommodation to residents who become homeless;
- Disabled adaptations to residents homes;
- Development of a new integrated care centre;
- Improvements to the theatres;
- Fire safety works at the pier;
- Improvements to Brooklands Park;
- Continued repairs and improvements to the multi storey car parks;

	3-year plan			
Expenditure by Portfolio	**2021/22** £'000	**2022/23** £'000	**2023/24** £'000	**Total** £'000
Customer Services	7,055	3,142	2,960	13,157
Environment	5,838	2,251	1,027	9,116
Health and Wellbeing	140	117	50	307
Regeneration	7,378	3,270	347	10,995
Resources	50,952	1,062	887	52,901
Total Expenditure	**71,363**	**9,842**	**5,271**	**86,476**
Funded by:				
Capital grants and contributions	6,615	1,431	750	8,796
Revenue contributions and reserves	304	146	84	534
Borrowing	64,187	8,253	4,437	76,877
Capital receipts	257	12	0	269
Total Funding	**71,363**	**9,842**	**5,271**	**86,476**

6. TOP STRATEGIC RISKS

Detailed below are the most significant risks that the Council is currently managing.

Risk overview	**Covid-19** Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. The Government, on the advice of medical experts, has introduced social distancing measures, emergency legislation and economic packages to mitigate the effects of the crisis. This will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery effort which may last 12 months or more before we reach a stage of “relative normality”. A future social and economic landscape will be significantly different and our ability to adapt will require careful consideration.
Commentary / Mitigation measures	The self isolation payment platform has been enhanced to include the recently introduced grants for parents/guardians

	The Community Response approach has shifted into community recovery and work is progressing well working with the Emergency Food Partnership. Good Work is developing well. The new Youth Hub as part of Good Work is planning to start in May for young people aged 18-24. The employment platform is still in place and we are using the employment advisors in a more targeted way through the Proactive Project. In addition officers are also working through some new Contain Outbreak Management Funding for work in relation to Covid and health outcomes. This will be focusing on prevention and early intervention to enable and support our communities Various types of support are in place for the Councils' staff to help with their resilience at this difficult time, including regular meetings with their line manager, resilience training and enabling staff to work flexibly around caring responsibilities. The Employee Assistance Program is available to all Council staff (and their family living in the same household) and they can access a wide range of advice and support ranging from counselling, to financial, legal and childcare advice.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**<u>Council finances</u>** Council finances continue to be under pressure after several years of reducing income from central government. The Councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2021/22. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.
Commentary / Mitigation measures	Councils have set a balanced budget for 2021/22 and the challenge now moves to 2022/23. There is considerable uncertainty regarding both the timing and the impact of the fairer funding review. Government funding for Covid related pressures has now increased to an estimated £3.9m.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Risk overview	**<u>Welfare reform:</u>** 'Welfare Reform' is used to cover a range of issues in particular: ● Changes to how benefits are paid to those who are working, to incentivise work. ● Changes to the maximum level of benefits paid to families and individuals who are not working Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC) ● Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities. ● Benefits for young people and single people reduced ● Benefits for larger families reduced The impact of these changes are still working through the system but in areas where Universal Credit has been rolled out fully, the following effects have been reported. ● 5-6 weeks gap before UC is paid (in some cases longer) ● Local systems unable to track individuals in need, as the system is centralised and data is no longer available ● Housing costs not being met by the level of out of work benefits The impact for the Councils of this is potentially on two fronts: increased homelessness presentations and/or reduced rental income for Adur Homes. Recent agreements to cut budgets from WSCC lines - e.g the Local Assistance Network funding; Supported Housing and IPEH (Universal services) may also impact in these areas.
Commentary / Mitigation measures	The situation in respect of the impact of Universal Credit on the live Housing Benefit caseload remains unchanged and the increased volumes of claims for Council Tax Support continues. Local Housing Allowance Rates increased during the pandemic and are set to remain at the increased rate. UC loans (whilst claims are assessed) are impacting low income households as the loans are reclaimed reducing income and households ability to meet daily living costs, Emergency Assistance Programme(EAP) funding: COMF funding has been secured to re-establish an emergency assistance fund for 1 year (21/22) to mitigate this impact Average weekly volumes of claims for Council Tax Support have been ● Throughout 2019/20: 40 ● Throughout 2020/21: 58 ● April 2021: 42 Between 01.04.2020 and 01.05.2021 the number of "live" claims for Council Tax Support has risen by 0.56% in Adur
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**Economic Uncertainty** Covid 19 will have a severe impact on the local economy. The impact on our town centres will be significant and key sectors such as hotels, restaurants and retail will be particularly adversely affected. Some businesses will not survive and there will be an increase in unemployment. Resilience will be key and local councils will be expected to play a key role in supporting economic recovery. As part of this, many businesses will need to change their model of operation and the councils will need to respond to their changing needs in terms of factors such as regulation, infrastructure and logistics.
Commentary / Mitigation measures	The Councils will need to respond quickly to support the interests of local business and the wider economy. A number of measures will be needed to ensure that the local economy develops the necessary resilience: ● Supporting the local economy where there are opportunities for growth. The digital and creative industries sector has been growing at a significant rate nationally. Understanding this sector and nurturing its growth in our local economy will continue to be important; ● Supporting our major businesses as they develop new business models; ● There will be an expectation that local authorities play a more central role and we have already seen this in the distribution of Government grants and processing of Business Rate relief requests. We will need to partner with some of our major employers to secure access to public investment monies that do become available; ● Economic recovery will require local authorities to be agile and flexible in using their powers to respond at pace to support the economy. This is likely to mean that new and innovative approaches will be needed to overcome traditional barriers and traditional bureaucratic obstacles; ● A resilient local economy will demand affordable and high speed digital infrastructure 'on tap'. Publicly available digital access will help to support town centre recovery and the wider visitor economy. New ultrafast fibre is currently being installed across our area, the first towns in the south east, and a funded initiative to provide "Citizen WiFi" will also support the town centre and seafront, and those who cannot afford data plans. ● Supporting our town centres and helping create the right conditions for trade. In the short term this will include working to help ensure that our town centres and supporting infrastructure offer a safe environment for residents and visitors. ● We have also been co-ordinating the development of additional measures in our towns to help with Covid-safe practices including appointing 3 new information officers (using government funding) to provide guidance and engagement to businesses and groups around covid. A Safe Towns Group is still in operation to help coordinate actions to help support businesses to reopen safely including: ● Developing a new pavement policy - to make greater use of outdoor space, ● Developing a new #WelcomeBackAW campaign for local residents to the town centre

	● Continuing with wise regulation to ensure businesses are operating safely ● Providing information and guidance for businesses to enable them to reopen safely, including targeted advice and support ● Adapting practices within the PH&R Team to ensure businesses can adapt, e.g. online food safety assessments. ● Adding greater 'on the ground' capacity to assist businesses and, where needed individuals, to outline up to date covid safety guidance from Council officers (enabling a real-time response for businesses) Using our asset base wisely to provide opportunities for employment to support start up businesses and those with the opportunity to scale up; this includes providing grant funding. Launched a new Employment Support App (November 2020) to provide detailed and direct support for those in our communities that have / are facing redundancy or unemployment. Accelerating our programme of major development projects to support economic recovery; Accelerating the the digital infrastructure programme to ensure that local businesses are well placed to compete; Respond to changing patterns of consumer behaviour together with greater expectations around ethical supply chains and locally sourced products. The Councils are well placed to support business through their procurement activity; Working with training and skills providers to assist people back into employment; The Councils commissioned a review of economic data during the pandemic in 2020/21. The pandemic recovery will demand that we continue to closely monitor this data and trends to ensure that we can make timely and well informed decisions. Respond to national and / or lockdown scenarios by adapting delivery into 'covid response', which includes the distribution of nationally funded covid business support grants (primarily focusing on those mandated to close).
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Risk overview	**Housing supply** Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging their statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams.

	Emergency/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 move on accommodation at affordable rates means there are blockages in TA. 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.
Commentary / Mitigation measures	Demand for emergency / temporary housing continues to increase locally, across the county and nationally. In the last 12 months the increase has been largely from single person households, in the next six months this will shift to families as eviction ban ends and mortgage holidays come to an end. The eviction ban was further extended to 31 May 2021 and targeting households whose homelessness can be prevented will be a priority. Private rented sector is becoming increasingly inaccessible despite LHA uplift, attributable to i) fewer voids in all types of housing as the pandemic has slowed people moving ii) we are an attractive coastal area with property and rental cheaper than London and other areas in the Southeast - people moving into the area as they can now work from home. The Council is both increasing the supply of temporary accommodation (TA) and working to prevent homelessness through a number of initiatives: ● Opening Doors has increased its portfolio to 55 homes and continues to work to increase its portfolio. Referral process agreed for RSLs to joint work cases to prevent homelessness. ● Communication to landlords/letting agents/ tenants under notice to be created to enable targeted prevention work ● Funding secured through COMF to support homeless prevention to provide a fund for personalised prevention packages and an additional member of staff to support prevention / relief work and casework households in TA. ● The Debt Respite Scheme went live 4 May 2021 - this will give more time to rescue tenancies but will impact our ability to take enforcement action for our own cases. West Sussex Districts and Boroughs and WSCC established a quarterly report ‘Rough Sleepers Needs Audit’: all rough sleepers, single people in temporary and supported accommodation have their housing, health, substance misuse needs audited and reported into housing, social care, Sussex Partnership Foundation Trust (SPFT) and other health providers to facilitate a strategic approach and co-commissioning. West Sussex Covid Response Group is progressing this with RSL and Multi-disadvantage sub groups established. A partnership bid (West and East Sussex and Brighton and Hove) for the MHCLGs Changing Futures Programme has been shortlisted. As a member of the Steering Group we are preparing our submission for the final stage - if successful the work aims to lead system change for multi-disadvantaged and complex needs, bringing together housing,health, mental health, criminal justice and the third sector.

	The adopted Local Plan for Adur has identified key strategic housing sites and planning applications have been submitted and/ or approved on the following sites which will deliver a significant level of housing and affordable housing to meet future housing needs: ● New Monks Farm (600 homes inc. 180 affordable homes) ● West Sompting (520 homes inc. 156 affordable homes) ● Western Harbour Arm (Free Wharf 540 inc. 162 affordable homes) To assist the delivery of these sites the Council has worked with the developers and has helped to secure over £20 million additional public sector funding from the LEP and Homes England. The Council has also contracted to sell the Civic Centre site to a Registered Provider to deliver 170 affordable homes on the site of the former Council offices.
***Risk Rating*:**	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**Major project delivery** Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.
Internal controls / Mitigation measures	Delivery of new homes including affordable homes, improving and supporting town centres, and providing employment opportunities are key priorities for our communities. The delayed delivery of significant development projects either by the public or private sector will result in the economic and social dividend from these projects being unrealised. The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This will help to 'de-risk' projects and create the right conditions for development to take place. The Councils have made clear and unambiguous the importance of delivery to the development sector, and also indicated their willingness to work in partnership. A dedicated team has been established to manage the major projects and capital budgets, adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings take place to oversee progress. The Council has used Local Growth Fund monies to deliver the necessary infrastructure to support development . The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding. In 2020 a series of major milestones were reached on each of the major development projects. The challenge and the opportunity will be to maintain progress and delivery on the ground whilst adapting to changes in the wider economic landscape.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

The most recent details about the Council's risks can be found in the report to the Joint Governance Committee "Risk and Opportunity Management updates" which was considered on the 27th May 2021. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

It has been a remarkable year. The pandemic is creating new challenges for the Council to address.

This is a challenging time for the whole of Local Government. The Council dealt with significant cost pressures from the impact of the current emergency on its income and cost of service delivery. However, working in partnership with central government, the Council has supported its residents and business community at this critical time and managed the financial impact well.

The overall underspend for 2020/21 is most welcome at this time to help the Council build its reserves to manage the continued impact of the pandemic on its finances. The Council continues to balance the need to invest in future service developments with the inevitable financial pressures from the pandemic and the continued changes to government funding.

Looking ahead, 2022/23 is another difficult year with uncertainty due to changes in how funding is allocated to Local Government together with new emerging cost pressures. The outturn position will inform the development of the 2022/23 budget. The intention is to build recurring under spends into the 2022/23 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 for their endeavours during the financial year and particularly at this time when all staff are working under difficult conditions due to the impact of the national emergency.

Sarah Gobey

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 its overall financial position as at 31st March 2021. It comprises cost 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 2020/21 (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:

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2020/21:

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 the 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 36 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 £1.7m 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 professional judgement of the actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 36.

Provisions, contingencies and material events

This Council has provided for contingencies and these are laid out in Note 37.

There are no material income or expenditure items to disclose in 2020/21 that are not disclosed on the face of the accounts. The provisions made in 2020/21 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 reviewed to ensure compliance with the 2020/21 Code of Practice Guidance Notes. There were no changes to policies in 2020/21.

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, 2021

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 2020/21 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.

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, 2021 and its income and expenditure for the year ended on that date.

Sarah Gobey

SARAH GOBEY **Dated: 25/01/2022**
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 25th January 2022

Roy Barraclough
Chairman, Joint Governance Committee **Dated: 25/01/2022**

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 charged 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.

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31.03.19 c/fwd	**(869)**	**(3,954)**	**(4,051)**	**(3,154)**	**(12,028)**	**(83,442)**	**(95,470)**
Movement in Reserves during 2019/20							
Total Comprehensive Expenditure and Income	6,120	-	-	-	**6,120**	(29,285)	**(23,165)**
Adjustments between accounting and funding basis under regulation (Note 7)	(6,168)	-	1,868	(95)	**(4,395)**	4,395	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	(48)	-	1,868	(95)	**1,725**	(24,890)	**(23,165)**
Transfers to/from Earmarked Reserves (Note 8)	(626)	626	-	-	**-**	-	**-**
(Increase)/Decrease in Year	(674)	626	1,868	(95)	**1,725**	(24,890)	**(23,165)**
Balance at 31.03.20 c/fwd	**(1,543)**	**(3,328)**	**(2,183)**	**(3,249)**	**(10,303)**	**(108,332)**	**(118,635)**
Movement in Reserves during 2020/21							
Total Comprehensive Expenditure and Income	(2,378)	-	-	-	(2,378)	26	(2,352)
Adjustments between accounting basis and funding basis under regulation (Note 7)	(6,268)		298	(1,226)	**(7,196)**	7,196	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,646)	-	298	(1,226)	**(9,574)**	7,222	**(2,352)**
Transfers to/from Earmarked Reserves (Note 8)	8,646	(8,646)	-	-	**-**	-	**-**
(Increase)/Decrease in Year	-	(8,646)	298	(1,226)	**(9,574)**	7,222	**(2,352)**
Balance at 31.03.21 c/ fwd	**(1,543)**	**(11,974)**	**(1,885)**	**(4,475)**	**(19,877)**	**(101,110)**	**(120,987)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	
NET EXPENDITURE ON SERVICES							Note
The Leader	828	(15)	813	1,112	(302)	810	
Digital and Environment	10,752	(5,624)	5,128	10,250	(5,676)	4,574	
Health and Wellbeing	2,716	(1,386)	1,330	3,104	(1,033)	2,071	
Customer Services	40,430	(35,258)	5,172	40,568	(36,790)	3,778	
Regeneration	11,944	(3,229)	8,715	10,663	(4,478)	6,185	
Resources	5,925	(2,633)	3,292	4,571	(1,329)	3,242	
Net Cost of Services	72,595	(48,145)	**24,450**	70,268	(49,608)	**20,660**	
Other operating expenditure			(50)			622	9
Financing and Investment Income and Expenditure			(3,071)			(119)	10
Taxation and non-specific grant income			(23,707)			(15,043)	11
(Surplus) or Deficit on Provision of Services			**(2,378)**			**6,120**	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(1,934)			(2,103)	21
(Surplus)/Deficit from investments in equity instruments designated at fair value			-			25	15
Remeasurements of the net defined pension benefit liability			1,960			(27,207)	21
Other Comprehensive Income and Expenditure			**26**			**(29,285)**	
Total Comprehensive Income and Expenditure			**(2,352)**			**(23,165)**	

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.

	Note	As at 31 March 2021	As at 31 March 2020
Long Term Assets:		**£'000**	**£'000**
Property, Plant & Equipment	12	155,621	148,528
Heritage Assets	13	12,991	12,491
Investment Properties	14	75,421	74,450
Intangible Assets		717	412
Long Term Investments	15	3,904	1,414
Long Term Debtors	16	15,009	15,009
Total Long Term Assets		263,663	252,304
Current Assets:			
Short Term Investments	15	29	3,524
Inventories		63	76
Short Term Debtors	16	29,871	9,928
Cash & Cash Equivalents	17	7,298	5,957
Total Current Assets		37,261	19,485
Current Liabilities:			
Short Term Borrowing	15	(20,035)	(10,997)
Short Term Creditors	18	(24,849)	(10,367)
Provisions	19	(832)	(185)
Grants Receipts In Advance - Revenue	32	(731)	(421)
Total Current Liabilities		(46,447)	(21,970)
Long Term Liabilities:			
Long Term Borrowing	15	(118,376)	(117,725)
Other Long Term Liabilities	35 & 36	(15,114)	(13,459)
Total Long Term Liabilities		(133,490)	(131,184)
Net Assets		**120,987**	**118,635**
Financed By Reserves:			
Usable Reserves		(19,877)	(10,303)
Unusable Reserves	21	(101,110)	(108,332)
Total Reserves		**(120,987)**	**(118,635)**

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.

	Note	2020/21	2019/20
		£'000	**£'000**
Net (surplus) or deficit on provision of services	22	2,378	(6,120)
Adjustments to net surplus or deficit on the provision of services for non cash movements	22	21,067	8,387
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(9,467)	(2,990)
Net cash flows from Operating Activities	22	13,978	(723)
Investing Activities	23	(8,107)	(57,368)
Financing Activities	24	(4,530)	61,064
Net increase or decrease in cash and cash equivalents		1,341	2,973
Cash and cash equivalents at the beginning of the reporting period		5,957	2,984
Cash and cash equivalents at the end of the reporting period	17	7,298	5,957

NOTE 1: ACCOUNTING POLICIES

GENERAL PRINCIPLES

The accounts comply with the Code of Practice on Local Authority Accounting (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and used having regard to the accounting principles and concepts set out in International Financial Reporting Standards *Framework for the Preparation of Financial Statements*, specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understand ability
- Materiality
- Accruals
- Going concern

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS

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. The current de minimis is £1,000.

COUNCIL TAX AND BUSINESS RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards, that the amount of council tax, and NDR collection could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council’s share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council’s General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Accounting for Council Tax and NDR

The Balance Sheet includes the Councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and repayments and provision for appeals.

REVENUE RECOGNITION

Revenue recognition has been accounted for in accordance with IFRS 15. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The majority of the Council's transactions are 'non exchange' and the impact of IFRS 15 is not material to the accounts.

SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

JOINT OPERATIONS

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 arrangement and income that it earns from the activity of the operation.

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.

Grants and contributions for capital purposes are recognised as income on receipt as long as there is no condition for their use that has not been satisfied. Where there is a condition the amount will be held as a receipt in advance until the condition is satisfied at which point the amount is recognised as income.

Where capital grants are recognised as income they are reversed out of the General Fund in the Movement in Reserves Statement and held as unapplied reserves until used to finance 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.

A de minimis value of £10,000 per leased asset within a lease contract has been applied to all items obtained by lease. Leased assets valued below these limits are treated as revenue expenditure. Software rentals are not treated as 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 repayment of borrowing undertaken to finance the 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 benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor - 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.

The Council as Lessor - Finance Leases:

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.

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 (e.g. 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.

Expenditure and Valuation principles

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 and at the end of each financial year the market value of each category of assets is reviewed. If there has been an increase or decrease of 5% or more during the year, the relevant asset category is revalued in line with the valuation change. 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 are 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 2020/21 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 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 and some of its financial instruments such as shareholding for policy purposes 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.

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	15-60 years (except when impairment has occurred)
Vehicles	7-10 years
Equipment	>1 to <25 years
Intangible Assets, Software	>1 to <7 years
Infrastructure assets	5 - 50 years
Community assets	Held in perpetuity
Assets (Finance Leases)	Up to 10 years

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:

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.

Impairment

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and there was 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 economic life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets as 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 and useful lives are used:

- Land
- Main building structures - 60 years
- Replaceable building structures - 25 years
- Services - 20 years
- External works - 35 years

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:

- The asset must be identifiable
- The asset must lack physical substance.
- The asset is controlled by the Authority which will realise future economic benefits.
- Intangible assets are measured at cost.
- Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

HERITAGE ASSETS

Definition

- 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

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

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 a 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

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation of 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

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

INVESTMENT PROPERTIES

Investment Properties are those held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, is held for sale or for the purposes of regeneration, employment or support of the local economy.

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. The Council's policy is to capitalise the interest where it is material.

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

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into 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 non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

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 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.

A provision is made for business rates 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.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

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.

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 (CIES) 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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 CIES 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payments of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

The Council has two small shareholdings acquired for policy purposes, which are designated as FVOCI:

- shares in the UK Municipal Bonds Agency, which was set up to help local councils finance their investment in projects - no value is currently assigned to these shares
- deferred shares in Boom! Credit Union, which supports people who live or work in Surrey, West Sussex or Kingston

The Council will recognise losses on these shareholdings to the extent that the underlying assets of the organisation are no longer sufficient to promote its purpose.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value measurement of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets 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

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.

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

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 that when soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

The Council issues soft loans to employees in respect of car loans, cycle loans and professional fees 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.

DEBT REDEMPTION

Statutory Guidance issued under s21(1A) of the Local Government Act 2003 places 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 Provision (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. Where appropriate, the Council may also make overpayments of MRP, which can be offset in future years.

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 coins, current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours' notice.

EXCEPTIONAL ITEMS

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

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made where the adjustment will have a material effect on the accounts for the cost of holiday entitlements (or any form of leave, eg.time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Any accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The Council's annual cost of accumulated absences as defined by the IFRS code of practice is not considered material and therefore has chosen not to accrue these costs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council (unless they choose to opt out). This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Pension Scheme

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie 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 returns on bonds.

- The assets of the West Sussex 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 analysed into the following components:

- Service Cost comprising:

    - 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 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;

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;

- Re-measurements comprising:

  - 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;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
  - Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 the 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.

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:

- 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.

- 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 over £10,000 received from the sale of land or other capital assets which may be used to finance capital expenditure or repay debt.

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 THAT HAVE BEEN ISSUED, BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 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 by the 2020/21 Code.

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS39 and IFRS 7.
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified.

The amendments are not expected to have a 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 provisions in the CIPFA/LASAAC Code of Practice of Local Authority Accounting 2020/21 and the Financial Reporting Council's Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, correspondence from MHCLG during Covid-19 is supportive of this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

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. The potential impact in the longer term of the Coronavirus (Covid-19) pandemic is not known. However, the Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.

- The Council holds a significant portfolio of investment property and although in general terms economic activity is fragile, the Council judges that its portfolio is robust and that the assets will not be impaired as a result of a decrease in economic activity.
- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates 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. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 36.
- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in note 19 and contingent liabilities in note 37.
- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 5% of the Council spending baseline which equates to £135k.

The Council has seen the impact of the Covid 19 pandemic on its finances during 2020/21, with revenue from sales, fees and charges and local taxation having decreased. However it has received substantial emergency funding support from the Government in the form of new burden grants, tax income guarantee and sales, fees and charges compensation schemes plus a range of specific grants to support key areas of the resident and business community. Despite the challenges, with the funding to help offset the new pressures, the council reported a £1.1m underspend for the financial period ending 31st March 2021.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2020/21, 2021/22 and beyond. This has included modelling scenarios that consider the impact on the following:

- Reductions in income
- Increased expenditure
- Cash Flow and liquidity
- General fund balances and reserves

In February 2021 the Council approved a balanced budget for 2021/22. Known pressures from Covid 19 were built into the 2021/22 budget, this also includes a Covid 19 contingency budget of £644,000 set aside to meet continuing pressures from the pandemic.

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.

As at 31 March 2021 the Council has the following reserves to call on in delivering its services.

➢ General Fund Working Balance	£1.543m
➢ General Fund Earmarked Reserves	£11.974m
➢ Capital Grants	£4.475m
➢ Capital Receipts	£1.885m

In the event of a serious financial situation it will be prepared to 'un-earmark' certain reserves to meet its commitments.

Furthermore, the Council has a modest capital programme and could postpone non-essential capital projects that would further protect the levels of cash and usable reserves if the position further deteriorated. The programme focuses on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

As a result, the Council is satisfied that it can prepare its accounts on a going concern basis.

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 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Building 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 building 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 building 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. For example the additional cost for Land and Buildings would be £179k. 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.

Item	Uncertainties	Effect if actual results differ from assumptions
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. In 2020/21 the assumptions include an estimation of the impact of the McCloud judgement.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pension liability has increased by a net £1.66m. There was a £0.300m decrease as a result of estimates being corrected as a result of experience, and an increase of £1.96m attributable to updating of the assumptions. Refer to note 36 for more information.
Impairment Loss Allowance	At 31st March 2021 the Council had a net balance of debtors due (excluding government departments) of £18.9m. A review of significant balances suggested that an impairment for doubtful debt of £2.39m was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment. An increase in the net balance of debtors (excluding government departments) by 10% would increase the impairment for bad debts by £125k
Business Rate Appeals Provision	At March 2021 the total provision for the impact of appeals on business rate income is £1.664m, the Council share of this is £0.666m. 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 of appeals and the estimated success rate. If the success rate was to increase by 1% the impact on the provision would be an increase of £41k .The Council share of this would be £16k.
Fair Value Investments	When the fair values of nonfinancial assets and financial assets/liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow (DCF) model). Where possible these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values.	Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.

Item	Uncertainties	Effect if actual results differ from assumptions
	These judgements typically include considerations such as uncertainty and risk for financial assets and rent growth for non-financial assets. Where Level 1 inputs are not available the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for Investment Property, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 1 and 14.	

Material Valuation Uncertainty.

The impact of the COVID-19 pandemic is a significant source of estimation uncertainty. It continues to cause major disruption and unprecedented volatility in markets and economies globally. This has implications for the property valuations included in these financial statements. The Council's property valuers, Wilks, Head and Eve have included a material valuation uncertainty clause with the valuations at 31 March 2021.

The valuer has stated that they consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and that the current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book global standards effective from 31 January 2020.

Consequently, less certainty and a higher degree of caution should be attached to their valuation than would normally be the case.

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 2021 and the date when the Statement of Accounts are authorised for issue.

The UK has been affected by the global Covid-19 Coronavirus pandemic emergency since March 2020, the financial impact of this for Worthing Borough Council up to 31st March 2021 is reflected in the accounts. Restrictions imposed in response to the pandemic have been eased in a phased approach during April and May 2021 with the government roadmap indicating that all restrictions will be eased in July if the data indicates it is appropriate.

NOTE 6: 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.

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

	2020/21 Net Expenditure Chargeable to the General Fund Balance	**2020/21** Adjust - ments between Funding and Accounting Basis (Note 7)	**2020/21** Net Expenditure in the Comprehen- sive Income and Expenditure Statement	**2019/20** Net Expenditure Chargeable to the General Fund Balance	**2019/20** Adjust - ments between Funding and Accounting Basis (Note 7)	**2019/20** Net Expenditure in the Comprehen -sive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Leader	766	47	813	763	47	810
Environment	2,178	2,950	5,128	2,238	2,336	4,574
Health & Wellbeing	1,155	175	1,330	1,717	354	2,071
Customer Services	3,759	1,413	5,172	3,388	390	3,778
Regeneration	3,633	5,082	8,715	1,877	4,308	6,185
Resources	2,608	684	3,292	3,621	(379)	3,242
Net Cost of Services	**14,099**	**10,351**	**24,450**	**13,604**	**7,056**	**20,660**
Other income and expenditure	(22,745)	(4,083)	(26,828)	(13,652)	(888)	**(14,540)**
Surplus or deficit	**(8,646)**	**6,268**	**(2,378)**	**(48)**	**6,168**	**6,120**
Opening balance on General Fund reserves as at 1 April	(4,871)			(4,823)		
Deficit/surplus on General Fund in Year	(8,646)			(48)		
Closing balance on reserves as at 31 March *	**(13,517)**			**(4,871)**		

Adjustments between Funding and Accounting Basis

2020/21 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	7	40		47
Environment	2,958	(8)		2,950
Health & Wellbeing	54	121		175
Customer Services	2,376	(963)		1,413
Regeneration	4,763	319		5,082
Resources	793	(109)		684
Net Cost of Services	**10,951**	**(600)**	**-**	**10,351**
Other income and expenditure from the Funding Analysis	(11,959)	300	7,576	(4,083)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**(1,008)**	**(300)**	**7,576**	**6,268**

2019/20 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	6	41	-	47
Environment	2,312	24	-	2,336
Health & Wellbeing	83	271	-	354
Customer Services	824	(434)	-	390
Regeneration	3,634	674	-	4,308
Resources	90	(469)	-	(379)
Net Cost of Services	**6,949**	**107**	**-**	**7,056**
Other income and expenditure from the Funding Analysis	(1,445)	953	(396)	(888)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**5,504**	**1,060**	**(396)**	**6,168**

Expenditure and income analysed by nature

	2020/21 £'000	2019/20 £'000
Employee Expenses *	2,599	5,499
Depreciation, amortisation, impairment	7,460	7,493
Other service expenditure	64,638	63,475
Total Expenditure	74,697	76,467
Grants and contributions	(23,067)	(3,308)
Fees, charges and other service income	(45,260)	(50,511)
(Gain)/loss on disposal of non current assets	(50)	(6)
Income from council tax and business rates	(3,776)	(11,735)
Interest and Investment Income	(4,922)	(4,787)
Total Income	(77,075)	(70,347)
Deficit or surplus on Provision of Services	(2,378)	6,120

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

2019/20 employee costs include those associated with theatre staff who transferred to the new trust when the operation transferred to Worthing Theatres and Museum trust on 1 November 2019.

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

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

2020/21 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 12 & 21)	(3,956)	-	-	3,956
Revaluation losses on Property Plant and Equipment (note 12 & 21)	(4,522)	-	-	4,522
Movements in the market value of investment Properties (note 14 & 21)	970	-	-	(970)
Amortisation of intangible assets (note 21)	(79)	-	-	79
Capital grants and contributions applied (note 21)	6,263	-	-	(6,263)
Revenue Expenditure funded from capital under statute (note 21)	(2,325)			2,325
Revenue Expenditure funded from capital under statute Prior Year (note 21)	(156)	-	-	156

2020/21 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
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)	(742)	-	-	**742**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 21)	2,210	-	-	**(2,210)**
Capital expenditure charged against the General Fund (note 21)	151	-	-	**(151)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	2,291	-	(2,291)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	1,065	**(1,065)**
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	913	(913)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 21 & 33)	-	1,211	-	**(1,211)**
				-
Adjustments primarily involving the Financial Instruments Revaluation Reserve:				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override	(10)			**10**
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 36)	(3,923)	-	-	**3,923**
Employers' Pension Contributions and direct payments to pensioners payable in the year (note 36)	4,223	-	-	**(4,223)**
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 22)	(7,576)	-	-	**7,576**
TOTAL ADJUSTMENTS 2020/21	**(6,268)**	**298**	**(1,226)**	**7,196**

2019/20 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 12 & 21)	(3,603)	-	-	3,603
Revaluation losses on Property Plant and Equipment (note 12 & 21)	(1,743)	-	-	1,743
Movements in the market value of investment Properties (note 21)	(2,110)	-	-	2,110
Amortisation of intangible assets (note 21)	(36)	-	-	36
Capital grants and contributions applied (note 21)	1,037	-	-	(1,037)
Revenue Expenditure funded from capital under statute (note 21)	(1,824)	-	-	1,824
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)	(659)	-	-	659
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 33)	1,457	-	-	(1,457)
Capital expenditure charged against the General Fund (note 21)	197	-	-	(197)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	1,574	-	(1,574)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	1,434	(1,434)
Appropriation of S106 contributions to Fund revenue expenditure	(45)		45	
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	379	(379)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 33)	-	2,247	-	(2,247)
Adjustments primarily involving the Financial Instruments Revaluation Reserve				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override	(128)			**128**

2019/20 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 36)	(5,421)	-	-	**5,421**
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,361	-	-	**(4,361)**
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)	396	-	-	**(396)**
TOTAL ADJUSTMENTS 2019/20	**(6,168)**	**1,868**	**(95)**	**4,395**

NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

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

Movement in Earmarked Reserves	Balance at 31/03/19	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	1,642	(438)	157	1,361	(197)	450	1,614
Insurance	274	(57)	31	248	(73)	31	206
Joint Health Promotion	3	(2)	-	1	-	-	1
Leisure Lottery & Other Partnerships	37	(9)	-	28	-	-	28
Grants & Contributions	742	(101)	165	806	(718)	1,349	1,437
Museum Reserve	98	-	8	106	(14)	14	106
Property Investment Risk Reserve	50	-	150	200	-	250	450
Building Maintenance Reserve	-	-	-	-	-	383	383
Theatres Capital Maintenance Reserve	171	(69)	7	109	(51)		58
Special & Other Emergency Expenditure	3	-	-	3	-	-	3
Sub Total	**3,020**	**(676)**	**518**	**2,862**	**(1,053)**	**2,477**	**4,286**

Reserves to manage Collection Fund timing difference:							
Business Rates Smoothing Reserve	905	(468)	-	437	-	6,548	6,985
Local Tax Income Guarantee	-	-	-	-	-	703	703
Total General Fund	**3,925**	**(1,144)**	**518**	**3,299**	**(1,053)**	**9,728**	**11,974**
Capital Expenditure Reserve	29	-	-	29	(29)	-	-
Total Earmarked Reserves	**3,954**	**(1,144)**	**518**	**3,328**	**(1,082)**	**9,728**	**11,974**

Reserves and their purpose

Capacity Issues Fund
To cushion the impact of economic changes and fund one-off initiatives for the community.

Insurance Fund
To fund uninsured losses

Joint Health Promotion
This reserve contains the balance of funding received for health promotion projects.

Leisure Lottery & Other Partnerships
This reserve will assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.

Grants & 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.

Museum Reserve
This fund will support the overall service aims of the Museum and Art Gallery on occasions when annual budgets do not allow work to progress in a manner that will contribute to achieving the aims.

Property Investment Risk Reserve
To enable the council to manage the income stream from the strategic properties, for example through restructuring of leases or during void periods and to facilitate the future maintenance of the properties.

Building Maintenance Reserve
This will fund re-profiled expenditure on building maintenance.

Theatres Capital Maintenance Reserve
This will fund maintenance on Worthing theatres.

Special & Other Emergency Expenditure Reserve
This will fund expenditure such as seaweed removal, uninsured losses (e.g. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.

Business Rates Smoothing Reserve
This reserve is intended to smooth the impact of changes to reliefs in year. In 2020/21 the council received additional section 31 grants to compensate for losses in business rates income due to the extended reliefs given to retail, hospitality and leisure businesses to support them through the pandemic. The legislation that governs Collection Fund accounting means the

related deficit incurred as a result of the in year loss in business rate income will not be charged to the General Fund until 2021/22. As a result the additional grant income has been transferred to the Business Rates Smoothing Reserve to fund the losses when they are incurred and are not available for other purposes.

Local Tax Income Guarantee
The council received grant funding in 2020/21 towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the 2020/21 losses are due to be funded by the general fund over the next three years (2021/22- 2023/24). This reserve will be used to offset losses over that period.

NOTE 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	31-Mar-21	31-Mar-20
	£'000s	**£'000s**
Gains/losses on the de-recognition and disposal of non-current assets	(50)	622
TOTAL	**(50)**	**622**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2020/21	2019/20
	£000	**£000**
Interest Payable & similar charges (Note 15)	2,400	1,840
Net interest on net defined benefit liability (asset) (note 36)	300	953
Interest Receivable & similar income	(630)	(531)
Income and expenditure in relation to investment properties (Note 14)	(3,931)	(4,288)
Changes in fair value to investment properties (Note 14)	(970)	2,110
Changes in fair value to investments (note 15)	10	128
Trading Operations (note 25)	(250)	(331)
TOTAL	**(3,071)**	**(119)**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2020/21	2019/20
	£'000s	**£'000s**
Council Tax Income	(9,373)	(9,172)
Non Domestic Rates	5,597	(2,669)
Non-ringfenced Government Grants (note 31)	(13,551)	(1,856)
Capital Grants and Contributions (note 31)	(6,380)	(1,346)
TOTAL	**(23,707)**	**(15,043)**

The Impact of the Covid 19 pandemic is reflected in the table above as follows:

Non Domestic Rates - The amount of business rates collected reduced in 2020/21 as a result of the extended retail relief given to retail, hospitality and leisure businesses, and nursery providers to support them through the pandemic. After payment of the tariff and levy payments to the government for 2020/21 this has resulted in a large movement on the comparative year. The government has compensated councils for the reduced income from the additional reliefs through additional section 31 grant, this amount £8m is included within the Non ringfenced grant figure.

Non Ringfenced grants - In addition to the section 31 grants received associated with Business Rates £8m (see above) this amount also includes additional Covid 19 government funding received totalling £4.5m. See note 31 for a further breakdown.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2020/21	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 2020	110,893	9,272	6,986	5,946	8,238	16,130	157,465
Historic Cost Adjustment	-	77	-	-	-	-	77
Additions	4,423	756	297	-	4,381	5,169	15,026
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,458	-	-	-	(4,481)	-	(1,023)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,701)	-	-	-	(3,071)	-	(5,772)
Disposals / Derecognition	(726)	(963)	(16)	-	-	-	(1,705)
Reclassifications between asset classes, including transfers to REFFCUS	8,251	-	102	-	4,079	(12,588)	(156)
At 31 March 2021	**123,598**	**9,142**	**7,369**	**5,946**	**9,146**	**8,711**	**163,912**
Accumulated Depreciation & Impairment							
At 1 April 2020	(1,436)	(5,107)	(2,394)	-	-	-	(8,937)
Historic Cost Adjustment	-	(77)	-	-	-	-	(77)
Depreciation charge	(2,896)	(768)	(291)	-	(1)	-	(3,956)
Depreciation recognised in the Revaluation Reserve	2,456	-	-	-	1	-	2,457
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,250	-	-	-	-	-	1,250
Disposals / Derecognition	28	941	3	-	-	-	972
At 31 March 2021	**(598)**	**(5,011)**	**(2,682)**	**-**	**-**	**-**	**(8,291)**
Net Book Value at 31 March 2021	**123,000**	**4,131**	**4,687**	**5,946**	**9,146**	**8,711**	**155,621**
Net Book Value at 31 March 2020	**109,457**	**4,165**	**4,592**	**5,946**	**8,238**	**16,130**	**148,528**

Comparative Movements 2019/20

Movements in 2019/20	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 2019	104,483	8,876	6,812	4,963	8,023	14,348	147,505
Additions	7,498	812	212	788	-	3,205	12,515
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,083	6	1	-	234	-	1,324
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,543)	-	-	-	5	-	(2,538)
Derecognition	(608)	(422)	(61)	-	(24)	-	(1,115)
Reclassifications between asset classes, including transfers to intangible assets	980	-	22	195	-	(1,423)	(226)
Reclassifications between asset classes, including transfers to intangible assets							
At 31 March 2020	**110,893**	**9,272**	**6,986**	**5,946**	**8,238**	**16,130**	**157,465**
Accumulated Depreciation & Impairment							
At 1 April 2019	(499)	(4,743)	(2,119)	-	(4)	-	(7,365)
Depreciation charge	(2,542)	(775)	(285)	-	(1)	-	(3,603)
Depreciation written out to the Revaluation Reserve	781	(2)	-	-	-	-	779
Deprecation written out to the Surplus/Deficit on the Provision of Services	795	-	-	-	-	-	795
Derecognition	29	413	10	-	5	-	457
Reclassifications between asset classes, including transfers to intangible assets							
At 31 March 2020	**(1,436)**	**(5,107)**	**(2,394)**	**-**	**-**	**-**	**(8,937)**
Net Book Value at 31 March 2020	**109,457**	**4,165**	**4,592**	**5,946**	**8,238**	**16,130**	**148,528**
Net Book Value at 31 March 2019	**103,984**	**4,133**	**4,693**	**4,963**	**8,019**	**14,348**	**140,140**

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

Movements in 2020/21	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**
At 1 April 2020	8,171	110	8,281
New assets	77	-	77
Additions	696	-	696
Reclassifications between asset classes, including transfers to intangible assets	-	(110)	(110)
De-recognition	(882)	-	(882)
			-
At 31 March 2021	**8,062**	**-**	**8,062**
Accumulated Depreciation			
At 1 April 2020	(4,385)	-	(4,385)
Depreciation charge	(715)	-	(715)
Derecognition - Other	788	-	788
At 31 March 2021	**(4,312)**	**-**	**(4,312)**
Net Book Value at 31 March 2021	**3,750**	**-**	**3,750**
Net Book Value at 31 March 2020	**3,786**	**110**	**3,896**

Comparative Movements 2019/20

Movements in 2019/20	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**
At 1 April 2019	7,801	224	8,025
New assets	6		6
Additions	682	110	792
Reclassifications between asset categories		-	-
De-recognition	(318)	(224)	(542)
At 31 March 2020	**8,171**	**110**	**8,281**
Accumulated Depreciation			
At 1 April 2019	(3,997)	-	(3,997)
Depreciation charge	(719)	-	(719)
Derecognition - Other	331	-	331
At 31 March 2020	**(4,385)**	**-**	**(4,385)**
Net Book Value at 31 March 2020	**3,786**	**110**	**3,896**
Net Book Value at 31 March 2019	**3,804**	**224**	**4,028**

Depreciation

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

- Other Land and Buildings: 15 – 60 years
- Vehicles, Plant, Furniture and Equipment: 1 – 25 years
- Infrastructure: 5 - 50 years

Capital Commitments

At 31st March 2021 the Authority had entered into 4 significant contracts for the acquisition and enhancement of assets. The significant contracts are estimated to cost £3.1m. The significant commitments at 31st March 2020 were £656,547. The significant commitments at 31st March 2021 were:

Brooklands Lake replacement of a failed section of the lake outfall pipe: £145,000.

Richmond Room replacement of high level felted roof covering: £52,725

Downsview Housing Development Phase 2: £1.142m.

Rowlands Road Housing Development: £1.772m.

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.

As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2021 valuations due to the market volatility caused by the Coronavirus pandemic.

The significant assumptions applied in estimating the current values are:

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

	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		4,131	4,687	5,946		8,711	23,475
Valued at current value as at:							
31st March 2021	53,134				9,104		62,238
31st March 2020	22,938				42		22,980
31st March 2019	19,478						19,478
31st March 2018	23,666						23,666
31st March 2017	3,784						3,784
Total Cost or Valuation	**123,000**	**4,131**	**4,687**	**5,946**	**9,146**	**8,711**	**155,621**

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 2021 and 31st March 2020 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
Land	-	9,011	-	9,011
Office	-	42	-	42
Retail	-	7	-	7
Sub Stations	-	86	-	86
TOTAL	**-**	**9,146**	**-**	**9,146**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
Land	-	8,112	-	8,112
Office	-	41	-	41
Residential	-	7	-	7
Sub Stations	-	78	-	78
TOTAL	**-**	**8,238**	**-**	**8,238**

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

<u>Significant Observable Inputs – Level 2</u>

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.

<u>Significant Unobservable Inputs – Level 3</u>

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.

As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2021 valuations due to the market volatility caused by the Coronavirus pandemic.

NOTE 13: HERITAGE ASSETS

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

Movements in 2020/21	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	491	3,819	4,042	1,620	1,840	679	12,491
Revaluations	-	159	168	68	77	28	500
At 31 March 2021	**491**	**3,978**	**4,210**	**1,688**	**1,917**	**707**	**12,991**
Net Book Value at 31 March 2020	**491**	**3,818**	**4,042**	**1,621**	**1,840**	**679**	**12,491**

COMPARATIVE MOVEMENTS 2019/2020

Movements in 2019/20	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2019	491	3,818	4,042	1,621	1,840	679	12,491
At 31 March 2020	**491**	**3,818**	**4,042**	**1,621**	**1,840**	**679**	**12,491**
Net Book Value at 31 March 2019	**491**	**3,818**	**4,042**	**1,621**	**1,840**	**679**	**12,491**

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 and is reported in the Balance Sheet at insurance valuation.

Toys

The collection of toys is reported in the Balance Sheet at insurance valuation.

Social History

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agriculture, history, transport, ephemera and photography. These assets are included in the Balance Sheet at insurance valuation.

Archaeology and Geology

The artefacts in this category are included in the Balance Sheet at insurance valuation.

The museum's collections are currently being revalued by curatorial staff and specialist volunteers based on research from specialist journals, the internet, auctions and other reference materials.

NOTE 14: INVESTMENT PROPERTIES

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

	2020/21	2019/20
	£'000	**£'000**
Rental income	(4,292)	(4,869)
Direct operating expenses	361	581
Net (gain)/loss	**(3,931)**	**(4,288)**

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

	2020/21	2019/20
	£'000	**£'000**
Balance at start of the year 1st April	74,450	31,513
Additions:	1	45,047
Net gains/(losses) from fair value adjustments:	970	(2,110)
Balance at end of the year	**75,421**	**74,450**

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2021 and 31st March 2020 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
Car Parking	-	148	-	148
Community Facility	-	42	-	42
Office	-	46,692	-	46,692
Retail	-	15,494	-	15,494
Residential	-	2,465	-	2,465
Industrial	-	10,580	-	10,580
TOTAL	-	75,421	-	75,421

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
Car Parking	-	184	-	184
Community Facility	-	42	-	42
Office	-	44,532	-	44,532
Retail	-	16,861	-	16,861
Residential	-	2,287	-	2,287
Industrial	-	10,544	-	10,544
TOTAL	-	74,450	-	74,450

The 2019/20 comparative note has been adjusted to correct the classification of the Guildbourne Centre, this was classified as wholly Office but includes a proportion of Residential and car parking.

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.

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 on 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.
As set out in note 4, the valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2021 valuations due to the market volatility caused by the Coronavirus pandemic.

NOTE 15: FINANCIAL INSTRUMENTS

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		Total
	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000
Fair Value through Profit and Loss	1,354	1,364	-	-	-	-	-	-	**1,354**
Amortised Cost - Investments and debtors	2,500	-	15,009	15,009	10	3,500	5,988	3,901	**23,507**
Amortised Cost - accrued interest	-	-	-	-	19	24	-	-	**19**
Cash and Cash Equivalents	-	-	-	-	7,298	5,957	-	-	**7,298**
Fair Value through other comprehensive income - designated equity instruments	50	50	-	-	-	-	-	-	**50**
Total Financial Assets	**3,904**	**1,414**	**15,009**	**15,009**	**7,327**	**9,481**	**5,988**	**3,901**	**32,228**
Assets not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**23,883**	6,027	**23,883**
Total	**3,904**	**1,414**	**15,009**	**15,009**	**7,327**	**9,481**	**29,871**	**9,928**	**56,111**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000	31Mar20 £000	31Mar21 £000
Amortised Cost - Principal	(118,376)	(117,725)	-	-	(19,349)	(10,346)	(3,884)	(4,357)	**(141,609)**
Amortised Cost - accrued interest	-	-	-	-	(686)	(651)	-	-	**(686)**
Total Financial Liabilities	**(118,376)**	**(117,725)**	**-**	**-**	**(20,035)**	**(10,997)**	**(3,884)**	**(4,357)**	**(142,295)**
Liabilities not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**(20,965)**	**(6,010)**	**(20,965)**
Total	**(118,376)**	**(117,725)**	**-**	**-**	**(20,035)**	**(10,997)**	**(24,849)**	**(10,367)**	**(163,260)**

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

The long term debtors include a £10m loan to Worthing Homes for 10 years and a £5m loan to GB Met College repayable over 20 years, both of which are fully secured on property.

The assets and liabilities not defined as financial instruments are the balances such as tax-based debtors and creditors.

Classification of Assets and Liabilities

Most of the Council's treasury investments are fixed term deposits with UK banks and other local authorities, which are still valued on an amortised basis. They are included in Long Term Investments and Short Term Investments on the Balance Sheet. The Council's investments in money market funds are valued at amortised cost and the principal is included in Cash and Cash Equivalents.

The Council's other investments continue to be carried on the Balance Sheet at fair value, assessed on a recurring basis, and the following classifications have been used from 1 April 2018:

The Council's investment in the Local Authorities' Property Fund is classified as Fair Value through Profit or Loss and the value at 31 March 2021 of £1.354m is included in the Long Term Investments on the Balance Sheet. However due to statutory override, any unrealised gain or loss (shown in the table below) is not charged to the revenue account – it is posted to the Financial Instruments Revaluation Reserve. This investment is classified as a Level 1 input, as explained in the Accounting Policies (Note1), and the valuation technique used is the bid value of the units in the Fund as at 31 March 2021, supplied by the Local Authorities' Property Fund. Dividends are received quarterly and are credited to the revenue account.

The Council holds two investments for policy purposes, which have been designated as Fair Value through Other Comprehensive Income, because they are not held in order to collect contractual cash flows and no income has been received:

- £50,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,

- 75,000 ordinary shares with the UK Municipal Bonds Agency, which was set up to provide financing choices for UK local authorities.

These investments are classified as Level 2 inputs, using “other significant observable inputs” to arrive at the fair value. On this basis the Boom Credit Union holding is valued at cost and the UK Municipal Bonds Agency holding was written down on 31 March 2020 from £25,000 to zero, due to uncertainty regarding its future activity. The loss is shown in the table below. These assets are included in Long Term Investments on the Balance Sheet.

There were no transfers between input levels during the year and no changes in the valuation techniques used.

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:

	2020/21	2020/21	2019/20	2019/20
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss (change in value in the Council's investment in the Local Authorities' Property Fund)	10	-	128	-
Financial assets measured at amortised cost	178	-	64	-
Financial assets measured at fair value through other comprehensive income (write down of investment in Municipal Bonds Agency)	-	-	-	25
Total net (gains)/losses	**188**	**-**	**192**	**25**
Interest revenue:				
Financial assets measured at amortised cost	(571)	-	(441)	-
Other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(59)	-	(58)	-
Total interest revenue	**(630)**	**-**	**(499)**	**-**
Interest expense	**2,379**	**-**	**1,840**	**-**
Fee income on financial assets that are not at fair value through profit or loss	**-**	-	**(32)**	-
Fee expense on financial liabilities that are not at fair value through profit or loss	**21**	**-**	**52**	**-**

The losses and gains in assets measured at amortised cost relate to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies.

Capitalisation of Interest

In 2020-21 the Council capitalised £17k of interest relating to borrowing for the development of properties in Worthing that have not yet been completed.

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 and long term debtors and creditors are carried on 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.

The fair value of the reported carrying amounts at 31st March 2021 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, prevailing market 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.

The fair values for financial liabilities are compared with the carrying amounts as follows:

Financial Liabilities valued at amortised cost	31-Mar-21		31-Mar-20	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
PWLB Debt	(109,273)	(112,505)	(111,645)	(110,015)
Non-PWLB Debt	(29,138)	(29,196)	(17,077)	(17,137)
Total Borrowing	(138,411)	(141,701)	(128,722)	(127,152)
Short Term Creditors	(3,884)	(3,884)	(4,357)	(4,357)
Total Liabilities	**(142,295)**	**(145,585)**	**(133,079)**	**(131,509)**

The fair value of the liabilities is higher 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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £112.51m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £153.74m, 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.

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.

The fair values for financial assets are compared with the carrying amounts as follows:

Financial Assets valued at amortised cost	31-Mar-21		31-Mar-20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	29	29	3,524	3,524
Long Term investments	2,500	2,527	-	-
Cash and cash equivalents	7,298	7,298	5,957	5,957
Short term debtors	5,988	5,988	3,901	3,901
Long term debtors	15,009	15,009	15,009	15,009
Total	**30,824**	**30,851**	**28,391**	**28,391**

The fair value of the financial assets is almost the same as the carrying amount because the Council's fixed rate investments held at 31st March 2021 are at interest rates similar to the rates for similar investments in the market at the Balance Sheet date.

The long term debtors include a £10m loan to Worthing Homes for 10 years and a £5m loan to GB Met College repayable over 20 years, both of which are 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
- refinancing 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 is available on the Council's website at: JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22 to 2023/24, ADUR DISTRICT COUNCIL AND WORTHI

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy, and particular regard is given to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Except for the UK, a minimum sovereign credit rating of AA- will be used.
- 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 limit for any one MMF and total investments in MMFs shall not exceed £9m for more than one week at any one time.

The full investment strategy for 2020/21 was approved by the Council on 18th February 2020 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.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk in relation to its total investments of £8.51m in banks, local authorities 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 2021 that this was likely to crystallise and there is no material Expected Credit Loss.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectibility.

Credit Risk Exposure	Carrying Amount at 31/03/2021	Estimated Maximum Exposure to Loss at 31/03/2021	Estimated Maximum Exposure to Loss at 31/03/20
	£'000	£'000	£'000
Lease debtors	225	73	40
Sundry debtors	5,763	390	245

This table excludes statutory debtors such as those relating to Council Tax and NNDR.

The Council has made a loan of £10m to Worthing Homes to support the provision of housing. The loan is secured on property valued in excess of £10m and the Council receives quarterly accounts and other regular updates on the profitability of Worthing Homes. The Council has also made a loan of £5m to GB Met College which is also fully secured on property. Therefore there is no quantifiable credit risk to the Council.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2021 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 16.

Credit Risk Exposure

At 31st March 2021 the Council held £3m of bank investments at credit rating AA- (which is in a call account so is classified as Cash and Cash Equivalents), £10k in a notice account with a bank with a credit rating of A+ and £2.5m with another Local Authority due to be repaid in June 2022. £3m classified as Cash and Cash Equivalents was held in AAA rated money market funds. There has been no significant increase in credit risk since initial recognition and no credit impairment.

The Council received large Covid Business Support Grants from the Government on 1st April 2020 and subsequently. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. The Chief Executive used urgency powers to increase the counterparty investment limits temporarily and this was reported to Council. The credit risk was mitigated by spreading the additional funds across counterparties with high credit ratings, using the usual criteria of "security, liquidity then yield" and no losses were incurred.

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 Public Works Loan Board 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 provides 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limits	**Approved Maximum Limits**	**Actual 31 March 2021**	**Actual 31 March 2021**	**Actual 31 March 2020**	**Actual 31 March 2020**
				£'000s		**£'000s**
Maturing within one year	0%	35%	14%	(20,035)	9%	(10,997)
Maturing in 1-2 years	0%	35%	16%	(21,953)	15%	(19,349)
Maturing in 2-5 years	0%	75%	9%	(11,838)	11%	(14,698)
Maturing in 5-10 years	0%	75%	33%	(45,594)	33%	(42,663)
Maturing in 10-20 years	0%	75%	15%	(20,421)	21%	(26,425)
Maturing in 20-30 years	0%	75%	0%	(200)	0%	(200)
Maturing in 30-40 years	0%	75%	10%	(14,200)	11%	(14,200)
Maturing over 40 years	0%	75%	3%	(4,170)	0%	(190)
TOTAL			**100%**	**(138,411)**	**100%**	**(128,722)**

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

Market Risk

Interest Rate Risk
The Council is exposed to risk in terms of its exposure 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 (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. 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 the 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 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 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments - Impact on Surplus or Deficit on the Provision of Services	(117)
Decrease in fair value of fixed rate investment assets - Impact on Other Comprehensive Income and Expenditure	31
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)	10,453

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 Note - Fair Value of Assets and Liabilities carried at Amortised Cost.

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. The Council holds £1.35m in the Local Authorities' Property Fund and the value varies. However any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

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 16: DEBTORS

	31-Mar-21	31-Mar-20
	£'000s	**£'000s**
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies *	10,993	737
Other Local Authorities *	6,379	2,749
NHS Bodies	50	70
Other Entities and Individuals **	12,449	6,372
TOTAL	**29,871**	**9,928**

* The Central Government and Other Local Authorities figures include the Business rate preceptor balances. These figures are significant due to the reduction in business rate income in 2020/21, as a result of the additional reliefs awarded to businesses to support them during the pandemic, which has led to a substantial deficit on the Collection Fund to be repaid.

** Includes £4.3m capital grants due.

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

Overall Aged Debt Analysis	**31-Mar-21**	**31-Mar-20**
	£'000	**£'000**
Less than 1 Year	29,205	9,761
1-2 Years	526	42
2-3 years	27	30
Over 3 years	113	95
	29,871	**9,928**

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-21	31-Mar-20
	£'000s	£'000s
Council house purchase	7	7
Legal Charges	2	2
Worthing Homes Loan	10,000	10,000
GB Met Loan	5,000	5,000
TOTAL	**15,009**	**15,009**

NOTE 17: CASH AND CASH EQUIVALENTS

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

	31-Mar-21	31-Mar-20
	£'000	£'000
The balance is made up of the following elements:		
Cash held by the Council	16	16
Bank Current Accounts	1,282	541
Call Accounts and Money Market Funds	6,000	5,400
Total Cash & Cash Equivalents	**7,298**	**5,957**

NOTE 18: CREDITORS

	31-Mar-21	31-Mar-20
	£'000s	£'000s
Central Government Bodies *	(17,334)	(244)
Other Local Authorities	(3,302)	(5,440)
Other Entities and Individuals	(4,213)	(4,683)
TOTAL	**(24,849)**	**(10,367)**

* Included within the Central Government Bodies category are significant Government contributions towards the financial impact of COVID 19 grants and reliefs administered by the Council. Any unused sums will be repaid during 2021/22.

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-20	Additional Provisions made in 2020/21	Amounts used in 2020/21	Unused amounts reversed in 2020/21	Balance at 31-Mar-21
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
HMRC Claims - Leisure Self Employed	(1)	-	-	1	-
Mesothelioma Claim		(140)			(140)
Land Charges - Personal Search Fees	(13)	-	-	-	(13)
Leisure Contract Claim	(14)	-	-	-	(14)
Business Rate appeals	(157)	(508)	-		(665)
	(185)	**(648)**	**-**	**1**	**(832)**

Mesothelioma Claim: A provision has been made for a Mesothelioma claim against the council by the estate of a former employee.

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 are compatible 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.

Leisure Contract: A provision has been made for expenditure claims from the Council leisure provider per the service contract.

Business Rates Appeals: A provision has been made for appeals which are likely to be settled in 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.

NOTE 20: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

NOTE 21: UNUSABLE RESERVES

Unusable Reserves	31-Mar-21	31-Mar-20
	£'000s	£'000s
Revaluation Reserve	(53,146)	(51,995)
Financial Instrument Revaluation Reserve	195	185
Capital Adjustment Account	(71,071)	(70,198)
Deferred Capital Receipts Reserve	(7)	(7)
Pension Reserve	14,953	13,293
Collection Fund Adjustment Account	7,966	390
TOTAL UNUSABLE RESERVES	**(101,110)**	**(108,332)**

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	2020/21	2019/20
	£'000	£'000
Balance at 1 April	(51,995)	(50,471)
Upward revaluation of assets	(10,185)	(3,868)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,251	1,765
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	**(1,934)**	**(2,103)**
Difference between fair value depreciation and historical cost depreciation	770	561
Accumulated gains on assets sold or scrapped	13	18
Amount written off to the Capital Adjustment Account	**783**	**579**
Balance at 31 March	**(53,146)**	**(51,995)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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 2020/21 Code of Practice on Local Authority Accounting has adopted IFRS9 Financial Instruments. As a result of the implementation of IFRS9, the Available for Sale Reserve has been decommissioned and any balance held transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

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	2020/21	2019/20
Balance at 1 April	**(70,198)**	**(73,222)**
Charges for depreciation and impairment of non-current assets	3,956	3,603
Revaluation gains and losses on Property, Plant and Equipment	4,522	1,743
Amortisation of intangible assets	79	36
Revenue expenditure funded from capital under statute Prior Years	156	-
Revenue expenditure funded from capital under statute	2,325	1,824
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	742	659
Net written out amount of the cost of non-current assets consumed in the year	**11,780**	**7,865**
Adjusting amounts written out of the Revaluation Reserve	(783)	(579)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,211)	(2,247)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,263)	(1,037)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,065)	(1,434)
Statutory provision for the financing of capital investment charged against the General Fund	(2,210)	(1,457)
Capital expenditure charged against the General Fund	(151)	(197)
	(11,683)	**(6,951)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(970)	2,110
	(970)	**2,110**
Balance at 31 March	**(71,071)**	**(70,198)**

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	2020/21	2019/20
	£'000	£'000
Balance at 1 April	13,293	39,440
Remeasurements of the net defined benefit liability / (asset)	1,960	(27,207)
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	3,923	5,421
Employer's pension contributions and direct payments to pensioners payable in the year	(4,223)	(4,361)
Balance at 31 March	**14,953**	**13,293**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of the council tax and business rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements between the General Fund and Collection Fund.

Collection Fund Adjustment Account	2020/21	2019/20
	£'000	£'000
Balance at 1 April	390	787
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	120	(26)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements *	7,456	(371)
Balance at 31 March	**7,966**	**390**

* During 2020/21, as a consequence of the pandemic, the council granted substantial additional business rate reliefs to retail, leisure, hospitality and nursery businesses who were forced to close. This led to a significant in-year deficit on the Collection Fund.

NOTE 22: CASH FLOW OPERATING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	635	526
Interest paid	(2,365)	(1,547)
Dividends received	62	42
Total	**(1,668)**	**(979)**

	Net 2020/21	Net 2019/20
	£'000	**£'000**
Net Surplus or (Deficit) on the Provision of Services	**2,378**	**(6,120)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,956	3,603
Impairment and downward valuations	4,522	1,743
Amortisation	79	36
Increase/(Decrease) in Creditors	15,682	1,447
(Increase)/Decrease in Impairment for Bad Debts		-
(Increase)/Decrease in Debtors	(3,314)	(1,846)
(Increase)/Decrease in Inventories	13	33
Movement in Pension Liability	(300)	1,060
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	742	659
Other non-cash items charged to the net surplus or deficit on the provision of services	(313)	1,652
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**21,067**	**8,387**
Capital Grants credited to surplus or deficit on the provision of services	(8,554)	(2,611)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(913)	(379)
	(9,467)	**(2,990)**
Net Cash Flows from Operating Activities	**13,978**	**(723)**

NOTE 23: CASH FLOW INVESTING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(15,047)	(57,114)
Purchase of short-term and long-term investments	(128,800)	(131,030)
Other payments for investing activities	-	(5,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	913	379
Proceeds from short-term and long-term investments	129,790	133,530
Other receipts from investing activities	5,037	1,867
Net cash flows from investing activities	**(8,107)**	**(57,368)**

NOTE 24: CASH FLOW FINANCING ACTIVITIES

	Net 2020/21	Net 2019/20
	£'000	£'000
Cash receipts of short- and long-term borrowing	20,000	70,940
Repayments of short- and long-term borrowing	(10,346)	(10,119)
Other payments for financing activities	(14,184)	243
Net cash flows from financing activities	**(4,530)**	**61,064**

NOTE 25: TRADING OPERATION

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

	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Income	2019/20 Net Income
	£'000	£'000	£'000	£'000
Trade Refuse	975	(1,225)	(250)	(331)
	975	**(1,225)**	**(250)**	**(331)**

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 26: 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 2020/21 income collected was £1.533m (£2.262m 2019/20) and expenditure was £1.012m (£1.191m 2019/20). The surplus of £0.521m (£1.071m 2019/20) 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 27: MEMBERS' ALLOWANCES

Total allowances paid to Members were as follows:

2020/21	2019/20
£	£
278,489	267,841

NOTE 28: 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:-

	Number of Employees	
Remuneration Bands	**2020/21**	**2019/20**
£50,000 to £54,999	23	16
£55,000 to £59,999	5	6
£60,000 to £64,999*	1	4
£65,000 to £69,999	6	1
£70,000 to £74,999	4	3
£75,000 to £79,999	2	5
£80,000 to £84,999	4	-
£85,000 to £89,999	1	-
£90,000 to £94,999	-	1
£95,000 to £99,999	-	3
£100,000 to £104,999	2	-
£120,000 to £124,999	-	1
£125,000 to £129,999*	2	-
	50	**40**

* These include redundancy, efficiency of service and settlement payments relating to 2020/21. Please see note 29 Exit Packages and 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 2020/21 and in 2019/20.

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 2020/21 or 2019/20

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	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 Cost borne by Adur D.C. Employing Authority
Chief Executive						
2020/21	125,406	125,406	25,207	150,613	75,307	75,306
2019/20	124,240	124,240	26,215	150,455	75,228	75,227
Director for Communities						
2020/21	78,795	78,795	15,499	94,294	56,577	37,717
2019/20	97,411	97,411	20,554	117,965	70,779	47,186
Director for Digital & Resources						
2020/21	102,333	102,333	20,569	122,902	73,741	49,161
2019/20	99,750	99,750	21,047	120,797	66,740	54,057
Director for the Economy						
2020/21	100,326	100,326	20,166	120,492	73,500	46,992
2019/20	99,750	99,750	21,047	120,797	82,142	38,655
Head of Finance (S151 Officer)						
2020/21	80,794	80,794	16,240	97,034	48,517	48,517
2019/20	78,632	78,632	16,591	95,223	55,134	40,089
Head of Legal (Monitoring Officer)						
2020/21	57,301	57,301	11,517	68,818	36,549	32,269
2019/20	70,897	70,897	15,127	86,024	48,764	37,260
Head of Planning & Development (Strategic Planning)						
2020/21	73,666	73,666	14,807	88,473	45,121	43,352
2019/20	71,694	71,694	15,127	86,821	44,279	42,542
Head of Housing (Strategic Housing)						
2020/21	78,516	78,516	15,782	94,298	32,062	62,236
2019/20	75,513	75,513	15,933	91,446	32,920	58,526

NOTE 29: OFFICER 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:

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
							£	£
£0 - £20,000	1	-	3	5	4	5	20,335	56,752
£20,000 - £40,000	-	-	1	-	1	-	20,571	-
£40,000 - £60,000	-	-	1	-	1	-	47,000	-
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
Total cost included in bandings	1	-	5	5	6	5	87,906	56,752
Total cost included in CIES	1	-	5	5	6	5	87,906	56,752

* These redundancy costs are shared between Worthing and Adur Councils in proportion to the service allocation. The total cost of £87,906 in the table above includes **£52,744** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£
Redundancy costs	52,744
Enhanced Pension Benefits	62,943
Total termination benefit 2020/21	115,687
Termination benefits 2019/20	142,301

A total £52,744 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £62,943 is the 2020/21 working cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 30: EXTERNAL AUDIT COSTS

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

	2020/21	2019/20
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	43	41
Fees payable to external auditors for the certification of grant claims and returns for the year	36	15
	79	**56**

NOTE 31: GRANT INCOME

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

	2020/21	2019/20
Credited to Taxation and Non specific Grant Income:	**£'000s**	**£'000s**
General Fund Grants & Donations		
New Homes Bonus Scheme	(961)	(1,042)
Section 31 Grant	(8,031)	(809)
MHCLG Sales, Fees and Charges	(2,096)	
MHCLG New Burdens - Covid	(1,754)	-
MHCLG Tax Guarantee compensation grant	(703)	
Other	(6)	(5)
	(13,551)	**(1,856)**
Capital Grants & Donations		
S106 Developer Contributions: Affordable Housing	(40)	(95)
S106 Developer Contributions: Miscellaneous	-	-
Adur District Council	(35)	-
Community Infrastructure Levy	(702)	(666)
Department for Business, Energy and Industrial Strategy	(485)	-
Heritage Lottery Fund	(481)	(81)
Rampion InShore Windfarm	(20)	-
Local Enterprise Partnership	(4,617)	(477)
Coastal Revival Fund	-	(17)
Misc Grants	-	(10)
	(6,380)	**(1,346)**

Credited to Services:	2020/21 £'000s	2019/20 £'000s
General Fund Grants		
Ministry of Housing, Communities and Local Government (MHCLG) - Housing	(861)	(551)
MHCLG - Re-opening High Street Safely (Covid 19)	(72)	-
MHCLG - Test & Trace (Covid 19)	(348)	-
MHCLG - Covid 19	(49)	-
MHCLG - Other Grants	(10)	(194)
Department of Works and Pensions Grants	(129)	(83)
MHCLG Covid Hardship Fund	(710)	-
Cabinet Office IER Grant	(8)	(23)
Arun District Council - LEAP funding	(77)	(64)
West Sussex County Council (WSCC) - Cycling Strategy	(61)	-
WSCC - Community & Wellbeing	(246)	-
Chichester District Council - Retail Traing Programme	(50)	-
Horsham District Council - Journey to Work	(89)	-
National Heritage - Cutting Edge	(15)	(12)
Business, Energy and Industrial Strategy - Heat Network	(155)	-
Other Grants and Donations	(34)	(26)
Grants recognised in Joint Committee	(792)	(780)
	(3,706)	**(1,733)**
Capital Grants & Donations - Specific		
DEFRA/Environment Agency - Coast Protection	(18)	(15)
DCLG Better Care Fund - Disabled Facilities Grant	(1,373)	(1,250)
	(1,391)	**(1,265)**

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:

	2020/21 £'000s	2019/20 £'000s
Revenue Grants Receipts in Advance		
MHCLG - Covid 19	(1)	-
MHCLG - Housing	(154)	-
West Sussex County Council - Covid 19	(150)	-
LEAP funding	(4)	(9)
English Sports Council - Leisure Recovery	(214)	-
Business, Energy and Industrial Strategy - Heat Network	(102)	-
Historic England - Heritage at Risk Fund	(19)	-
Other Grants and Donations	(25)	(37)
Grants recognised in the Joint Committee	(62)	(375)
TOTAL	**(731)**	**(421)**

NOTE 32: 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 2021 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 27. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

The Council agreed a loan of £10m to Worthing Homes in 2016/17 for the purpose of building Social Housing in the Borough. In 2020/21 one Worthing member sits on the board of Worthing Homes Limited as nominated by Worthing Borough Council. They did not personally benefit from the loan.

Officers

There were no related party transactions declared by officers in 2020/21.

Other Public Bodies

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

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. The support provided to South Downs Leisure Trust during the Covid 19 pandemic included an agreement that they would not pay the annual service payments of £83,016 for 2019/20 and 2020/21.

From 1st November 2019 the Council entered into a 25 year contract agreement with Worthing Theatres and Museum Trust to manage the Worthing theatres and museum. A contract payment of £1,460,010 was paid by Worthing Borough Council to the trust to cover the period 1 April 2020 to 31 March 2021. The value of the contract receipt is material to WTM Trust.

NOTE 33: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2020/21	2019/20
	£'000	**£'000**
Opening Capital Financing Requirement	**128,788**	**70,674**
Capital Investment		
Property, Plant and Equipment	15,026	12,515
Intangible Assets	392	100
Revenue Expenditure Funded from Capital Under Statute	2,325	1,824
Investment Properties	1	45,047
Loans	-	5,000
Sources of Finance		
Capital receipts	(1,211)	(2,247)
Government grants and other contributions	(7,328)	(2,471)
Sums set aside from revenue:		
Direct revenue contributions	(60)	(119)
MRP/loans fund principal	(2,210)	(1,457)
Revenue funding	(91)	(78)
Closing Capital Financing Requirement	**135,632**	**128,788**
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	6,844	58,114
Increase/(decrease) in Capital Financing Requirement	**6,844**	**58,114**

NOTE 34: 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;
- as part of the Council’s Strategic Investment Policy to maximise rental income for the Authority (see note 14).

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

	31-Mar-21	31-Mar-20
	£'000	£'000
Not later than one year	5,243	5,265
Later than one year and not later than five years	19,401	19,307
Later than five years	40,708	43,094
	65,352	**67,666**

NOTE 35: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-21	31-Mar-20
	£'000s	£'000s
Commuted Sums	(161)	(166)
Pension Reserve Liability (see note 36)	(14,953)	(13,293)
TOTAL	**(15,114)**	**(13,459)**

NOTE 36: 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 need 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:

	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2020/21	Joint Committee 2020/21	Total 2020/21	Total 2019/20
			£'000s	£'000s
Cost of services				
Current service cost	(129)	(3,494)	(3,623)	(5,097)
Past service cost	-	-	-	149
(gain)/loss from settlements			-	480
Financing & Investment Income & Expenditure				
Net Interest cost	(361)	61	(300)	(953)
Total post employment benefit charged to the surplus or deficit on the provision of services	(490)	(3,433)	(3,923)	(5,421)
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)	12,181	17,471	29,652	(6,524)
Actuarial gains and losses arising on changes in demographic assumptions	(127)	(127)	(254)	7,605
Actuarial gains and losses arising on changes in financial assumptions	(9,704)	(23,031)	(32,735)	3,467
Other (if applicable)	758	619	1,377	22,659
Total remeasurements recognised in other comprehensive income	3,108	(5,068)	(1,960)	27,207
Total post-employment benefits charged to the CI&E statement	**2,618**	**(8,501)**	**(5,883)**	**21,786**

	Worthing 2020/21	Joint Committee 2020/21	Total 2020/21	Total 2019/20
	£'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	(490)	(3,433)	(3,923)	(5,421)
Actual amounts charged against the General Fund balance for pensions in the year:			-	-
Employer's contributions payable to the scheme	1,783	2,215	3,998	4,145
Retirement benefits payable to pensioners	225	-	225	216
Total charged against General Fund balance	2,008	2,215	4,223	4,361

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2020/21			2019/20		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(74,597)	(95,312)	(169,909)	(67,853)	(67,969)	(135,822)
Fair value of plan assets	62,615	92,341	154,956	51,245	71,284	122,529
Net liability arising from defined benefit obligation	**(11,982)**	**(2,971)**	**(14,953)**	**(16,608)**	**3,315**	**(13,293)**

Pension Assets and Liabilities

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2020/21			2019/20		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	51,244	71,285	122,529	57,014	70,727	127,741
Interest income	1,155	1,660	2,815	1,331	1,724	3,055
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	12,181	17,471	29,652	(3,428)	(3,096)	(6,524)
Contributions from employer	2,008	2,215	4,223	2,188	2,173	4,361
Contributions from employees into the scheme	22	739	761	67	698	765
Benefits paid	(3,996)	(1,029)	(5,025)	(4,115)	(941)	(5,056)
Rounding adjustment between scheme assets and liabilities	1	-	1	(1,813)	-	(1,813)
Closing fair value of scheme assets	**62,615**	**92,341**	**154,956**	**51,244**	**71,285**	**122,529**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2020/21			2019/20		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1 April	(67,852)	(67,970)	(135,822)	(90,631)	(76,550)	(167,181)
Current service cost	(129)	(3,494)	(3,623)	(427)	(4,670)	(5,097)
Interest cost	(1,516)	(1,599)	(3,115)	(2,114)	(1,894)	(4,008)
Contributions from scheme members	(22)	(739)	(761)	(67)	(698)	(765)
Remeasurement (gains) and losses:					-	
Actuarial gains / losses arising from changes in demographic assumptions	(127)	(127)	(254)	3,415	4,190	7,605
Actuarial gains / losses arising from changes in financial assumptions	(9,704)	(23,031)	(32,735)	3,162	305	3,467
Other experience	758	619	1,377	12,398	10,261	22,659
Past service cost	-	-	-	4	145	149
Benefits paid	3,996	1,029	5,025	4,115	941	5,056
Rounding adjustment between scheme assets and liabilities	(1)	-	(1)	2,293	-	2,293
Closing balance at 31 March	**(74,597)**	**(95,312)**	**(169,909)**	**(67,852)**	**(67,970)**	**(135,822)**

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					
	2020/21			2019/20		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,776.1	4,094.0	6,870.1	1,792.7	2,493.7	4,286.4
Equity instruments:						
Consumer	6,504.9	9,593.1	16,098.0	4,858.3	6,758.2	11,616.5
Manufacturing	3,655.2	5,390.6	9,045.8	2,795.9	3,889.3	6,685.2
Energy and Utilities	959.1	1,414.4	2,373.5	794.0	1,104.5	1,898.5
Financial Institutions	5,672.9	8,366.2	14,039.1	4,583.2	6,375.4	10,958.6
Health and Care	4,187.4	6,175.4	10,362.8	3,650.3	5,077.7	8,728.0
Information Technology	8,689.7	12,815.2	21,504.9	5,911.5	8,223.1	14,134.6
Other	2,075.0	3,060.1	5,135.1	1,094.6	1,522.6	2,617.2
Sub-total equity	**31,744.2**	**46,815.0**	**78,559.2**	**23,687.8**	**32,950.8**	**56,638.6**
Debt Securities:						
UK Government	795.2	1,172.6	1,967.8	1,375.9	1,913.9	3,289.8
Investment Funds and Unit Trusts:						
Bonds	21,070.8	31,074.4	52,145.2	18,614.7	25,894.1	44,508.8
Other investment funds	982.2	1,448.0	2,430.2	322.7	448.8	771.5
Total assets in active markets	**57,368.5**	**84,604.0**	**141,972.5**	**45,793.8**	**63,701.3**	**109,495.1**
Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	**Worthing**	**Joint C'ttee**	**Total**	**Worthing**	**Joint C'ttee**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	997.6	1,471.3	2,468.9	1,086.3	1,511.0	2,597.3
Real Estate:						
UK Property	4,248.9	6,266.0	10,514.9	4,364.9	6,071.8	10,436.7
Total assets - not in active markets	**5,246.5**	**7,737.3**	**12,983.8**	**5,451.2**	**7,582.8**	**13,034.0**
Total assets	**62,615.0**	**92,341.3**	**154,956.3**	**51,245.0**	**71,284.1**	**122,529.1**

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.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2019/20
Mortality assumptions:		
Current pensioners:		
Male	22.1 years	22.2 years
Female	24.4 years	24.2 years
Future pensioners:		
Male	23.1 years	23.3 years
Female	26.1 years	25.9 years
Rate of increase in salaries	3.35%	2.40%
Rate of increase in pensions	2.85%	2.00%
Rate for discounting scheme liabilities	1.95%	2.30%

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 assume 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.

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	6%	4,674
0.5% increase in Salary Increase Rate	0%	39
0.5% increase in the Pension Increase Rate	6%	4,566

Included in the actuary assumptions is the potential impact on the Council of the ongoing legal case concerning alleged age discrimination in the administration of public sector pension schemes at a national level. The Court of Appeal has issued a decision regarding transitional arrangements for the benefit changes. The ruling has implications for the Local Government Pension Scheme and Firefighters Pension Scheme since similar reforms have been implemented by these schemes.

The outcome for the employer liabilities is not clear, since the Government may appeal and timescales for resolution may be lengthy. Any remediation process, including cost cap considerations, may also affect the resolution, and so the financial impact at an overall scheme level cannot be estimated at this time. Should an obligation arise, any increase in current or past service costs may affect employer pension contributions in future years, potentially as part of a deficit recovery plan.

Impact on the Council's Cash Flow:

The Council anticipates paying £1,732,000 contributions to the Worthing scheme in 2021/2022, and approximately £2,045,000 contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 37: CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

Local Authority Leisure VAT Appeals - Worthing Borough Council has lodged a claim that is stood behind the three lead appeal cases regarding the VAT treatment of sport and leisure services. The appeals concern whether VAT is payable on the provision of local authority leisure services or treated as non-business as they are delivered under a special legal regime (SLR). The First-Tier Tribunal (FTT) has determined the appeals in favour of the local authorities. In addition to the question of SLR there is a requirement to establish that non-taxation of the services would not be likely to give significant distortions of competition. One claimant has successfully argued this issue before the FTT, the other two are still to be heard.

HMRC have applied to the FTT for leave to appeal the SLR finding in the case for the English local authority (accepting the findings for the local authorities in Scotland and Ireland). They have also applied for leave to appeal the finding on the competition issue. These appeals still have some way to go before a final judgement is made, however if successful the Council would receive a significant refund for the periods 2007 to 2015.

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.

In 2019/20 the Council entered into a long term contract for the provision of cultural services with Worthing Theatres and Museum 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 5 year guarantee that in the event the Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

NOTE 38: 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 Beach House Green dedicated to the carrier 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, a miller in 1709, who 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.

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 39: TRUST FUNDS

The Council acts as the trustee for the following funds:

	2020/21 Capital Value of Fund	2019/20 Capital Value of Fund
	£'000	**£'000**
Dr Chester's Charity	31	27
TOTAL	**31**	**27**

This fund does not 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 were held by the Council on behalf of the Trustees until 2019/20, when an independent bank account was opened and the funds transferred.

NOTE 40: JOINT BUDGETS

Since July 2007, Adur District and Worthing Borough Councils 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 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	19,017	(3,316)	**15,701**
Holding Accounts	10,610	(599)	**10,011**
NET COST OF SERVICES	**29,627**	**(3,915)**	**25,712**
Financing Investment and expenditure			346
Funded by:			-
Adur District Council			(9,834)
Worthing Borough Council			(14,194)
(Surplus) or Deficit on Provision of Services			**2,030**
Remeasurements of the net defined pension benefit liability			8,446
Other Comprehensive Income & Expenditure			**8,446**
Total Comprehensive Income and Expenditure			**10,476**

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

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

	2020/21			2019/20		
	Business Rates	Council Tax	TOTAL	Business Rates	Council Tax	TOTAL
INCOME (A)	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Receivable	-	73,555	73,555	-	70,353	70,353
Business Rates Receivable	13,847	-	13,847	30,633	-	30,633
Transitional; Protection Payments Receivable	25	-	25	(81)	-	(81)
TOTAL INCOME (C) = (A+B)	**13,872**	**73,555**	**87,427**	**30,552**	**70,353**	**100,905**
EXPENDITURE (D)						
Payment From Previous Year Surplus/ Contribution to Deficit (-)						
Central Government	(47)	-	(47)	(828)	-	(828)
Worthing Borough Council	(38)	(31)	(69)	(662)	(9)	(671)
West Sussex County Council	115	(180)	(65)	(166)	(52)	(218)
Sussex Police and Crime Commissioner	-	(25)	(25)	-	(7)	(7)
	30	**(236)**	**(206)**	**(1,656)**	**(68)**	**(1,724)**
Precepts, Demands and Shares (E)						
Central Government	15,601	-	15,601	8,141	-	8,141
Worthing Borough Council	12,482	9,525	22,007	6,513	9,156	15,669
West Sussex County Council	3,120	56,499	59,619	17,910	53,274	71,184
Sussex Police and Crime Commissioner	-	7,850	7,850	-	7,312	7,312
	31,203	**73,874**	**105,077**	**32,564**	**69,742**	**102,306**
Charges to Collection Fund (F)						
Less: write offs of uncollectable amounts	284	151	435	442	320	762
Less: Incr. / Decr. (-) in Bad Debt Provision	124	730	854	(50)	162	112
Less: Incr. / Decr. (-) in Provision for Appeals	873	-	873	(1,072)	-	(1,072)
Less: Cost of Collection	125	-	125	127	-	127
	1,406	881	2,287	(553)	482	(71)
TOTAL EXPENDITURE (G) = (D+E+F)	**32,639**	**74,519**	**107,158**	**30,355**	**70,156**	**100,511**
Surpl. / Def. (-) arising during the yr (C-G)	**(18,767)**	**(964)**	**(19,731)**	**197**	**197**	**394**
Surplus / Deficit (-) b/fwd. 1st April	**(1,678)**	**(74)**	**(1,752)**	**(1,875)**	**(271)**	**(2,146)**
Surplus / Deficit (-) c/fwd. 31st March	**(20,445)**	**(1,038)**	**(21,483)**	**(1,678)**	**(74)**	**(1,752)**

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 2020/21 was 39,269.50 and 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	56,498,600	÷	39,269.5	=	1,438.74
Sussex Police & Crime Commissioner	7,850,366	÷	39,269.5	=	199.91
Worthing Borough Council	9,524,820	÷	39,269.5	=	242.55

NOTE 2: BUSINESS RATES

For 2019/20 the Council was part of a countrywide business rate pilot. Under this arrangement Worthing Borough Council only kept 20% of business rates with 55% paid to West Sussex County Council. The benefit of the pilot was additional income of circa £21m retained locally for the purpose of investing in digital infrastructure and other economic regeneration initiatives. The Council did not participate in any pooling arrangement in 2020/21, the percentage share of business rate changed to 40% to Worthing and 10% to the County Council with the remaining 50% going to Central Government.

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 49.9p in 2020/21 (49.1p in 2019/20). The overall rateable value for Worthing Borough Council as at 31st March 2021 was £80.0m (£81.1m as at 31st March 2020).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £3.2m and £1.5m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2020/21 in line with Worthing Borough Council's accounting policy for maintaining the provision.

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

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

	West Sussex County Council	Sussex Police and Crime Commissioner	Worthing	TOTAL
	£	£	£	£
Apportionment based on 2021/22	**76.57%**	**10.89%**	**12.54%**	**100.00%**
Council Tax arrears	5,206,877	740,779	852,851	**6,800,507**
Provision for bad debts	(2,487,816)	(353,940)	(407,488)	**(3,249,244)**
Receipt in advance	(1,041,918)	(148,233)	(170,658)	**(1,360,809)**
(Surplus)/Deficit	795,370	113,157	130,276	**1,038,803**
Balance as on 31st March, 2021	**2,472,513**	**351,763**	**404,981**	**3,229,257**

NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES

This note shows the apportionment of balances into the parts attributable to the major precepting authorities. There is an exceptionally large deficit attributable to the expanded reliefs, mainly for retail businesses. This is compensated by section 31 grants from MHCLG which are received in the General fund. See note 11 - Non ring fenced Government grants.

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	1,031,315	206,263	825,052	**2,062,630**
Provision for Bad Debts	(769,643)	(153,929)	(615,715)	**(1,539,287)**
Provision for Appeals	(2,027,918)	(405,584)	(1,622,335)	**(4,055,837)**
RV List Amendments	1,196,022	239,204	956,817	**2,392,043**
Receipt in Advance	(226,221)	(45,244)	(180,976)	**(452,441)**
(Surplus)/Deficit	9,795,330	2,813,143	7,836,266	**20,444,739**
Balance as at 31st March 2021	**8,998,885**	**2,653,853**	**7,199,109**	**18,851,847**

WORTHING BOROUGH COUNCIL
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 at www.adur.gov.uk or www.adur-worthing.gov.uk or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31st March 2021 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 Council's 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 2020/21.

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 • Equalities Impact Assessments
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 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 2018) 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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.

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 agreed a new plan 'Platforms for our Places - Going Further' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2020-22).

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

- **Prosperous Places**
- **Thriving People and Communities**
- **Tackling Climate Change and Supporting our Natural Environment**
- **Good Services and New Solutions**
- **Leadership of Place**

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: Going further

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places: Going Further.

This has recently been reviewed in the light of the Covid 19 pandemic in the 'And Then' document which amended the priorities. This can be found on the Council's website at "And then...." bouncing back in post pandemic Adur and Worthing. These changed priorities will be monitored as part of the regular report of progress in delivering the Councils' priorities.

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.

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 £5.3m by 2025/26 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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.

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.

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 area. 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

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 the finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have been recently updated 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 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

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.

For 2020/21 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Adur District Council for the year ended 31st March 2021 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 27th May 2021.

The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound.

Any weaknesses identified by Internal Audit are subject to regular monitoring to ensure that they are addressed. The Joint Governance Committee is updated 4 times a year on progress in addressing any audit recommendations.

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.

REVIEW OF EFFECTIVENESS

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.

The current detailed plan to address any weakness and improve the Council's governance was approved on the 27th May 2021 at the Joint Governance Committee in the report titled 'Annual Governance Statements 2020/21'. This can be found on the Council's intranet using the following link : https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020_21.pdf

Overall opinion:

It is the opinion of the Council that the governance framework is satisfactory. The Council will continue to assess and make improvements to the governance framework.

SIGNIFICANT GOVERNANCE ISSUES

There is are no 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;

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2020 review together with any issues which have been identified during the current review.

Part of 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.

The Council complies with all other requirements of the statement.

Covid 19 Emergency

The recent pandemic has required the Council to act swiftly to support the local community. The emergency has necessitated an increased use of urgency powers in 2020/21, which have been formally reported to members at the next available meeting of the Joint Strategic Committee in June 2020 and in November 2020.

To ensure that our Governance arrangements have remained fit for purpose during this emergency, included in the audit plan are a number of audits that review different aspects of the Council's response to the pandemic.

PROPOSED ACTION

We propose over the coming year to keep our governance arrangements under review and to continuously improve them. 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: 21st June 2021

Signed:

Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 21st June 2021

Annual Governance Statement Report:
https://democracy.adur-worthing.gov.uk/documents/g1575/Public%20reports%20pack%2027th-May-2021%2018.30%20Joint%20Governance%20Committee.pdf?T=10

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

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 2020/21 which means the year commencing 1st April 2020 and ending 31st March 2021. 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 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,
Chief Accountant,
Worthing Borough Council,
Town Hall,
Chapel Road,
Worthing,
West Sussex, BN11 1HB

Telephone Direct Line: 01903 221232
E-mail: emma.thomas@adur-worthing.gov.uk

ADC
ADUR DISTRICT
COUNCIL

Adur District Council
℅ Worthing Town Hall
Chapel Road
Worthing
West Sussex, BN11 1HA
www.adur-worthing.gov.uk

To:
Ernst & Young
Grosvenor House,
Grosvenor Square
Southampton
SO15 2BE
United Kingdom

Date: 25th January 2021
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

Adur District Council – Audit for the year ended 31 March 2021

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 2021. 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 2021 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 2020/21.

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), 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 2020/21.
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 2020/21, and are free from material misstatement, including omissions. 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 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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. We have not corrected any differences identified by and brought to the attention from the auditor as they represent immaterial differences in judgemental opinion between the Council appointed valuers and the Ernst & Young Real Estate professionals.

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 law and regulations, including fraud, that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle blowers"), 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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Council, Adur Executive, Joint Governance and Joint Strategic Committees held through the year to the most recent meeting of Council on 16 December 2021, Adur Executive on 2 February 2021 Joint Governance Committee on 25 January 2022 and Joint Strategic Committee on 11 January 2022.
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 methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
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.
7. From the date of our last management representation letter 16 December 2020 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the Covid-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
www.adur-worthing.gov.uk

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. 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, investment property, HRA properties and IAS19 pension fund liability, 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.

K. Estimates

i. Revaluation of land and buildings, classified as property, plant and equipment, investment property and HRA properties

ii. Pension liability and asset valuation

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. 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.

Yours faithfully,

Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date: 25/01/2022

Signed on behalf of Adur District Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee.

Name: Councillor Kevin Boram
Position: Chairman, Joint Governance Committee
Date: 25/01/21

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
www.adur-worthing.gov.uk

Worthing Borough Council
Worthing Town Hall
Chapel Road
Worthing
West Sussex, BN11 1HA
www.adur-worthing.gov.uk

To:
Ernst & Young
Grosvenor House,
Grosvenor Square
Southampton
SO15 2BE
United Kingdom

Date: 25th January 2022
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

Worthing Borough Council – Audit for the year ended 31 March 2021

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 2021. 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 2021 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 2020/21.

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), 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 2020/21.
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 2020/21, and are free from material misstatement, including omissions. 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 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

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. We have not corrected any differences identified by and brought to the attention from the auditor as they represent immaterial differences in judgemental opinion between the Council appointed valuers and the Ernst & Young Real Estate professionals.

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 law and regulations, including fraud, that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle blowers"), 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;
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C. Information Provided and Completeness of Information and Transactions

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    - 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;
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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.
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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.
7. From the date of our last management representation letter 8 February 2021 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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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.

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3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
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K. Estimates

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1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
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L. 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.

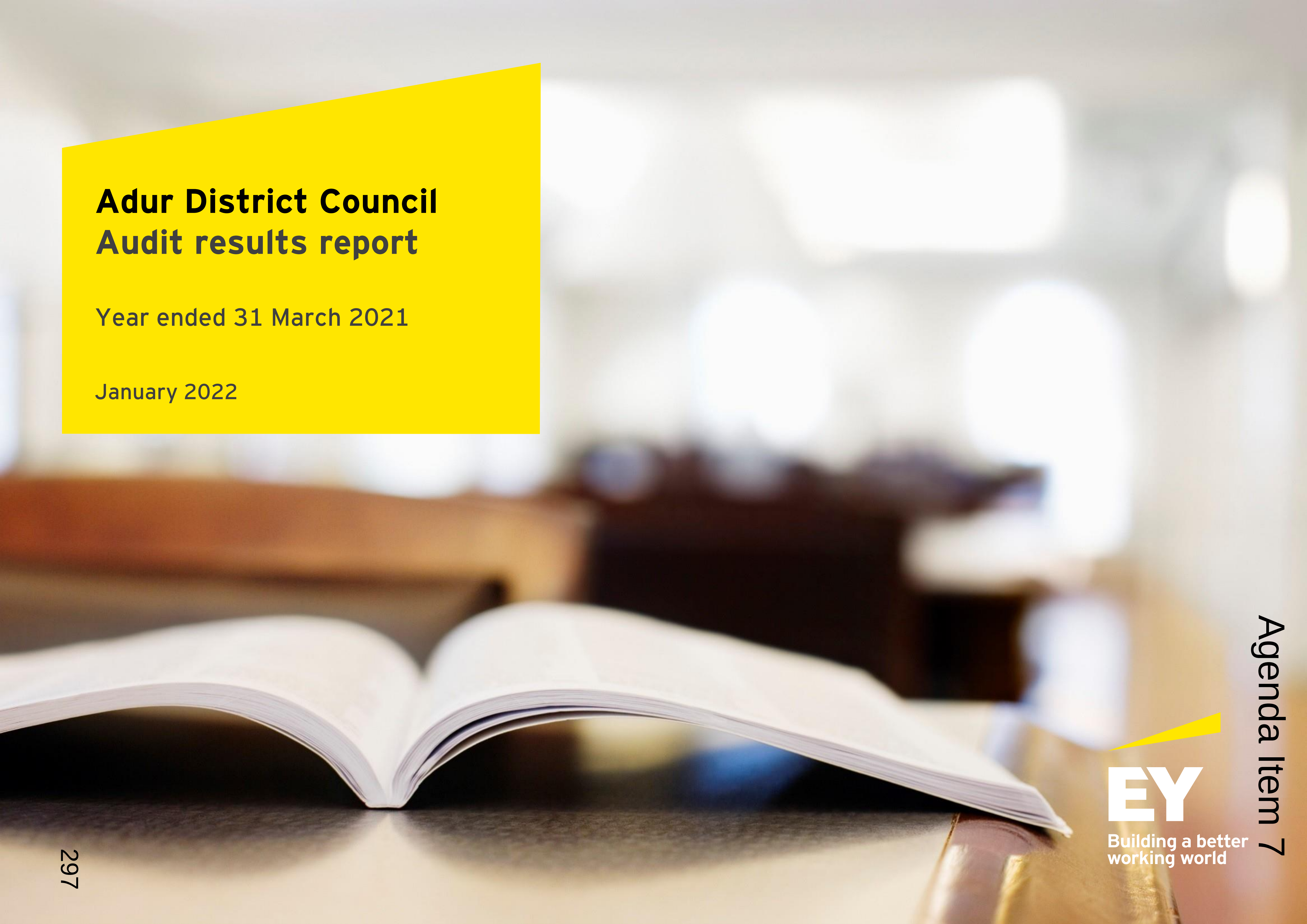
Yours faithfully,

Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date: 25/01/22

Signed on behalf of Worthing Borough Council
I confirm that this letter has been discussed and agreed by the Joint Governance Committee.

Name: Councillor Roy Barraclough
Position: Chairman, Joint Governance Committee
Date: 25/01/22



Adur District Council
Audit results report

Year ended 31 March 2021

January 2022

EY

Building a better working world

Agenda Item 7

Adur District Council
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

13 January 2022

Dear Joint Governance Committee Members

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Governance Committee. We will update the Joint Governance Committee at its meeting scheduled for 25 January 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Adur District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Governance Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 25 January 2022.

Yours faithfully

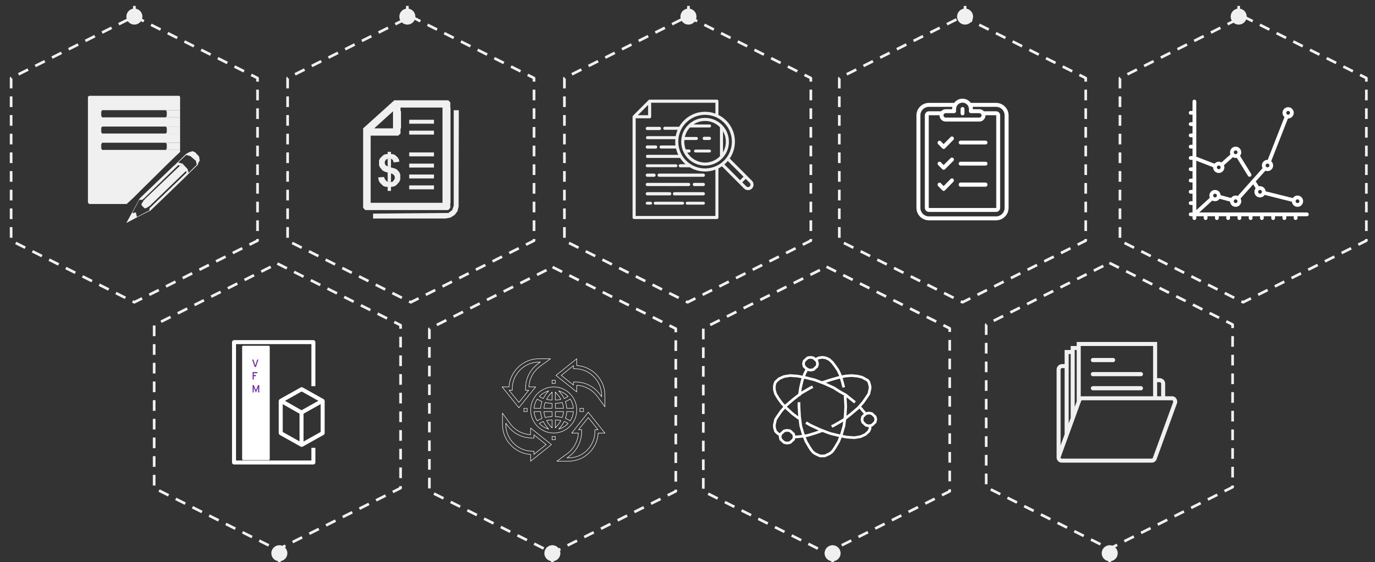
Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" 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 and updated planning report presented to the 27 May 2021 and 28 September 2021 Joint Governance Committee meetings respectively, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality**
  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, we have updated our overall materiality assessment to £1.2m (Audit Planning Report – £1.3m). This results in updated performance materiality, at 75% of overall materiality, of £915k, and an updated threshold for reporting misstatements of £61k.

- **Additional audit procedures as a result of Covid-19**
  Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

  - **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

    - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

    - Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets
- Final completion of our work on small number of other disclosures in the financial statements
- Final check of the updated financial statements after completion of all outstanding procedures
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation
- Final review of key working papers;
- Whole of Government Accounts: We have yet to receive the NAO instructions on this for 2020/21.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

In the updated audit planning report presented to the Joint Governance Committee on 28 September 2021, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Executive Summary

Audit differences

- There was one unadjusted known difference at 13 January 2022 which we set out in more detail in Section 4 Audit Differences.
- There have been no misstatements greater than £915k at 13 January 2022 which have been corrected by management.
- A small number of amendments were made to components and disclosures in the financial statements as a result of our work.

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Joint Governance Committee at the meeting on 25 January 2022 if we identify any issues by the time of the meeting.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until January 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HM Treasury make to the DCT and process.

We have no other matters to report.

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to PPE: • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.

Executive Summary

Areas of audit focus (cont.)

Significant risk	Findings & Conclusions
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Our work in this area remains in progress as at 13 January 2022. Further details are set out in Section 2 of this report.

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties (Inherent risk)	Our work in this area remains in progress as at 13 January 2022. Further details are set out in Section 2 of this report.
Pension Liability and Asset Valuation (Inherent risk)	We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. We have completed our work and are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed. Further details are set out in Section 2 of this report.
Going Concern (Area of audit focus)	We have reviewed management's going concern assessment and confirm their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions. We have also reviewed management's going concern disclosure and confirmed it is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work, we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Executive Summary

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, 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.

Independence

Please refer to Section 8 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?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of Land & Buildings in PPE under EUV and IP under FV as significant risk, and the valuation of Land & Buildings in PPE under (DRC) and HRA properties, and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

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?

We have completed our work and:

- We have found no evidence that management had attempted to override internal controls.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.

Significant Risk

Areas of Audit Focus

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:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

We have performed mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing] accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.

Significant risk

Risk of misstatements due to fraud or error – specifically in inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

Our approach focussed on:

- For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- Journal testing – we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged management's classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on the Balance Sheet.

What are our conclusions?

We have completed our work:

- Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- From our work, we identified misstatement below our performance materiality which was subsequently corrected by management. We are consequently satisfied that the expenditure under REFCUS was appropriately classified.
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes

Significant Risk

Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

At 31 March 2021, the value of land & buildings in PPE under EUV was £23.9m and in IP under FV was £78.0m.

What did we do?

Our approach focussed on:

- Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- Sampling testing key asset information used by the valuers in performing their valuation (e.g. yield);
- Considering the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation; and
- Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

As at 13 January 2022 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.

We will provide an update to the Committee on 25 January 2022.

Significant Risk

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?	What did we do?	What are our conclusions?
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions. At 31 March 2021, the value of land & buildings in PPE under DRC was £19.3m and in HRA properties was £198.2m.	Our approach focussed on: ▸ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation, or difficult to value specialist assets; ▸ Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre); ▸ Considering the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Reviewing properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▸ Considering changes to useful economic lives as a result of the most recent valuation; and ▸ Testing accounting entries have been correctly processed in the financial statements.	As at 13 January 2022 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation. We will provide an update to the Committee on 25 January 2022

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Net Pension Liability Valuation 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 2021 this totalled £14.6m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We have: ▸ Obtained assurances over the information supplied to the actuary in relation to the Council; ▸ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.	Our planned work in this area is now complete. Subsequent to our planning reports, an issue had arisen across all local government audits in relation to the impact of the revised auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, were able to access the detailed models of the actuaries in order to evidence these requirements. We therefore modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range. From our work performed, we have identified a unadjusted misstatement pertaining to the valuation of the pension fund assets at reporting date. This misstatement is below our performance materiality threshold. However, we are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Going Concern Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern. ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). ▸ Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.	Management's initial going concern assessment was for the period up to 30 September 2022, but subsequently updated to cover the period up to 31 March 2023. We have reviewed management's initial and updated going concern assessments and confirm that their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions. From our initial review of the going concern disclosure we identified areas for improvement which were addressed by management in its subsequent disclosure of the going concern. Based on our work performed the revised going concern disclosure is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Accounting for Covid-19 related government grants We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.	We considered the Council's judgement on material grants received in relation to whether it is acting as: ▶ Agent, where it has determined that it is acting as an intermediary; or ▶ Principal, where the Council has determined that it is acting on its own behalf. For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.	Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

03 Audit Report

Draft audit report

Our draft 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 2021 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 39; the Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 12; the Collection Fund Income and Expenditure Account and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2021 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 2020/21.

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 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

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, 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.

Draft audit report (cont.)

Our draft opinion on 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 course of 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 themselves. 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.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 33, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance 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.

Draft audit report (cont.)

Our draft opinion on the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
  - Local Government Act 1972,
  - School Standards and Framework Act 1998,
  - Local Government and Housing Act 1989 (England and Wales),
  - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - The Local Government Finance Act 2012,
  - The Local Audit and Accountability Act 2014, and
  - The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- We understood how Adur District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

Draft audit report (cont.)

Our draft opinion on the 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 reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Adur District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
Date

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 and unadjusted differences

There have been no misstatements greater than £915k at 13 January 2022 which have been corrected by management.

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors						
Known differences:						
▸ **Pension fund liabilities and assets valuation:** Differences in the pension fund assets of £436k identified.	(436)					436

A small number of other amendments were made to disclosures appearing in the financial statements as a result of our work.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

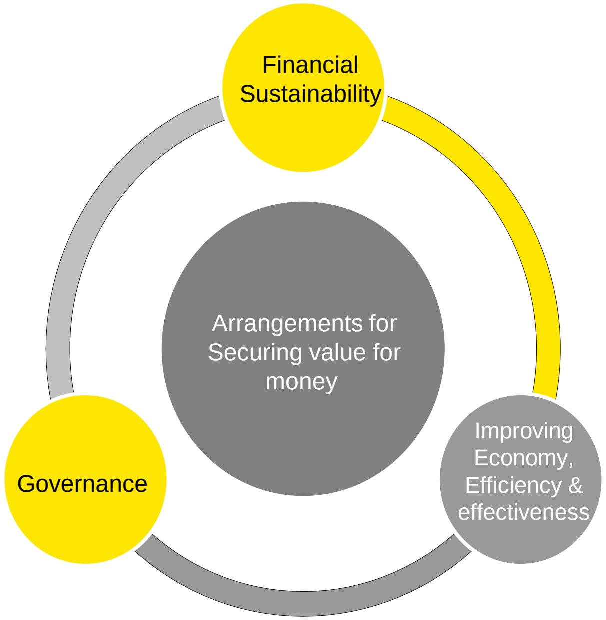
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Joint Governance Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of March 2022 as part of issuing the Auditor's Annual Report.



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 2020/21 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 Statement of Accounts 2020/21 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 not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until January 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Other reporting issues

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.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

08 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2020 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

The table below sets out a summary of the fees that are due to us for the year ended 31 March 2021 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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	37,054	37,054	37,054
2019/20 fee variation determined by PSAA (Note 1)	-	-	23,662
2020/21 PSAA expected additional minimal core fees (Note 2): • VFM • ISA 540 accounting estimates	TBC	6,000 to 11,000 2,500	-
2020/21 proposed fee variation - other (Note 3)	TBC		-
Total Fees	TBC	45,554 to 50,554	60,716

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £41,751. PSAA has determined the total fee variation for 2019/20 as £23,662. We expect similar costs in nature in 2020/21 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. The figures included here are the minimum additional fee ranges set out in this document.

Note 3 - Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the CFO following the completion of the audit.

Other communications

EY Transparency Report 2021
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: EY UK 2021 Transparency Report | EY UK

09 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the those charged with governance of UK entities. 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 presented to the Joint Governance Committee on 27 May 2021.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.
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 Results Report presented to the Joint Governance Committee on 25 January 2022.

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 related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness 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, unless prohibited by law or regulation ▸ 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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ 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 entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. 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 presented to the Joint Governance Committee on 25 January 2022.

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 entity'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 entity	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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 judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021. Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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.	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.

Appendix C

		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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 27 May 2021. Audit Results Report presented to the Joint Governance Committee on 25 January 2022.

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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 2021. 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 2021 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 2020/21.

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), 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 2020/21.
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 2020/21, and are free of material misstatements, including omissions. 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 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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. We have

Appendix B

Management representation letter

Management Rep Letter

not corrected these differences identified by, and brought to the attention from, the auditor because they are judgemental variances between two technical expert methodologies and are below the materiality threshold.

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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council, Adur Executive, Joint Governance Committee and Joint Strategic Committee held through the year to the most recent meeting of the Council on 16 December 2021, Adur Executive on 2 February 2021, Joint Governance Committee on 25 January 2022 and Joint Strategic Committee on 11 January 2022.
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 methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Management representation letter

Management Rep Letter

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.
7. From the date of our last management representation letter at 16 December 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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 to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

Appendix B

Management representation letter

Management Rep Letter

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. 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, investment property, HRA properties and IAS19 pension fund liability, 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.

K. Estimates

i. **Revaluation of land and buildings classified as property, plant and equipment, investment property and HRA properties**

ii. **Pension liability and asset valuation**

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. 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.

Yours faithfully,

Management representation letter

Management Rep Letter

____
(Chief Financial Officer)

I confirm that this letter has been discussed and agreed at the Joint Governance Committee on 25 January 2022.

____
(Chairman of the Joint Governance Committee)

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Joint Governance Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Council needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the council is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
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Worthing Borough Council

Audit results report

Year ended 31 March 2021

January 2022

Building a better working world

Worthing Borough Council
Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

13 January 2022

Dear Joint Governance Committee Members

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Governance Committee. We will update the Joint Governance Committee at its meeting scheduled for 25 January 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Worthing Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Governance Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 25 January 2022.

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" 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 and updated planning report presented to the 27 May 2021 and 28 September 2021 Joint Governance Committee meetings respectively, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality**
  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, we have updated our overall materiality assessment to £1.5m (Audit Planning Report – £1.4m). This results in updated performance materiality, at 75% of overall materiality, of £1.1m, and an updated threshold for reporting misstatements of £75k.

- **Additional audit procedures as a result of Covid-19**
  Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

    - **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

        - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

        - Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets
- Final completion of our work on small number of other disclosures in the financial statements
- Final check of the updated financial statements after completion of all outstanding procedures
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation
- Final review of key working papers;
- Whole of Government Accounts: We have yet to receive the NAO instructions on this for 2020/21.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

In the updated audit planning report presented to the Joint Governance Committee on 28 September 2021, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Executive Summary

Audit differences

- There was one unadjusted difference at 13 January 2022 which we set out in more detail in Section 4 Audit Differences.
- There have been no misstatements greater than £1.1m at 13 January 2022 which have been corrected by management.
- A small number of other amendments were made to the disclosures appearing in the financial statements as a result of our work.

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Joint Governance Committee at the meeting on 25 January 2022 if we identify any issues by the time of the meeting.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until January 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HM Treasury make to the DCT and process.

We have no other matters to report.

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to PPE: • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.

Executive Summary

Areas of audit focus (cont.)

Significant risk	Findings & Conclusions
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Our work in this area remains in progress as at 13 January 2022. Further details are set out in Section 2 of this report.

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC)	Our work in this area remains in progress as at 13 January 2022. Further details are set out in Section 2 of this report.
Pension Liability and Asset Valuation (Inherent risk)	We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. We have completed our work and are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed. Further details are set out in Section 2 of this report.
Going Concern (Area of audit focus)	We have reviewed management's going concern assessment and confirm their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions. We have also reviewed management's going concern disclosure and confirmed it is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work, we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Executive Summary

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, 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.

Independence

Please refer to Section 8 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?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of Land & Buildings in PPE under EUV and IP under FV as significant risk, and the valuation of Land & Buildings in PPE under (DRC), and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

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?

We have completed our work and:

- We have found no evidence that management had attempted to override internal controls.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

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:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

We have performed mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.

Significant risk

Risk of misstatements due to fraud or error – specifically in inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

Our approach focussed on:

- For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- Journal testing – we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged management's classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on the Balance Sheet.

What are our conclusions?

We have completed our work:

- Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- From our work, we identified misstatement below our performance materiality which was subsequently corrected by management. We are consequently satisfied that the expenditure under REFCUS was appropriately classified.
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes

Significant Risk

Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

At 31 March 2021, the value of land & buildings in PPE under EUV was £54.7m and in IP under FV was £75.5m.

What did we do?

Our approach focussed on:

- Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- Sampling testing key asset information used by the valuers in performing their valuation (e.g. yield);
- Considering the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation; and
- Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

As at 13 January 2022 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.

We will provide an update to the Committee on 25 January 2022.

Significant Risk

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?	What did we do?	What are our conclusions?
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) The value of land & buildings in PPE under DRC properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions. At 31 March 2021, the value of land & buildings in PPE under DRC was £68.2m.	Our approach focussed on: ▸ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation, or difficult to value specialist assets; ▸ Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre); ▸ Considering the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Reviewing properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▸ Considering changes to useful economic lives as a result of the most recent valuation; and ▸ Testing accounting entries have been correctly processed in the financial statements.	As at 13 January 2022 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation. We will provide an update to the Committee on 25 January 2022

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Net Pension Liability Valuation 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 2021 this totalled £15.1m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We have: ▸ Obtained assurances over the information supplied to the actuary in relation to the Council; ▸ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.	Our planned work in this area is now complete. Subsequent to our planning reports, an issue had arisen across all local government audits in relation to the impact of the revised auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, were able to access the detailed models of the actuaries in order to evidence these requirements. We therefore modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range. From our work performed, we have identified a unadjusted misstatement pertaining to the valuation of the pension fund assets at reporting date. This misstatement is below our performance materiality threshold. However, we are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Going Concern Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern. ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). ▸ Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.	Management's initial going concern assessment was for the period up to 30 September 2022, but subsequently updated to cover the period up to 31 March 2023. We have reviewed management's initial and updated going concern assessments and confirm that their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions. From our initial review of the going concern disclosure we identified areas for improvement which were addressed by management in its subsequent disclosure of the going concern. Based on our work performed, the revised going concern disclosure is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
Accounting for Covid-19 related government grants We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.	We considered the Council's judgement on material grants received in relation to whether it is acting as: ▸ Agent, where it has determined that it is acting as an intermediary; or ▸ Principal, where the Council has determined that it is acting on its own behalf. For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.	Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

03 Audit Report

Draft audit report

Our draft 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 2021 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 40; the Collection Fund Income and Expenditure Account and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2021 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 2020/21.

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 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

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, 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.

Draft audit report (cont.)

Our draft opinion on 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 course of 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 themselves. 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.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 32, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance 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.

Draft audit report (cont.)

Our draft opinion on the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
    - Local Government Act 1972,
    - School Standards and Framework Act 1998,
    - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
    - Local Government Act 2003,
    - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
    - The Local Government Finance Act 2012,
    - The Local Audit and Accountability Act 2014, and
    - The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- We understood how Worthing Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

Draft audit report (cont.)

Our draft opinion on the 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 reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Worthing Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

Date

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 and unadjusted differences

There have been no misstatements greater than £1.1m at 13 January 2022 which have been corrected by management.

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors						
Known differences:						
▸ **Pension fund liabilities and assets valuation:** Differences in the pension fund assets of £492k identified.	(492)					492

A small number of other amendments were made to disclosures appearing in the financial statements as a result of our work.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

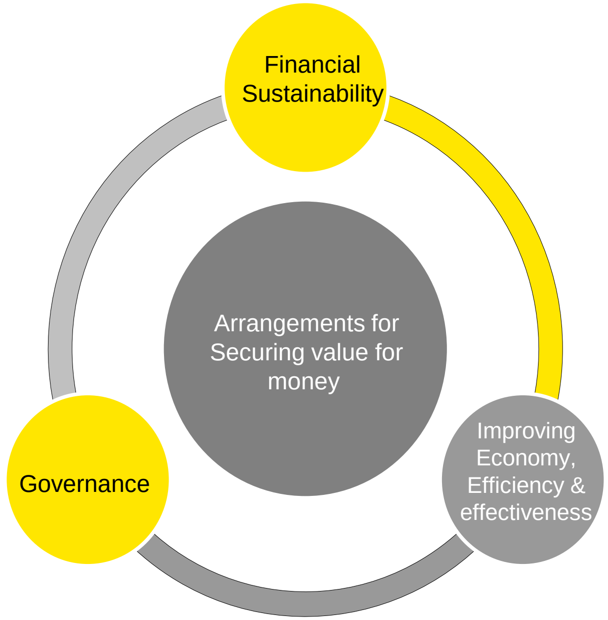
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Joint Governance Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of March 2022 as part of issuing the Auditor's Annual Report.



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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 2020/21 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 Statement of Accounts 2020/21 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 not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until January 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Other reporting issues

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.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

08 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2020 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

The table below sets out a summary of the fees that are due to us for the year ended 31 March 2021 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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	36,311	36,311	36,311
2019/20 fee variation determined by PSAA (Note 1)	-	-	24,712
2020/21 PSAA expected additional minimal core fees (Note 2): • VFM • ISA 540 accounting estimates	TBC	6,000 to 11,000 2,500	-
2020/21 proposed fee variation - other (Note 3)	TBC		-
Total Fees	TBC	45,554 to 50,554	61,023

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £31,724. PSAA has determined the total fee variation for 2019/20 as £24,712. We expect similar costs in nature in 2020/21 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. The figures included here are the minimum additional fee ranges set out in this document.

Note 3 - Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the CFO following the completion of the audit.

Other communications

EY Transparency Report 2021
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: EY UK 2021 Transparency Report | EY UK

09 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the those charged with governance of UK entities. 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 presented to the Joint Governance Committee on 27 May 2021.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.
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 Results Report presented to the Joint Governance Committee on 25 January 2022.

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 related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness 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, unless prohibited by law or regulation ▸ 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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ 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 entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. 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 presented to the Joint Governance Committee on 25 January 2022.

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 entity'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 entity	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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 judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021. Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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.	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.

Appendix C

		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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 25 January 2022.
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report presented to the Joint Governance Committee on 25 January 2022.
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 presented to the Joint Governance Committee on 27 May 2021. Audit Results Report presented to the Joint Governance Committee on 25 January 2022.

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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 2021. 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 2021 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 2020/21.

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), 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 2020/21.
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 2020/21, and are free of material misstatements, including omissions. 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 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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. We have

Appendix B

Management representation letter

Management Rep Letter

not corrected these differences identified by, and brought to the attention from, the auditor because they are judgemental variances between two technical expert methodologies and are below the materiality threshold.

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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council, Worthing Executive, Joint Governance Committee and Joint Strategic Committee held through the year to the most recent meeting of the Council on 14 December 2021, Worthing Executive on 1 February 2021, Joint Governance Committee on 25 January 2022 and Joint Strategic Committee on 11 January 2022.
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 methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Management representation letter

Management Rep Letter

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.
7. From the date of our last management representation letter at 8 February 2021 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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 to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

Appendix B

Management representation letter

Management Rep Letter

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. 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, investment property, HRA properties and IAS19 pension fund liability, 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.

K. Estimates

i. **Revaluation of land and buildings classified as property, plant and equipment, and investment property**

ii. **Pension liability and asset valuation**

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, and investment property, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, and investment property, and the pension liability and asset valuation.
3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, and investment property, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, and investment property, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. 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.

Yours faithfully,

Management representation letter

Management Rep Letter

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(Chief Financial Officer)

I confirm that this letter has been discussed and agreed at the Joint Governance Committee on 25 January 2022.

____

(Chairman of the Joint Governance Committee)

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Joint Governance Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Council needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the council is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Joint Governance Committee
25th January 2022

ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: All

Appointment of External Auditor

Report by the Director for Digital, Sustainability & Resources

1.0 PURPOSE

1.1 The current contract for external audit is due to come to an end in 2023 and the external auditor for the audit of our accounts for 2023/24 has to be appointed before the end of December 2022.

1.2 This report sets out the approach to procuring a replacement supplier for the audit of the 2023/24 accounts and seeks approval to use Public Sector Audit Appointments (PSAA) to procure a new supplier.

2.0 RECOMMENDATIONS

2.1 The Joint Governance Committee is asked to:

(a) Recommend to the Councils that the Councils opt in to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of external auditors for the five years from 1st April 2023.

3.0 BACKGROUND

3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

3.2 Following the demise of the Audit Commission, new arrangements were established for the appointment of external auditors. The Local Audit and Accountability Act 2014 gives the Councils two options:

i) to either opt in to the Appointing Person regime; or
ii) to establish an auditor panel and conduct their own procurement exercise.

3.3 Public Sector Audit Appointments Limited (PSAA) is an independent, not for profit company limited by guarantee, established by the LGA for the purpose of procuring external auditors on behalf of Local Government.

3.4 PSAA has been specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt-in must be made by the authority meeting as a whole, i.e. Full Council. The closing date to notify PSAA of our intention to participate in the procurement is Friday 11 March 2022.

3.5 In 2017 the Council opted to use the PSAA to procure external audit services. This initially drove down audit fees, however due to changing audit requirements these fees have started to increase in recent years.

3.6 At present there is a significant challenge for the auditors to deliver the audit on time. As at 24th November 2021, only 23% of 2020/21 audit opinions had been delivered against a target date of 30th September. One of the ambitions of the new procurement is to improve the timeliness of audit opinions.

4.0 ISSUES FOR CONSIDERATION

4.1 The Councils must choose whether to opt into the Appointing Persons Regime and procure via the PSAA or set up an audit panel and procure a new provider itself.

4.2 **Procuring a new external auditor ourselves:**

4.2.1 If the Councils opted to appoint their own external auditor, under the relevant legislation, we would be required to:

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the panel must be largely made up of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.

- By establishing our own audit panel, the Councils would also incur additional costs in supporting the panel and paying any allowances to panel members.

- Manage the contract for its duration, overseen by the Auditor Panel.

4.2.2 The Act enables the Councils to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. This option has been considered across the County but the majority of our local Councils will be opting to use the PSAA.

4.2.3 However for our own procurement exercise to be successful, the audit market must be in a place to respond to the tender process. Local government has a unique accounting framework which requires specialist knowledge. This is further complicated within Adur and Worthing by our joint working arrangements.

4.2.4 Soft market testing undertaken by one of our neighbouring authorities would indicate that whilst some smaller local firms may be interested, they are only interested in simple audits and only have the capacity to audit one or two Councils whereas the larger firms will only be interested in participating in larger procurement exercises such as the one managed by the PSAA. Consequently undertaking our own procurement exercise may not obtain the best outcome for the Council.

4.3 **The national auditor appointment scheme**

4.3.1 In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;

- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives;
- managing the procurement process on behalf of the Councils to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Councils the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

4.3.2 Utilising the PSAA will also ensure that the Councils have the same auditor as the Pension Fund which will streamline audit effort.

4.4 Overall, the sector-wide procurement conducted by PSAA should produce better outcomes for the Councils and will be less administratively burdensome than a procurement undertaken locally because:

- collective procurement is expected to reduce costs for the sector and for individual authorities compared to locally run and managed procurements;

- if we do not use the national appointment arrangements, the Councils will need to establish their own auditor panel with an independent chair and independent members to oversee the procurement of an external auditor and ongoing management of an audit contract, incurring additional administration costs;

- it is the best opportunity to secure the appointment of an appropriately qualified auditor. Any local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement and so may not be so attractive to the market.

5.0 ENGAGEMENT AND COMMUNICATION

5.1 All Chief Financial Officers within the County area discussed the most appropriate and cost effective options for procuring the new external audit contract.

6.0 FINANCIAL IMPLICATIONS

6.1 The overall cost of audit between 2019/20 and 2020/21 is shown in the table below:

	Adur		**Worthing**	
	2019/20 £'000	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**
Core audit	37	40	41	43
Certification of grant claims	30	44	15	36
Total	**67**	**84**	**56**	**79**

6.2 Whilst the cost of the new audit arrangements will not be known until after the procurement exercise, it is widely anticipated that fees will increase. However DLUCH have previously committed to providing additional funding for audit activity.

7.0 LEGAL IMPLICATIONS

7.1 The Local Audit and Accountability Act 2014 gave the Councils two options: to either opt in to the Appointing Person regime; or to establish an auditor panel and conduct their own procurement exercise.

7.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt-in to the Appointing Person regime must be made by Full Council.

7.3 The terms of reference of the Joint Governance Committee in the Council's constitution includes responsibility for audit and accounts activity and specifically "Power to undertake responsibilities with regard to external auditors under the Local Audit and Accountability Act 2014.

Background Papers

Letter from the LGA regarding the PSAA

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
Matters considered and no issues identified.

4. Governance
The report concerns the appointment of the external auditor for the housing benefit subsidy audit.

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ADUR & WORTHING COUNCILS

Joint Governance Committee
25 January 2022
Agenda Item 9

Joint Strategic Committee
8 February 2022
Agenda Item 6

Key Decision : No
Ward(s) Affected: All

JOINT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23 to 2024/25, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY THE DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 to 2024/25 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

2.1 The Joint Governance Committee is recommended to:

i) Note the report (including the Prudential Indicators and Limits, and MRP Statements) for 2022/23 to 2024/25

ii) Refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 8 February 2022.

2.2 The Joint Strategic Committee is recommended to:

i) Approve and adopt the TMSS and AIS for 2022/23 to 2024/25, incorporating the Prudential Indicators and Limits, and MRP Statements

ii) Forward the Prudential Indicators and Limits, and MRP Statements of the report for approval by Worthing Council at its meeting on 22 February 2022, and by Adur Council at its meeting on 24 February 2022.

3. INTRODUCTION

3.1 Background

The Councils are required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in high quality counterparties or instruments commensurate with the Councils' low risk appetite, providing adequate liquidity initially, before considering investment return. This is consistent with national guidance which promotes security and liquidity above yield.

The second main function of the treasury management service is the funding of the Councils' capital plans. These capital plans provide a guide to the borrowing needs of the Councils, essentially the longer term cash flow planning, to ensure that the Councils can meet their capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet the Councils' risk or cost objectives.

The contribution the treasury management function makes to the authority is critical as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day to day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, 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."

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3.2 Reporting requirements

3.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full Councils fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.2.2 **Treasury Management Reporting**

The Councils are required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report), the first, and most important report is forward looking and covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and noting whether any policies require revision.

An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - The above reports are required to be scrutinised by the Joint Governance Committee (JGC) which may make recommendations to the Joint Strategic Committee (JSC) regarding any aspects of Treasury Management policy and practices it considers appropriate in fulfilment of its scrutiny role. Such recommendations as may be made shall be incorporated within the above named reports and submitted to meetings of the JSC for consideration as soon after the meetings of the JGC as practically possible. The reports are approved by the JSC and recommended to the Councils for approval.

3.3 **Treasury Management Strategy for 2022/23**

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Councils;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

3.4 **Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Following the Covid-19 pandemic, member training will be provided as soon as possible.

The training needs of treasury management officers are periodically reviewed and officers attend courses provided by appropriate trainers such as Link and CIPFA.

3.5 **Treasury management consultants**

The Councils use Link Group, Treasury Solutions as the external treasury management advisors.

The Councils recognise that responsibility for treasury management decisions remains with the organisations at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

They also recognise that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Councils will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

4. THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

The Councils' capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

4.1 Capital expenditure and financing

This prudential indicator is a summary of the Councils' capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.
The tables below summarise the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing or borrowing need.

ADUR DISTRICT COUNCIL

Capital expenditure	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
Non-HRA	12.512	10.270	52.997	2.473	1.862
HRA	5.186	25.666	19.513	5.600	5.600
TOTAL	**17.698**	**35.936**	**72.510**	**8.073**	**7.462**
Financed by:					
Capital receipts	1.282	1.519	0.200	0.100	0.121
Capital grants and contributions	10.722	4.363	1.546	0.471	0.462
Revenue Reserves & contributions	4.216	6.474	5.976	6.709	6.739
Net financing need for the year	**1.478**	**23.580**	**64.788**	**0.793**	**0.140**

WORTHING BOROUGH COUNCIL

Capital expenditure	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
Non-HRA	17.744	52.068	74.896	3.811	3.332
TOTAL	**17.744**	**52.068**	**74.896**	**3.811**	**3.332**
Financed by:					
Capital receipts	1.211	0.184	0.918	0.000	0.089
Capital grants and contributions	7.328	6.541	6.385	0.888	0.856
Revenue Reserves & contributions	2.361	1.979	2.398	3.761	3.997
Net financing need for the year	**6.844**	**43.364**	**65.195**	**(0.837)**	**(1.611)**

4.2 **The Councils' borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Councils' Capital Financing Requirement (CFR). The CFR is simply the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Councils' indebtedness and so their underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Councils' borrowing requirement, these types of schemes include a borrowing facility and so the Councils are not required to separately borrow for these schemes. The Councils currently do not have any such schemes within the CFR. The Councils are asked to approve the CFR projections below:

ADUR DISTRICT COUNCIL

Capital Financing Requirement (£m)	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
CFR – non-HRA	27.278	33.958	84.082	84.146	83.581
CFR - HRA	61.591	79.713	95.226	96.826	98.426
CFR – strategic	79.627	78.405	77.556	76.685	75.790
Total CFR	**168.496**	**192.076**	**256.864**	**257.657**	**257.797**
Movement in CFR	1.478	23.580	64.788	0.793	0.140
Movement in CFR represented by					
Financing need for the year	3.700	25.894	66.785	3.532	2.930
Less: MRP/VRP and other financing movements	(2.222)	(2.314)	(1.997)	(2.739)	(2.790)
Movement in CFR	**1.478**	**23.580**	**64.788**	**0.793**	**0.140**

WORTHING BOROUGH COUNCIL

Capital Financing Requirement (£m)	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
CFR – non-HRA CFR - strategic	65.338 70.294	109.444 69.552	175.400 68.791	175.344 68.010	174.534 67.209
Total CFR	**135.632**	**178.996**	**244.191**	**243.354**	**241.743**
Movement in CFR	**6.844**	**43.364**	**65.195**	**(0.837)**	**(1.611)**
Movement in CFR represented by					
Net financing need for the year (above)	9.054	44.900	67.364	2.757	2.220
Less: MRP/VRP and other financing movements	(2.210)	(1.536)	(2.169)	(3.594)	(3.831)
Movement in CFR	**6.844**	**43.364**	**65.195**	**(0.837)**	**(1.611)**

4.3 **Minimum revenue provision (MRP) policy statement**

The Councils are required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although they are also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Councils to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

For both Councils, the MRP relating to built assets under construction will be set aside once the asset is completed. If any finance leases are entered into, the repayments are applied as MRP.

The Councils are recommended to approve the following MRP Statements:

ADUR DISTRICT COUNCIL

For Adur District Council it was approved by the Joint Strategic Committee on 2nd June 2016 that for borrowing incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

4.3.1 <u>**General Fund**</u>

For non-HRA capital expenditure after 1st April 2008 the MRP will be calculated as the annual amount required to repay borrowing based on the annuity method: equal annual payments of principal and interest are calculated, with the interest element reducing and the principal element increasing over the life of the asset as the principal is repaid. The interest is based on the rate available to the Council at the beginning of the year in which payments start and the MRP is calculated as the amount of principal, so that by the end of the asset's estimated life the principal is fully repaid (the Asset Life Method). The option remains to use additional revenue contributions or capital receipts to repay debt earlier.

An exception was agreed in the 2015/16 Treasury Management Strategy Statement: the Chief Financial Officer has discretion to defer MRP relating to debt arising from loans to Registered Social Landlords (RSLs) to match the profile of debt repayments from the RSL and other public bodies. RSLs normally prefer a maturity type loan as it matches the onset of income streams emanating from capital investment with the timing of the principal debt repayment. The deferral of MRP to the maturity date would therefore mean that MRP is matched at the same point as the debt is repaid, and is therefore cash (and revenue cost) neutral to the Council.

If concerns arise about the ability of the borrower to repay the loan, the Chief Financial Officer will use the approved discretion to make MRP as a "prudent provision" from the earliest point to ensure that sufficient funds are set aside from revenue to repay the debt at maturity if the RSL defaults.

It is proposed to use the same policy for 2022/23.

4.3.2 **<u>Housing Revenue Account</u>**

Unlike the General Fund, the HRA is not required to set aside funds to repay debt. There is a requirement for a charge for depreciation to be made but there are transitional arrangements in place. The Council's MRP policy previously applied the financially prudent option of voluntary MRP for the repayment of HRA debt, to facilitate new borrowing in future for capital investment. However in order to provide additional capital funding to address the maintenance backlog identified by the condition survey, the payment of voluntary MRP was suspended for a period of 9 years from 2017/18 whilst the Council invests in its current housing stock and manages the impact of rent limitation.

WORTHING BOROUGH COUNCIL

4.3.3 Worthing had no debt prior to 1 April 2008. Worthing applies the same MRP policy as Adur for capital expenditure funded from borrowing from 1 April 2008. Worthing also has discretion in the application of MRP in respect of capital loans to approved Counterparties (currently Worthing Homes and GB Met College).

4.3.4 In addition to the above policy, it is also recommended that where the Council purchases a property to facilitate a development whether via a Compulsory Purchase Order or via a negotiated arrangement with the intention of disposing of the property to a development partner, no MRP shall be provided for the first three years. Any capital receipt received for the land shall be used to repay the associated debt. This change to the policy was initially approved by Council in July 2021.

4.3.5 It is proposed to retain this policy for 2022/23.

ADUR and WORTHING COUNCILS - VOLUNTARY REVENUE PROVISION

4.3.4 **MRP Overpayments** – A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory MRP, which are designated as voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayments made each year. Up until the 31st March 2022 Adur has a net VRP overpayment of £30k and Worthing has a cumulative net £470k VRP overpayment which will be reclaimed over the five years following each voluntary overpayment.

5. BORROWING

The capital expenditure plans set out above provide details of the service activity of the Councils. The treasury management function ensures that the Councils' cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Councils' capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

5.1 Current portfolio position

The Councils' treasury portfolio positions at 31st March 2021 and at 31st December 2021 are shown below.

Adur District Council

	Principal at 31.03.21 £m	Actual 31.03.2021 %	Principal at 31.12.21 £m	Actual 31.12.2021 %
External Borrowing				
PWLB	(136.052)	86%	(135.018)	85%
Other Borrowing	(22.884)	14%	(23.066)	15%
Finance lease	(0.000)		(0.000)	
TOTAL BORROWING	**(158.936)**	100%	**(158.084)**	100%
Treasury Investments:				
Local Authority Property Fund	2.708	23%	3.043	13%
In-house:				
Banks	6.000	51%	15.810	66%
Building societies	0.000	0%	2.000	8%
Bonds	0.030	1%	0.025	0%
Local authorities	0.000	0%	0.000	0%
Money market funds	3.000	25%	3.010	13%
TOTAL INVESTMENTS	**11.738**	100%	**23.888**	100%
NET DEBT	**(147.198)**		**(134.196)**	

Worthing Borough Council

	Principal at 31.03.21 £m	Actual 31.03.2021 %	Principal at 31.12.21 £m	Actual 31.12.2021 %
External Borrowing				
PWLB	(108.725)	79%	(111.439)	85%
Other Borrowing	(29.000)	21%	(37.000)	15%
Finance lease	(0.000)		(0.000)	
TOTAL BORROWING	**(137.725)**	100%	**(148.439)**	100%
Treasury Investments:				
Local Authority Property Fund	1.354	14%	1.522	4%
In-house:				
Banks	3.010	30%	17.160	44%
Government DMO	0.000	0%	4.000	10%
Building societies	0.000	0%	2.000	5%
Bonds	0.050	1%	0.050	0%
Local authorities	2.500	25%	2.500	6%
Money market funds	3.000	30%	12.000	31%
TOTAL INVESTMENTS	**9.914**	100%	**39.232**	100%
NET DEBT	**(127.811)**		**(109.207)**	

Worthing Borough Council has also made two loans which are categorised as capital rather than treasury investments:

- a £10m loan to Worthing Homes
- a £5m repayment loan to GBMet College, with £4.737m remaining

The Councils' forward projections for borrowing are summarised below. The tables show the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

ADUR DISTRICT COUNCIL

Adur District Council External Debt £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt at 1 April	(161.802)	(158.936)	(182.516)	(247.304)	(248.097)
Expected change in Debt	2.866	(23.580)	(64.788)	(0.793)	(0.140)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(158.936)	(182.516)	(247.304)	(248.097)	(248.237)
The Capital Financing Requirement	168.496	192.076	256.864	257.657	257.797
Under/(over) borrowing	9.560	9.560	9.560	9.560	9.560

Within the above figures the level of debt relating to commercial property is:

Adur District Council	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(79.627)	(78.405)	(77.556)	(76.685)	(75.790)
Percentage of total external debt %	50%	43%	31%	31%	31%

Worthing Borough Council

Worthing BC External Debt £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt at 1 April	(128.071)	(137.725)	(177.077)	(242.272)	(241.435)
Expected change in Debt	(9.654)	(39.352)	(65.195)	0.837	1.611
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	(137.725)	(177.077)	(242.272)	(241.435)	(239.824)
The Capital Financing Requirement	135.632	178.996	244.191	243.354	241.743
Under/(over) borrowing	(2.093)	1.919	1.919	1.919	1.919

Within the above figures the level of debt relating to commercial property is:

Worthing B C	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	(70.294)	(69.552)	(68.791)	(68.010)	(67.209)
Percentage of total external debt %	51%	39%	28%	28%	28%

Within the range of prudential indicators there are a number of key indicators to ensure that the Councils operate their activities within well-defined limits. One of these is that the Councils need to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Financial Officer reports that the Councils complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

5.2 **Treasury Indicators: limits to borrowing activity**

The operational boundary - This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

ADUR DISTRICT COUNCIL

Operational boundary £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	185.0	248.0	249.0	249.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**186.0**	**249.0**	**250.0**	**250.0**

WORTHING BOROUGH COUNCIL

Operational boundary £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	4.5	4.3	4.0
Other Debt	167.0	229.5	229.5	227.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**183.0**	**245.0**	**244.8**	**242.0**

The authorised limit for external debt - This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Councils. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Councils are asked to approve the following authorised limits:

ADUR DISTRICT COUNCIL

Authorised limit £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	190.0	252.0	253.0	253.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**191.0**	**253.0**	**254.0**	**254.0**

WORTHING BOROUGH COUNCIL

Authorised limit £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt re Worthing Homes	10.0	10.0	10.0	10.0
Debt re GB Met	5.0	4.5	4.3	4.0
Other Debt	172.0	233.0	233.0	230.0
Other long term liabilities	1.0	1.0	1.0	1.0
Total	**188.0**	**248.5**	**248.3**	**245.0**

5.3 Prospects for interest rates

The Councils have appointed Link Group as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to other economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Additional information about interest rates and the risks to the forecasts are contained in Appendix E.

Borrowing for capital expenditure Link's long-term forecast (beyond 10 years) for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition there are some cheap alternative sources of long-term borrowing.

While the Councils will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.4 **Borrowing Strategy**

The Councils are both currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Councils' reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are currently low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL borrowing rates*, then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

5.5 Both Councils will refer in the first instance to the Public Works Loan Board (PWLB) for sourcing their borrowing needs, given that they are eligible to access the PWLB “Certainty” rate of interest, being 20 basis points below the normal prevailing PWLB rates. However, borrowing from other sources, including other Local Authorities and the Local Government Association Municipal Bonds Agency, may from time to time offer options to borrow more cheaply than from the PWLB, and therefore will be considered.

Where appropriate, the Councils will investigate the possibility of using “ethical” or “green” borrowing options eg “green bonds.” Such borrowing is usually only available for significant amounts e.g. over £20m and takes time to arrange because the lender and the Council needs to undertake due diligence. PWLB rates have now been reduced meaning that other options are less likely to be economically viable. Local Climate Bonds may offer another alternative for funding carbon reduction projects.

Given the expected under borrowing position of the Councils, the borrowing strategy will give consideration to the most appropriate sources of funding from the following list:

i) Internal borrowing, by running down cash balances and foregoing interest earned at historically low rates, as this is the cheapest form of borrowing;

ii) Weighing the short term advantage of internal borrowing against potential long term borrowing costs, in view of the overall forecast for long term borrowing rates to increase over the next few years;

iii) PWLB fixed rate loans for up to 50 years;

iv) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB, market debt and loans from other councils in the debt portfolio;

v) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

vi) Short term loans from other Councils where appropriate;

vii) Other forms of borrowing where appropriate eg green bonds or the Municipal Bonds Agency where these offer better value than the PWLB

5.6 Preference may be given to PWLB borrowing by annuity and EIP loans instead of maturity loans, as this may result in lower interest payments over the life of the loans. However debt maturity must be spread appropriately in order to reduce refinancing risk.

5.7 **Policy on borrowing in advance of need**

The Councils will not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Councils can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

5.8 **Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

If rescheduling is done, it will be reported to the Councils at the earliest meeting following its action.

5.9 **New financial institutions as a source of borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities out to 3 years or so - still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)
- “Green Bonds” or “Local Climate Bonds”

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

6. ANNUAL INVESTMENT STRATEGY

6.1 **Investment Policy – Management of risk**

6.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government

(MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, a separate report.

6.1.2 The Councils' investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Councils' investment priorities will be security first, portfolio liquidity second and then yield, (return). The Councils will aim to achieve the maximum yield on investments commensurate with proper levels of security and liquidity and with the Councils' risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Councils will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

6.1.3 The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. As conditions in the financial markets remain uncertain, the proposed maximum limits for specified and unspecified investments for 2022/23 are the same as for 2021/22, as amended by the Mid Year Review. The Mid Year Review added the UK bank Standard Chartered (currently A+ rated) to the specified investments and increased the limit for investment with the Local Authorities' Property Fund from £3m to £5m per Council for the purpose of setting aside long term funds for the repayment of debt. Counterparties' "sustainability", "ethical" or "climate change" policies will be reviewed to ensure that the Council invests funds appropriately.

6.1.4 Investment instruments identified for use in the financial year are listed in Appendix B under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Councils' treasury management practices.

6.1.5 The guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Councils have adopted a prudent approach to managing risk and define risk appetite by the following means: -

a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Councils will engage with the advisors to maintain a monitor on market pricing such as “credit default swaps” (a financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor) and overlay that information on top of the credit ratings.

c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) The Councils have defined the list of **types of investment instruments** that the treasury management team is authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix B.

f) The Councils will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 6.8).

g) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 6.4). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.

h) The Councils have engaged **external consultants**, (see paragraph 3.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Councils in the context of the expected level of cash balances and need for liquidity throughout the year.

i) All investments will be denominated in **sterling**.

j) As a result of the change in accounting standards for 2022/23 under IFRS 9, the Councils will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. Consequently any fluctuations in the value of the Councils' investments in the Local Authorities' Property Fund will not be taken through the General Fund for the period of the override).

6.1.6 However, the Councils will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 6.15). Regular monitoring of investment performance will be carried out during the year.

6.2 Creditworthiness Policy

6.2.1 The primary principle governing the Councils' joint treasury management service investment criteria is the security of investments, although the yield or return on the investment is also a key consideration. After this main principle, the service will ensure that:

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Councils' prudential indicators covering the maximum principal sums invested.

6.2.2 The Chief Financial Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the Councils for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the service may use, rather than defining what types of investment instruments are to be used.

6.2.3 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with our criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

6.2.4 In accordance with the Code, Link Group's creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

6.2.5 The result is a series of colour coded bands for counterparties indicating the relative creditworthiness of each as they are categorised by durational bands. These bands are used by the Councils to form a view of the duration for investments by each counterparty. The Councils are satisfied that this service gives a robust level of analysis for determining the security of its investments. It is also a service which the Councils would not be able to replicate using its own in-house resources.

6.2.6 Using Link's ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. The effect of a change in ratings may prompt the following responses:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Councils' minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of Credit Ratings the Councils will be advised by Link of movements in Credit Default Swaps and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils' lending lists.

6.2.7 The Councils' officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, the government support for banks, and the credit ratings of that government support.

6.2.8 Accordingly, the Councils may exercise discretion to deviate from Link's suggested durational bands for counterparties where circumstances warrant a more flexible approach being taken.

The Councils' Minimum Investment Creditworthiness Criteria

6.3 The minimum credit ratings criteria used by the Councils generally will be a short term rating (Fitch or equivalents) of F1, and long term rating A-. There may be occasions when the counterparty ratings from one or more of the three Ratings Agencies are marginally lower than the minimum requirements of F1 Short term, A- Long term (or equivalent). Where this arises, the counterparties to which the ratings apply may still be used with discretion, but in these instances consideration will be given to the whole range of topical market information available, not just ratings.

The Councils include the top five **building society** names in the specified investments. It is recognised that they may carry a lower credit rating than the Councils' other counterparties, therefore the lending limits for the building societies shall be £2m each, excepting that for Nationwide (the top building society) the lending limit shall be £4m.

6.4 **Country Limits and Proposed Monitoring Arrangements**

Due care will be taken to consider the country, group and sector exposure of the Councils' investments.

The Councils have determined that they will only use approved counterparties from countries (other than the UK) with a minimum sovereign credit rating of *AA-* from Fitch Ratings (or equivalent from other agencies if Fitch does not provide one). The list of countries that qualify using these credit criteria as at the date of this report is reflected in the counterparty approved lending list shown at Appendix B. This list will be added to, or deducted from, by officers should ratings change, in accordance with this policy. No more than 25% of investments shall be placed in non-UK financial institutions for more than 7 days.

6.5 **Creditworthiness**

Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices - Credit Default Swaps

Although bank CDS prices (these are credit derivative contracts that enable investors to swap credit risk and are therefore indicators of market risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Councils have access to this information via the Link-provided Passport portal.

Investment Strategy

6.6 **In-house funds**

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the Councils will seek to use notice accounts, money market funds, call accounts and short-dated deposits to benefit from the compounding of interest.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

The Chief Financial Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the meetings of the JGC and JSC in accordance with the reporting arrangements contained in the Treasury Management Practices Statement.

6.7 **Investment returns expectations**

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Later years	2.00%

6.8 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Councils' liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Councils are asked to approve the following treasury indicators and limits:

ADUR DISTRICT COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2022/23	**2023/24**	**2024/25**
Principal sums invested > 365 days	50%	50%	50%

WORTHING BOROUGH COUNCIL

MAXIMUM PROPORTION OF PRINCIPAL SUMS INVESTED > 365 DAYS			
	2022/23	**2023/24**	**2024/25**
Principal sums invested > 365 days	50%	50%	50%

Both Councils are currently holding investments in the Local Authorities' Property Fund (£3m for Adur and £1.5m for Worthing) and other small bonds in the local credit union (£50k for Worthing and £25k for Adur) which are expected to be invested for more than 365 days. Worthing holds long term investments with Worthing Homes and GB Met College.

6.9 In any sustained period of significant stress in the financial markets, the default position is for investments to be placed with the Debt Management Account Deposit Facility of the UK central government. The rates of interest may be below equivalent money market rates, however, if necessary, the returns are an acceptable trade-off for the guarantee that the Councils' capital is secure.

6.10 The Councils' proposed investment activity for placing cash deposits in 2022/23 will be to use:

- AAA rated Money Market Funds with a Constant Net Asset Value (CNAV) or a Low Volatility Net Asset Value (LVNAV) under the new money market fund regulations
- other local authorities, parish councils etc.
- business reserve accounts and term deposits, primarily restricted to UK institutions that are rated at least A- long term.
- the top five building societies by asset size

Other Options for Longer Term Investments

6.12 To provide the Councils with options to enhance returns above those available for short term durations, it is proposed to retain the option to use the following for longer term investments, as an alternative to cash deposits:

a) **Supranational bonds greater than 1 year to maturity**

b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

c) **The Councils' own banker** (currently Lloyds) if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

d) **Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use the top five building societies by asset size up to £2m, (£4m Nationwide).

e) Any **bank or building society** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

f) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and total exposure up to the limit applicable to the parent.

g) **Registered Social Landlords** (Housing Associations) **and other public sector bodies** - subject to confirming that the Councils have appropriate powers, consideration will be given to lending to Registered Social Landlords and other public sector bodies. Such lending may either be as an investment for treasury management purposes, or for the provision of “social policy or service investment”, that would not normally feature within the Treasury Management Strategy.

h) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment. The Councils may invest up to £5m in Property Investment Funds - this reflects the request from Adur members to invest more in the CCLA Local Authorities' Property Fund.

i) **Other local authorities**, parish councils etc.

j) **Loan capital** in a body corporate.

k) **Share capital** *in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.*

(Note: For (j) and (k) above the Councils will seek further advice on the appropriateness and associated risks with investments in these categories as and when an opportunity presents itself).

6.13 **The accounting treatment** may differ from the underlying cash transactions arising from investment decisions made by the Councils. To ensure that the Councils are protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

6.14 The Councils will not transact in any investment that may be deemed to constitute **capital expenditure** (e.g. Share Capital, or pooled investment funds other than Money Market Funds), without the resource implications being approved as part of the consideration of the Capital Programme or other appropriate Committee report.

6.15 **Investment risk benchmarking** – the Councils will subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

6.16 **End of year investment report** – at the end of the financial year the Councils will report on investment activity as part of the Annual Treasury Report.

6.17 **Local Authorities' Property Fund** – both Councils hold investments in the Fund (Adur DC - £3m and Worthing BC £1.5m). The treasury service receives regular reports and quarterly dividends. Representatives of the Fund gave a presentation on current and forecast performance to the Councils in October 2021.

7. OTHER MATTERS

7.1 **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework**

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Councils have to have regard to these codes of practice when they prepare the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to the Full Councils for approval.

The revised codes will have the following implications:

· a requirement for the Councils to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;

· clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;

· address Environmental Social and Governance issues within the Capital Strategy;

· require implementation of a policy to review commercial property, with a view to divest where appropriate;

· create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);

· ensure that any long term treasury investment is supported by a business model;

· a requirement to effectively manage liquidity and longer term cash flow requirements;

· amendment to the Treasury Management Practices to address Environmental, Social and Governance policy within the treasury management risk framework;

· amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

7.2 **Balanced budget requirement** - the Councils comply with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

7.3 For social policy purposes, the Councils both hold deferred shares in the local Credit Union, Boom. Boom approached the Councils with a request to hold and invest some of Boom's funds in order to mitigate their treasury management investment risk. The Councils approved this through the Mid Year Review of Treasury Management. Boom's management has indicated that there is likely to be a request to lend around £2m to Worthing Borough Council, on mutually beneficial terms.

8. ENGAGEMENT AND COMMUNICATION

8.1 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 2019, and which defines the respective roles of the client and provider authorities for a period of three years.

8.2 The treasury management team also entered into a Service Level Agreement with Arun District Council to provide treasury services for three years from 1st March 2021

8.3 Information and advice is supplied throughout the year by Link Group, the professional consultants for the Councils' shared treasury management service.

9. FINANCIAL IMPLICATIONS

9.1 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.

10. LEGAL IMPLICATIONS

10.1 The approval and adoption of the Treasury Management Strategy Statement, Annual Investment Strategy, Minimum Revenue Provision Policy and Prudential Indicators is required by regulations issued under the Local Government Act 2003.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2021/22 to 23/24 – Adur Council 18 February 2021 and Worthing Council 23 February 2021

Annual Joint In-House Treasury Management Operations Report 1 April 2020 – 31 March 2021 for Adur District Council and Worthing Borough Council – Joint Governance Committee, 29 July 2021 and Joint Strategic Committee, 7 September 2021

Overall Budget Estimates 2022/23 and Setting of 2022/23 Council Tax Report

Link Asset Services Ltd TMSS Template 2022/23

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2017) and CIPFA Treasury Management Guidance Notes 2018

The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2017)

MHCLG Investment Guidance

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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 2022/23 - 2024/25, submitted and approved before the commencement of the 2022/23 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 A

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

1.1 The Councils' capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Adur District Council

Adur Capital expenditure	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
Non-HRA	12.512	10.270	52.997	2.473	1.862
HRA	5.186	25.666	19.513	5.600	5.600
Commercial property	0.000	0.000	0.000	0.000	0.000
TOTAL	**17.698**	**35.936**	**72.510**	**8.073**	**7.462**

Worthing Borough Council

Worthing Capital expenditure	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
Non-HRA	17.744	52.068	74.896	3.811	3.332
Strategic property	0.000	0.000	0.000	0.000	0.000
TOTAL	**17.744**	**52.068**	**74.896**	**3.811**	**3.332**

1.2 **Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Councils' overall finances. The Councils are asked to approve the following indicators:

Ratio of financing costs to 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.

Adur District Council

Adur	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	%	%	%	%	%
Non-HRA	10.03	14.43	15.83	24.14	22.51
HRA	16.03	23.51	24.89	26.36	26.03
Strategic purchases	(9.93)	(19.10)	(21.91)	(24.07)	(23.56)
TOTAL	**16.13**	**18.84**	**18.81**	**26.43**	**24.98**

WORTHING BOROUGH COUNCIL

Worthing	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	%	%	%	%	%
Non-HRA	4.95	5.50	8.40	8.33	8.36
Commercial activities	(7.82)	(11.87)	(15.39)	(15.78)	(15.09)
TOTAL	**(2.87)**	**(6.37)**	**(6.99)**	**(7.45)**	**(6.73)**

The estimates of financing costs include current commitments and the proposals in this budget report.

HRA Ratio

Adur	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £m	**(60.476)**	**(78.598)**	**(94.111)**	**(95.711)**	**(97.311)**
Number of HRA dwellings	**2537**	**2537**	**2583**	**2630**	**2622**
Debt per dwelling	**£23.8k**	**£31.0k**	**£36.4k**	**£36.4k**	**£37.1k**

1.3 **Maturity structure of borrowing**

These gross limits are set to reduce the Councils' exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. Neither Council has any variable rate borrowing.

The Councils are asked to approve the following treasury indicators and limits:

Adur District Council

Limits to maturity structure of fixed interest rate borrowing 2022/23		
	Lower Limit	**Upper Limit**
Under 12 months	0%	25%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years to 20 years	0%	80%
20 years to 30 years	0%	60%
30 years to 40 years	0%	60%
40 years to 50 years	0%	45%

WORTHING BOROUGH COUNCIL

Limits to maturity structure of fixed interest rate borrowing 2022/23		
	Lower Limit	**Upper Limit**
Under 12 months	0%	35%
12 months to 2 years	0%	40%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	75%
40 years to 50 years	0%	75%

APPENDIX B

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG (now DLUHC) issued Investment Guidance in 2018, and this forms the structure of the Councils' policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the Councils to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, which will apply to all investment activity. In accordance with the Code, the Chief Financial Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of the annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the Councils will use. These are high security (i.e. high credit rating, although this is defined by the Councils, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Councils is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Councils

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Councils have the right to be repaid within 12 months if they wish. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under twelve months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The Uk Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt* with less than one year to maturity)
- Supranational bonds of less than one year's duration*
- A local authority, housing association, parish council or community council
- Pooled investment vehicles (such as money market funds) that have been awarded a AAA rating by Standard and Poor's, Moody's and/or Fitch rating agencies
- A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Councils have set additional criteria to set the time and amount of monies which will be invested in these bodies - see Annexes 1 and 2.

Non-Specified Investments identified for use by the Councils

These are any other type of investment (ie not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Annexes 1 and 2.

Where appropriate, the Councils will seek further advice on the associated risks with non-specified investments.

For credit rated counterparties, the minimum criteria, excepting for the Councils' own banker and the specified building societies, (see below) will be the short-term / long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard and Poor's, Fitch Ratings, being:

Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent
Or
Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

For all investments the Councils will also take into account information on corporate developments of, and market sentiment towards, investment counterparties.

Where appropriate the Ring Fenced entities of banks will be used.

APPENDIX B - ANNEX 1

ADUR DISTRICT COUNCIL - SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Standard Chartered Bank A+	£3m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs Int Bank A+	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty and current rating	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds		Constant Net Asset Value or LVNAV MMFs	to manage liquidity, maximum £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
Share Capital	n/a	West Sussex Credit Union	£0.025m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof, except that this limit may be breached for liquidity purposes for up to 1 week at any time.

NB Investments in AAA rated Money Market Funds are to be used for liquidity purposes - funds should be invested to achieve higher returns wherever possible.

Institution ratings shown are as at 20 December 2021 and are subject to change.

ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
• Deposits with banks and building societies • Certificates of deposit with banks and building societies • Deposits with Local Authorities • The UK Government	√ √ √ √	√ √ √ √	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution £5m No limit	No
Gilts and Bonds: • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ on advice from treasury advisors	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority, such as the Local Authorities' Property Fund	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	£5m	To be confirmed
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

WORTHING BOROUGH COUNCIL SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council
New specified investments will be made within the following limits:

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£5m
Term Deposits/ Call Accounts	UK	Santander UK A+	£4m
Term Deposits/ Call Accounts	UK	Bank of Scotland/ Lloyds (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Barclays (RFB) A+	£4m
Term Deposits/ Call Accounts	UK	Clydesdale A-	£4m
Term Deposits/ Call Accounts	UK	HSBC (RFB) AA-	£4m
Term Deposits/ Call Accounts	UK	Standard Chartered Bank A+	£3m
Term Deposits/ Call Accounts	UK	Close Brothers Ltd A-	£4m
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland/Nat West Group (RFB) A+	£4m
Term Deposits/ Call Accounts	Australia - AAA	National Australia Bank Ltd A+	£3m
Term Deposits/ Call Accounts	US - AAA	JP Morgan Chase Bank NA AA	£3m
Term Deposits/ Call Accounts	UK	Handelsbanken plc AA	£4m
Term Deposits/ Call Accounts	UK	Goldman Sachs Int Bank A+	£3m
Gilts	UK	Debt Management Office (DMO)	£3m or 25% of funds

Instrument	Country and sovereign rating	Counterparty	Max'm exposure limit £m and/or %
Bonds	EU	European Investment Bank/ Council of Europe	£3m or 25% of funds
AAA rated Money Market Funds		Constant Net Asset Value or LVNAV MMFs	£9m or 25% of funds (the limit may be exceeded for up to 7 days), max £3m per fund
Other MMFs and CIS	UK	Collective Investment Schemes	25%
Term Deposits	UK	Nationwide BS A	£4m
Term Deposits	UK	Yorkshire BS A-	£2m
Term Deposits	UK	Coventry BS A-	£2m
Term Deposits	UK	Skipton BS A-	£2m
Term Deposits	UK	Leeds BS A-	£2m
*Term Deposits	UK	Worthing Homes (10 year loan)	£10m
*Term Deposits	UK	GB Met (20 year loan)	£5m
Share Capital	n/a	West Sussex Credit Union	£0.05m deferred shares
Share Capital	n/a	Local Capital Finance Co (Municipal Bonds Agency)	£0.05m
Temporary Loans	n/a	Worthing Leisure Trust	£0.5m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.
NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof, except that this limit may be breached for liquidity purposes for up to 1 week at any time.
* These loans are for more than 1 year, therefore are "unspecified", but are included here as they have been approved by Council.
Institution ratings shown are as at 20 December 2021 and are subject to change.

WORTHING BOROUGH COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
• Deposits with banks and building societies • Certificates of deposit with banks and building societies • Deposits with Local Authorities • The UK Government	√ √ √ √	√ √ √ √	5 years	The higher of £8m or 50% of funds, maximum of £2m per institution £5m No limit	No
Gilts and Bonds: • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds, maximum of £3m per fund	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes

WORTHING BOROUGH COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Yes
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority, such as the Local Authorities' Property Fund	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	£5m	To be confirmed
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

3. The Council's own banker may also be used if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible.

APPENDIX C

COUNTERPARTIES WHERE THE COUNCILS HAVE OPTED UP TO PROFESSIONAL INVESTOR STATUS

(i) **Money Market Funds**

Invesco
Federated Investors
CCLA
Black Rock
HSBC ESG Fund

(ii) **Building Societies**

Skipton Building Society
Coventry Building Society
Leeds Building Society
Nationwide Building Society
Yorkshire Building Society

(iii) **Brokers**

BGC (Sterling)
Tradition
ICAP
Imperial

(iv) **Other**

ICD (Portal used for money market fund investments)
Link Group

These arrangements will be regularly reviewed as appropriate.

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual Treasury Management Strategy Statement and Annual Investment Strategy
- approval of MRP Statement

(ii) **Joint Strategic Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) **Joint Governance Committee**

Receiving and reviewing the following, and making recommendations to the Joint Strategic Committee

- the Treasury Management Strategy Statement and regular monitoring reports on compliance with the Treasury Management Strategy, practices and procedures.

(iv) **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

APPENDIX D

TREASURY MANAGEMENT SCHEME OF DELEGATION

The revised CIPFA Treasury Management and Prudential Codes have extended the functions of the S151 role in respect of non-financial investments

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable and affordable in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authorities
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

APPENDIX E

Prospects for interest rates

The Councils have appointed Link Group as their treasury advisor and part of their service is to assist the Councils to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.

3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

· There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

    § **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)

    § **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)

    § **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)

    § **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)

    § **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

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