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ADUR & WORTHING
COUNCILS

15 March 2023

Joint Audit and Governance Committee	
Date:	**23 March 2023**
Time:	**6.30 pm**
Venue:	**Gordon Room, Town Hall, Worthing**

Committee Membership:

Adur District Council: Councillors; Andy McGregor (Adur Chair), Rob Wilkinson (Adur Vice-Chair), Catherine Arnold, Tony Bellasis, Kevin Boram, Lee Cowen, Gabe Crisp and Jim Funnell

Worthing Borough Council: Councillors; Mike Barrett (Worthing Chairman), Dan Hermitage (Worthing Vice-Chairman), Ibsha Choudhury, Rita Garner, Charles James, Nigel Morgan, Steve Waight and Andy Whight

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 24 January 2023, 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 **12:00pm noon on Monday 20 March 2023** to Democratic Services, democratic.services@adur-worthing.gov.uk

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

5. Members' Questions

Councillors who are not members of this committee can ask questions under CPR 12 Questions should be relevant to the committee where the question is being asked and also relevant to an item on the agenda. Please contact Democratic Services for more information

Members' question time is 30 minutes and questions should be submitted no later than **12:00pm noon on Monday 20 March 2023**.

6. Items Raised under Urgency Provisions

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

7. Annual Audit Results Report (Pages 5 - 106)

To consider a report by the Director of Digital, Sustainability & Resources copy attached as item 7.

8. Internal Audit Progress Report (Pages 107 - 136)

To consider reports from the Director for Digital, Sustainability & Resources, copies attached as item 8.

9. 2023/24 Internal Audit Plan (Pages 137 - 148)

To consider reports from the Director for Digital, Sustainability & Resources, copies attached as item 9

10. Statement of Accounts 2021/22 for Adur District Council and Worthing Borough Council (Pages 149 - 436)

To consider reports from the Director for Digital, Sustainability & Resources, copies attached as item 10.

11. Adur Homes Compliance with Housing Regulator Standards (Pages 437 - 610)

To consider reports from the Director for Communities, copies attached as item 11.

12. Strategic Property Investment Fund - Annual Commercial Property Investment Strategy 2022/23 (Pages 611 - 652)

To consider reports from the Director for the Economy, copies attached as item 12

13. The Councils' Surveillance Powers, Policy and Procedures (RIPA) (Pages 653 - 678)

To consider reports from the Director for Digital, Sustainability & Resources, copies attached as item 13.

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 on the Council's website. This meeting will remain 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:
Simon Filler Democratic Services Officer 01903 221438 simon.filler@adur-worthing.gov.uk	Joanne Lee Head of Legal Services and Monitoring Officer 01903 221134 joanne.lee@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: Three 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 District Council
Audit results report

Year ended 31 March 2022

March 2023

Building a better working world

Agenda Item 7

13 March 2023

Adur District Council
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

Dear Joint Governance Committee Members

2021/22 Audit results report

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 Committee at its meeting scheduled for 23 March 2023 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 2021/22 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 23 March 2023.

Yours faithfully

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

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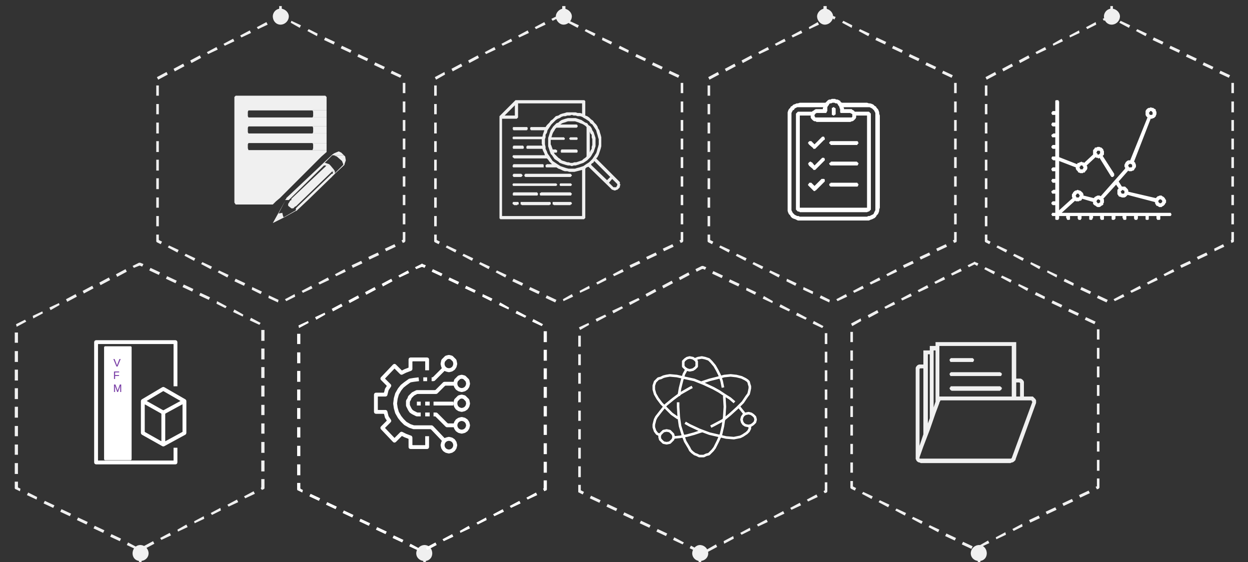


05 Value for Money
06 Other Reporting Issues
07 Independence
08 Appendices

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 presented to the September 2022 Joint Governance Committee meeting, 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.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Finalisation of PPE valuations work
- Final review of completed audit procedures
- Receipt and review of the final version of the financial statements
- Update of subsequent events procedures to the date of our opinion
- Receipt and review of the letter of representation

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

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 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 Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had 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 since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment 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).

Executive Summary

Audit differences

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £177.5k. This has not been adjusted in the financial statements.

We have identified one item which has been corrected by management:

1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m. Similarly, Surplus assets increased in value by £829k for the same reason.

We will provide the Joint Governance Committee with a verbal update on any further audit differences on 23 March 2023.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Adur District 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 (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure within the Revenue Expenditure Funded from Capital Under Statute balance. We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Assets Held For Sale (AHFS) under Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held-for-sale valued on an EUV of FV basis. Our expert reviewed the valuation of 6 properties, and found 5 to be within the expected range. Adur Civic Centre was considered to be outside the expected range as managements specialist had based their valuation on an offer for the purchase of the asset which has been rescinded. We are working with management and valuation experts to agree a revised valuation for this asset. The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures. In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k.
Valuation of Investment Properties (IP) under Fair Value (FV)	In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £1.61m. Subject to final review, our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value.

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of land and buildings under a depreciated replacement cost basis.
Valuation of Housing Revenue Account (HRA) properties	Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.
Infrastructure assets	Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate. We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

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 or Management.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

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) 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 did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Undertook processes to understand 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.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings, council dwellings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No indication of fraud has been identified.

Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition, through 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.

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statue (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £9.5m in the 2021/22 unaudited financial statements.

REFCUS: totalled £1.28m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.

Significant risk

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

Areas of Audit Focus

Significant risk

What is the status of our work?
In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k. We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held for sale valued on an EUV of FV basis. Our expert reviewed the valuation of 6 properties, and found 5 to be within the expected range. Adur Civic Centre was considered to be outside the expected range as managements specialist had based their valuation on an offer for the purchase of the asset which has been rescinded. We are working with management and valuation experts to agree a revised valuation for this asset. The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures. We are therefore satisfied that subject to suitable resolution of the Civic Centre revaluation, the is no evidence of material misstatement associated with the valuation of land and buildings valued on an Existing Use Value or Fair Value basis, and assets held-for-sale on a Fair Value basis.

Significant risk

Valuation of Investment Properties (IP) under Fair Value (FV)

What is the risk?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £81.139m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

Areas of Audit Focus

Significant risk

What is our conclusion?
Our testing is complete but subject to review. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m. Our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated 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 2022, the value of PPE under DRC was £18.9m based on the unaudited financial statements.	We: • Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. • Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). • Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets. • Confirmed that as the entire asset base bad been revalued, there was no risk that assets not subject to valuation in 2021/22 driving a misstatement. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. • Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusions?

Subject to review, no material audit differences have been identified from our work to address this area of focus.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Valuation of Housing Revenue Account (HRA) properties The value of HRA properties represents a significant balance 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 which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising dur to market conditions. At 31 March 2022, the value of HRA properties was £198.3m based on the unaudited financial statements.	We: • Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. • Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation. • Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla and Rightmove). • Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach. • Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What are our findings and conclusions?

Subject to review, no material audit differences have been identified from our work to address this area of focus.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Infrastructure Assets In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated. Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.	We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on: • Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised. • Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives. • Testing the accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
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 2022 this totalled £6.1m. 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: • Obtained assurances over the information supplied to the actuary in relation to Adur District 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; • Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The 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, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £177.5k. This has not been adjusted in the financial statements.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Going Concern Disclosure There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.	We: • Challenged management's identification of events or conditions impacting going concern. • Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow. • Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern. • Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

03 Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Adur District Council (the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement
- the related notes 1 to 40.
- Collection Fund and the related notes 1 to 5

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Council 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 Council'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,

Draft audit report

Our opinion on the financial statements

this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Narrative Statement set out on pages 3-32, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts.

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.

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 Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Draft audit report

Our opinion on the financial statements

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has 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.

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 [applicable to authorities that are responsible for education within their jurisdiction, Local education authorities],
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003
- National Health Service Act 2006
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012.
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council 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.

Draft audit report

Our opinion on the financial statements

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, the 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 Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. 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 Council'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 Misstatements due to fraud or error

(management override) and the risk of fraud in revenue and expenditure recognition, through

inappropriate capitalisation of revenue expenditure to be our fraud risks.

To address our fraud risk of Misstatements due to fraud or error (management override), 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.

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 has been genuine.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Draft audit report

Our opinion on the financial statements

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) 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 (as amended) 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
March 2023

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements and adjustments greater than £57.8k which have been corrected by management:

- Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m.

Uncorrected misstatements are shown on the next slide.

Audit Differences

Summary of unadjusted differences

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 2022 (£'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:						
• Council's IAS 19 Pension Liability was understated as balance in financial statements is based upon estimated figures rather than actual.	177,532					(177,532)
Balance sheet totals	177,532					(177,532)
Cumulative effect of uncorrected misstatements	177,532					(177,532)

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022

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.

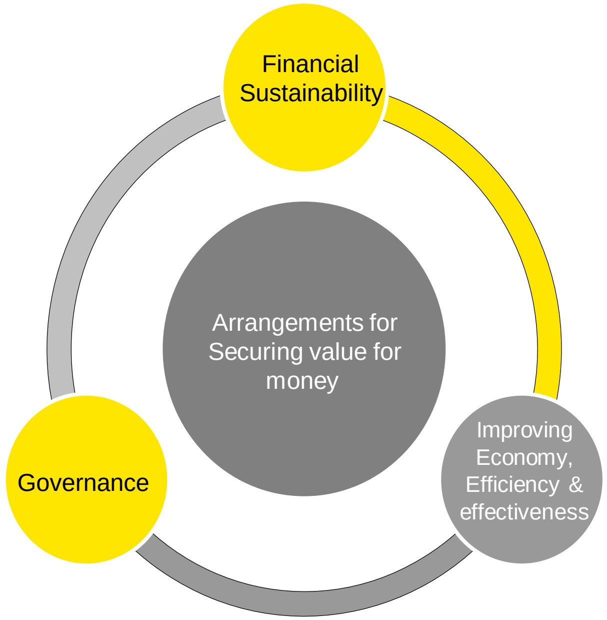
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had 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 since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

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 April 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 2021/22 with the audited financial statements. Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent 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. 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 performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

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 Authority 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 no matters to report.

07 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 Council, 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 2021 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 next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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.

We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 2022:

EY UK 2022 Transparency Report | EY UK

Independence

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	37,054	37,054	37,054
Total agreed fees:			
PSAA expected additional minimal core fees (Note 1):			
• VFM	TBC	6,000	6,012
• ISA 540 accounting estimates		2,500	2,509
2020/21 scale fee variation determined by PSAA excl VFM / ISA 540 (Note 2)	N/A	N/A	37,389
2021/22 fee variation (Note 3)	TBC	TBC	N/A
Total Proposed Fees	TBC	TBC	82,964
Housing Benefit Claim Certification Fees	TBC	TBC	40,030

We have updated the table above to reflect the actual scale fee variation determined by the PSAA for 2020/21.

(1) 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. In the absence of alternate information, we have included the same minimum fees in 2021/22.

(2) In June 2022, PSAA determined the additional fee for reoccurring relating to changes in the scope of auditor work excluding VFM and ISA540.

(3) The additional fee for 2021/22 and any other specific costs incurred will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.

08 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 – September 2022 Joint Governance Committee.
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 – September 2022 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

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	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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	Audit Planning Report – September 2022 and Audit Results Report – March 2023 Joint Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Joint Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Valuation of Land and Buildings	EY and management / specialist to agree revised valuation for Adur Civic Centre	EY, management and specialist.
Final review of completed audit procedures	EY to complete	EY
Receipt and review of the final version of the financial statements	Council to prepare final version of accounts	Management and EY
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY
Receipt and review of the letter of representation	Council to prepare letter on headed paper	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
[Address]

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 2022. 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 2022 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 2021/22.

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 2021/22.

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 2021/22, 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 2021/22, 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. and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

Management representation letter

Management Rep Letter

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 improprieties;

• 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.and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Council and Joint Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the 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 2021/22.

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.

Appendix C

Management representation letter

Management Rep Letter

7. From the date of our last management representation letter or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

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 Note [X] to 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. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 Report and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 , aligned with the statements we have made in the other information or other public communications made by us.

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.

Management representation letter

Management Rep Letter

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.

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Use of the Work of a Specialist

When the Council has used the work of a specialist, we may include the following representation:

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

Estimates

Valuation of Land and Buildings, Investment Properties and Council Dwelling Estimate

1. We confirm that the significant judgments made in making the valuation of land and buildings, investment properties and council dwellings estimate 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 valuation of land and buildings, investment properties and council dwellings estimate.

3. We confirm that the significant assumptions used in making the valuation of land and buildings, investment properties and council dwellings estimate appropriately reflect our intent and ability to provide an accurate valuation of the Council's land, buildings, investment properties and council dwellings on behalf of the entity.

4. We confirm that the disclosures made in the Council 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings, investment properties and Council dwellings estimate.

6. We confirm that no adjustments are required to the accounting estimates and

Appendix C

Management representation letter

Management Rep Letter

including due to the COVID-19 pandemic.

IAS 19 Pensions Liability Estimate

1. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate 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 IAS 19 pensions liability estimate.

3. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Council's pensions liability on behalf of the entity.

4. We confirm that the disclosures made in the Councils 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pensions Liability estimate.

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.

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,

____

(Chief Financial Officer)

____

(Chair of the Joint Governance Committee)

EY | Assurance | Tax | Transactions | Advisory

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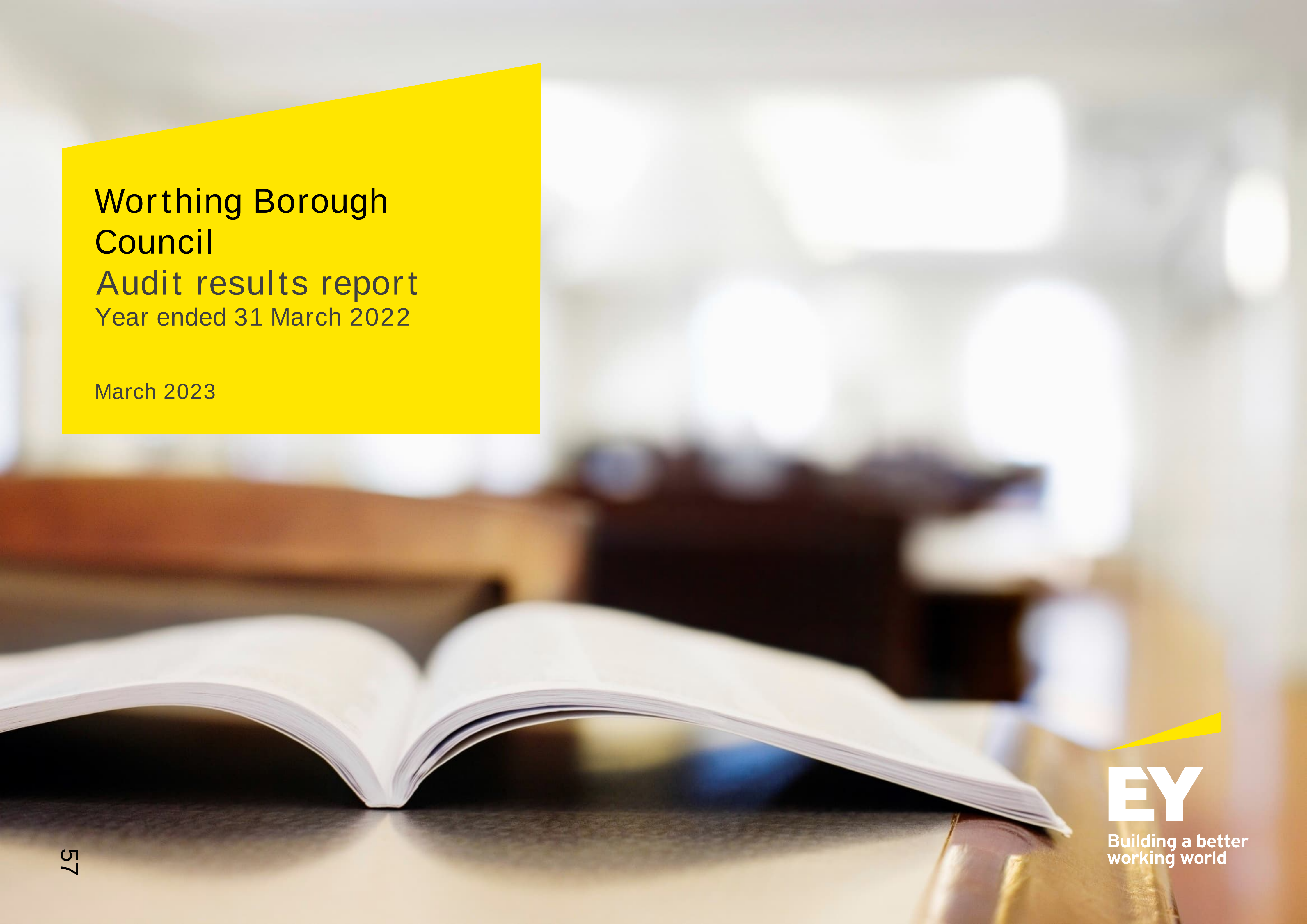
Worthing Borough Council

Audit results report

Year ended 31 March 2022

March 2023



13 March 2023

Worthing Borough Council
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

Dear Joint Governance Committee Members

2021/22 Audit results report

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 Committee at its meeting scheduled for 23 March 2023 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 2021/22 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 23 March 2023.

Yours faithfully

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

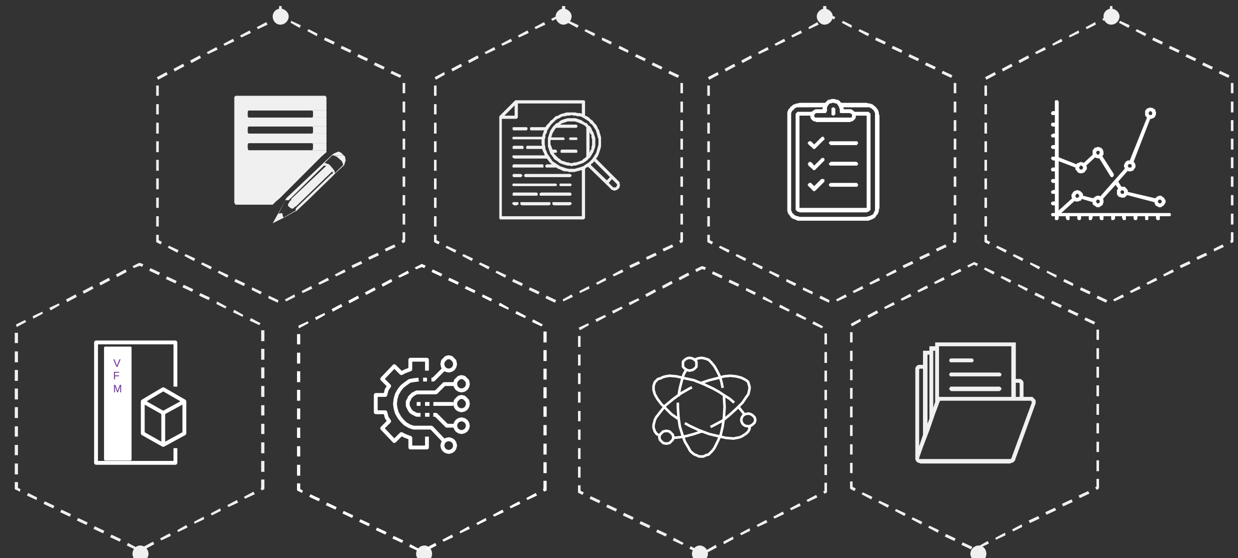
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Value for Money

06 Other Reporting Issues

07 Independence

08 Appendices

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 presented to the September 2022 Joint Governance Committee meeting, 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.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Finalisation of PPE valuations work
- Final review of completed audit procedures
- Receipt and review of the final version of the financial statements
- Update of subsequent events procedures to the date of our opinion
- Receipt and review of the letter of representation

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

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 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 Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had 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 since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment 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).

Executive Summary

Audit differences

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £202.2k. This has not been adjusted in the financial statements.

We have identified two item which has been corrected by management:

1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £587k. Similarly, Surplus assets increased in value by £739k.
2. Our PPE valuation testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m.

We will provide the Joint Governance Committee with a verbal update on any further audit differences on 23 March 2023.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Worthing Borough 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 (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure within the Revenue Expenditure Funded from Capital Under Statute balance. We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Assets Held For Sale (AHFS) under Fair Value (FV)	Our testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m. This has been corrected in the final version of the financial statements. Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of land and buildings under Existing Use Value (EUV) or Fair Value (FV) and Assets Held For Sale (AHFS) under Fair Value (FV) a depreciated replacement cost basis. In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £739k.
Valuation of Investment Properties (IP) under Fair Value (FV)	In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £587k. We employed EY Real Estate to review the valuation of 5 investment properties held under fair value. We await their final valuation report. Subject to final review, the detailed testing undertaken by the local audit team did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value.

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of land and buildings under a depreciated replacement cost basis.
Infrastructure assets	Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate. We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

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 or Management.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

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) 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 did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Undertook processes to understand 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.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings, council dwellings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No indication of fraud has been identified.

Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition, through 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.

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statue (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £23.9m in the 2021/22 unaudited financial statements.

REFCUS: totalled £2.1m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.

Areas of Audit Focus

Significant risk

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.
PPE assets valued on an EUV/FV basis totalled £80.3m in 2021/22 based on the unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

Areas of Audit Focus

Significant risk

What is the status of our work?
In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £739k. The local audit team tested a sample of assets back to supporting information. Our testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m. This has been corrected in the final version of the financial statements. We did not identify any other misstatements. There is no evidence of material misstatement associated with the valuation of land and buildings valued on an Existing Use Value or Fair Value basis, and assets held-for-sale on a Fair Value basis.

Significant risk

Valuation of Investment Properties (IP) under Fair Value (FV)

What is the risk?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £76.4m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

Areas of Audit Focus

Significant risk

What is our conclusion?
In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £587k. We employed EY Real Estate to review the valuation of 5 investment properties held under fair value. We await their final valuation report. Subject to final review, the detailed testing undertaken by the local audit team did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated 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 2022, the value of PPE under DRC was £65.2m based on the unaudited financial statements.	We: • Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. • Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). • Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets. • Confirmed that as the entire asset base bad been revalued, there was no risk that assets not subject to valuation in 2021/22 driving a misstatement. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. • Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusions?

Subject to review, no material audit differences have been identified from our work to address this area of focus.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Infrastructure Assets In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated. Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.	We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on: • Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised. • Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives. • Testing the accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
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 2022 this totalled £7.7m. 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: • Obtained assurances over the information supplied to the actuary in relation to Worthing Borough 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; • Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The 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, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, increases the reported pensions liability and debit balance on the negative pensions reserve by £202.2k. This has not been adjusted in the financial statements.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Going Concern Disclosure There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.	We: • Challenged management's identification of events or conditions impacting going concern. • Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow. • Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern. • Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

Opinion

We have audited the financial statements of Worthing Borough Council (the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

• give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Council 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 Council's ability to continue as a going concern for a period of twelve 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 Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other

Draft audit report

Our opinion on the financial statements

information contained within the Statement of Accounts 2021/22.

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.

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 Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines 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 Financial Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

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

Draft audit report

Our opinion on the financial statements

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.

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,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012.
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council 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 and 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, the 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 Council's committee minutes, and through enquiry of employees to confirm Council policies. 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 Council'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 misstatements due to fraud or error (management override) and the risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure to be our fraud risks.

Draft audit report

Our opinion on the financial statements

To address our fraud risk of misstatements due to fraud or error (management override), 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.

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.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 (as amended) to satisfy ourselves that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

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.

Draft audit report

Our opinion on the financial statements

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 (as amended) 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
March 2023

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements and adjustments greater than £72.6k which have been corrected by management:

1. Our PPE valuation testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Councils specialist valuer which suggests the valuation of the asset is overstated by £1.09m.

Uncorrected misstatements are shown on the next slide.

Audit Differences

Summary of unadjusted differences

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 2022 (£'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:						
• Council's IAS 19 Pension Liability was understated as balance in financial statements is based upon estimated figures rather than actual.	202,500					(202,500)
Balance sheet totals	202,500					(202,500)
Cumulative effect of uncorrected misstatements	202,500					(202,500)

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022

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.

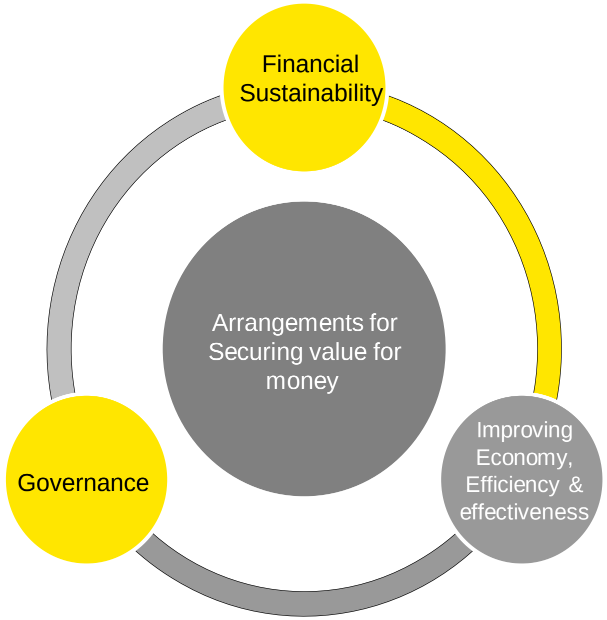
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had 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 since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

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 April 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 2021/22 with the audited financial statements. Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent 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. 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 performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

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 Authority 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 no matters to report.

07 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 Council, 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 2021 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 next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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.

We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 2022:

EY UK 2022 Transparency Report | EY UK

Independence

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	36,311	36,311	36,311
Total agreed fees:			
PSAA expected additional minimal core fees (Note 1):			
• VFM	TBC	6,000	6,071
• ISA 540 accounting estimates		2,500	2,541
2020/21 scale fee variation determined by PSAA excl VFM / ISA 540 (Note 2)	N/A	N/A	39,941
2021/22 fee variation (Note 3)	TBC	TBC	N/A
Total Proposed Fees	TBC	TBC	84,864
Housing Benefit Claim Certification Fees	TBC	TBC	27,510

We have updated the table above to reflect the actual scale fee variation determined by the PSAA for 2020/21.

(1) 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. In the absence of alternate information, we have included the same minimum fees in 2021/22.

(2) In June 2022, PSAA determined the additional fee for reoccurring relating to changes in the scope of auditor work excluding VFM and ISA540.

(3) The additional fee for 2021/22 and any other specific costs incurred will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.

08 Appendices

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 – September 2022 Joint Governance Committee.
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 – September 2022 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

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	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix A

Required communications	What is reported?	Our Reporting to you: When and where
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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	Audit Planning Report – September 2022 and Audit Results Report – March 2023 Joint Governance Committee.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Joint Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.
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 – March 2023 Joint Governance Committee.

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Valuation of Land and Buildings	EY and management / specialist to agree revised valuation for Worthing Civic Centre	EY, management and specialist.
Final review of completed audit procedures	EY to complete	EY
Receipt and review of the final version of the financial statements	Council to prepare final version of accounts	Management and EY
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY
Receipt and review of the letter of representation	Council to prepare letter on headed paper	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
[Address]

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 2022. 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 2022 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 2021/22.

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 2021/22.

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 2021/22, 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 2021/22, 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. and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

Appendix C

Management representation letter

Management Rep Letter

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 improprieties;

• 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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Council and Joint Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the 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 2021/22.

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.

Management representation letter

Management Rep Letter

7. From the date of our last management representation letter or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

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 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. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 , aligned with the statements we have made in the other information or other public communications made by us.

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.

Appendix C

Management representation letter

Management Rep Letter

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.

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Use of the Work of a Specialist

When the Council has used the work of a specialist, we may include the following representation:

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

Estimates

Valuation of Land and Buildings and Investment Properties Estimate

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment properties estimate 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 valuation of land and buildings and investment properties estimate.

3. We confirm that the significant assumptions used in making the valuation of land and buildings, investment properties and council dwellings estimate appropriately reflect our intent and ability to provide an accurate valuation of the Council's land, buildings and investment properties on behalf of the entity.

4. We confirm that the disclosures made in the Council 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

Management representation letter

Management Rep Letter

IAS 19 Pensions Liability Estimate

1. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate 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 IAS 19 pensions liability estimate.
3. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Council's pensions liability on behalf of the entity.
4. We confirm that the disclosures made in the Councils 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pensions Liability estimate.
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.

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,

____

(Chief Financial Officer)

____

(Chair of the Joint Governance Committee)

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Joint Audit & Governance Committee

23rd March 2023

ADUR & WORTHING COUNCILS

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT

REPORT BY THE HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

1.1 This report provides an update on Internal Audit progress and key findings to the Committee.

2. Recommendations

2.1 Recommendation One

That the report be received and progress against the 2022-23 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

2.2 **Recommendation Two**

That Members consider whether there are further updates from officers on particular issues that they would like provided at the next meeting.

3. Context

3.1 Background

<u>**Progress**</u>

Each quarter, a report is produced for the Joint Governance Committee (Committee) which details the Internal Audit Section's performance against the Annual Internal Audit Plan as well as a summary of work carried out in the period. Internal Audit Services to the Councils, including the role of the Head of Internal Audit is outsourced to Mazars LLP.

Attached as Appendix A is the Internal Audit Progress Report.

4 Issues for Consideration

4.1 Follow-Up of Housing Recommendations

As reported in November 2022 to the Committee, the Councils' Housing Service has been undergoing a Transformation Project since January 2020. Housing Management have confirmed that the actions required to address outstanding audit recommendations will be taken as part of this project and agreement was made between the Director for Digital, Resources and Sustainability, the Chief Financial Officer, previous Head of Internal Audit, and Head of Housing and Transformation Manager that an "amnesty" on the follow up of outstanding housing recommendations will be implemented to allow the Transformation Project to be completed.

All outstanding housing recommendations have therefore been removed from our ongoing progress reporting. Once the Transformation Project is complete a detailed follow-up will be completed to confirm the implementation of all of these recommendations which is aimed to start in Q4 of 2023/24.

5 Engagement and Communication

5.1 Internal Audit hold monthly meetings with the Chief Financial Officer on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary.

6 Financial Implications

6.1 There may be financial implications regarding implementing internal audit recommendations depending on the nature of the area and recommendations made. However, any such implications are considered by Management as part of the consideration of the recommendations raised. Some audit recommendations are also designed to improve value for money and financial control.

7. Legal Implications

7.1 There are no legal matters arising as a result of this report.

Background Papers

None

Officer Contact Details:

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Graeme Clarke
Head of Internal Audit, Partner, Mazars LLP
graeme.clarke@mazars.co.uk

Juan Fosco
Internal Audit Manager, Mazars LLP
juan.fosco@mazars.co.uk

Sustainability & Risk Assessment

1. Economic

1.1 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

Internal Audit identifies weaknesses in the control environment. Therefore, implementing recommendations improves the control environment and hence the risk management.

mazars

Adur District & Worthing Borough Councils

Internal Audit Progress Report

March 2023

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Adur District & Worthing Borough Councils (Councils), and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the Councils, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Further details are provided in Appendix A5, "Statement of Responsibility"

01 Introduction

Internal Audit is required to provide a quarterly report on progress and key findings to the Joint Audit and Governance Committee (Committee).

This report covers internal audit activity and performance since our last report to the Committee in November 2022 and includes:

• An update on progress in delivering the 2022/23 Plan;

• A summary of audit reports issued and high priority recommendations raised; and

• An update on follow-up activity and any recommendations outstanding for implementation.

02 Internal Audit Progress

The Committee considered and approved the 2022/23 Internal Audit Plan (Plan) on 22 March 2022.

The Plan provided for 27 internal audits totalling 515 days, including 55 days for IT audits, 45 days for Contract audit and 40 days for management which includes the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

Since our last report presented in November 2022, the following Plan changes have been made:

- *Invoicing of Housing Services – Housing Repairs (Contractors)* – Added to the Plan at the request of the Head of Housing and in agreement with the CFO. However, this audit did not start in Q4 as planned due to the Housing Transformation Programme taking place and the team's resources being constrained. This audit has been deferred to the 2023/24 IA Plan.
- *Invoicing of Housing Services – EATA* – Added to the Plan at the request of the Head of Housing and in agreement with the CFO. However, this audit did not start in Q4 as planned due to the Housing Transformation Programme taking place and the team's resources being constrained. This audit has been deferred to the 2023/24 IA Plan
- *Councils response and impacts of Welfare Reform & Cost of Living:* The Director of Communities requested to focus on Discretionary Housing Payments. These payments are managed by the Councils' Revenues Team who are in their busiest season including annual billing. This audit has been deferred to the 2023/24 IA Plan

The impact of the changes above (and those previously reported to the Committee) mean that the Plan now contains 20 reviews totalling 382 days.

The table below provides a summary of current progress relevant to the 2022/23 Plan:

Audit Status	Number of reviews	Percentage %
Finalised/complete	6	31%
Draft report	4	21%
Fieldwork complete & audit under review	2	11%
Fieldwork in progress	5	26%
Not yet started	2*	11%
Total	**19**	**100%**

**Risk Management (start date 6 March 2023) and Adur Leisure Contract Management (start date 13 March 2023)*

For reference, additional detail of the audits, progress and timings, is included in Appendix A1 of this report.

03 Audit Reports Issued

We have four categories by which we classify internal audit assurance over the processes we examine: Full, Satisfactory, Limited or None.

Internal Audit categorises recommendations as Priority 1, 2 or 3 to differentiate between the types of recommendation made. These categories give management an indication of the importance and urgency of implementing the recommendations. Details on our Assurance Definitions are contained within Appendix A4.

The table below lists the internal audits for which final reports were issued since our last report to the Committee.

Internal Audit Title	Assurance Level	Plan Year	Previously Reported in Annual Report √ / X
Fire Safety – Commercial Provision	Satisfactory	2022/23	X
Recruitment and Selection	Satisfactory	2022/23	X
Self-Isolation Grants	Full	2022/23	X

No Priority 1 recommendations were raised in these reports. Further details of the recommendations raised in each of these reports can be found in the summary briefing provided separately to Members.

04 Follow-Ups

Since the last Committee meeting, the Councils' Audit App has continued to be populated with new recommendations from finalised internal audit reports.

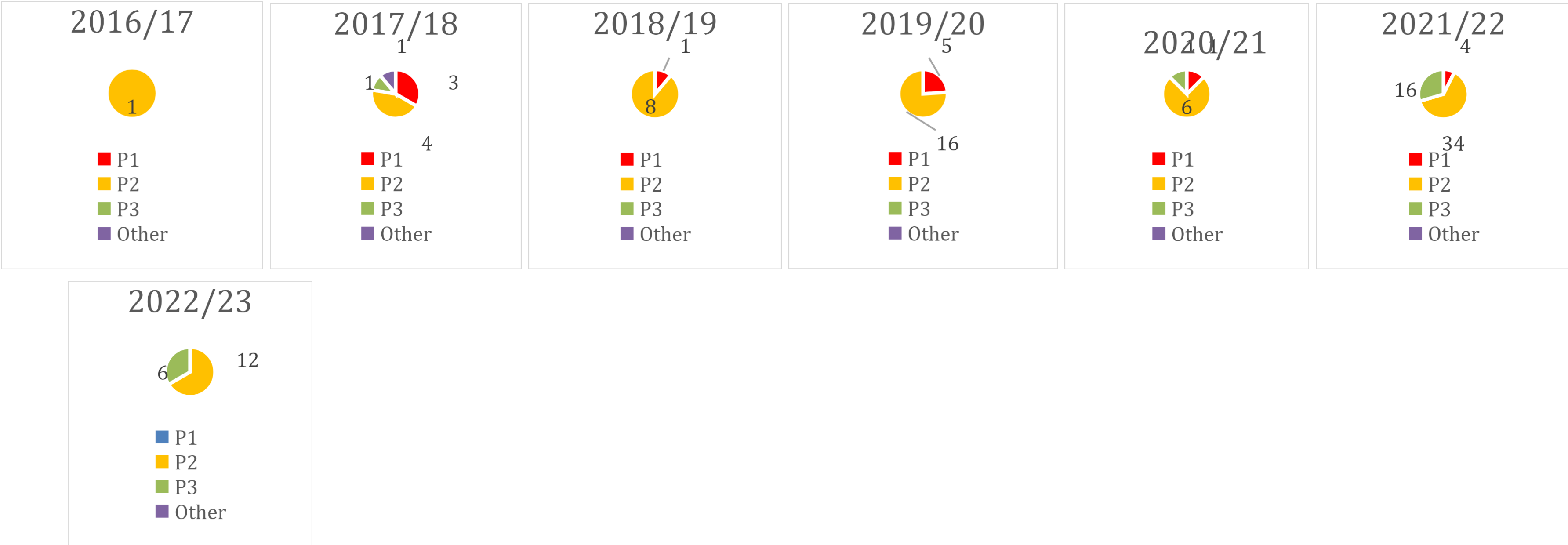
Follow-up audits are undertaken to ensure that all the recommendations/issues raised have been successfully resolved according to the action plans agreed with the service managers. The Councils' target for internal audit recommendations/issues to be resolved at the time of the follow-up is 100% for priority 1 recommendations/issues and 80% for all priority 2 & 3 recommendations/issues.

Performance Objective	Target	Performance (to date)						
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23

Percentage of Priority 1 actions implemented	100%	100%	92%	94%	71%	75%	0%	0%
Number of Priority 1 recommendations (for reference)		17	37	18	17	4	4	0
Percentage of all actions implemented	80%	100%	94%	95%	81%	86%	17%	5%

Specific details on follow-up performance are included in the briefing note provided separately to Members.

Outstanding Recommendations by Priority Level (including Housing)



In addition to monitoring management updates on progress within the Audit App, Internal Audit can undertake spot checks to confirm that recommendations are being implemented in practice. A Follow Up Protocol is in place which contains a procedure to escalate recommendations that have not been implemented as agreed to this Committee where necessary.

As at production of this report, which includes recommendations from the finalised reports detailed above, there are 120 recommendations due for follow-up (split 14 P1, 81 P2, 24 P3 and 1 other), of these 59 are overdue (split 10 P1, 41 P2, 7 P3 and 1 other).

Within these 120 recommendations are 31 which relate to Housing and which, as detailed in paragraph 4.1 of the covering report, these are being progressed through the Housing Transformation Project and which will actively be monitored until completion of that project. These 31 recommendations, detailed within Appendix A2 of this report, are split 8 P1, 22 P2 and 1 P3 and 30 are overdue (7 P1, 22 P2 and 1 P3).

Further detail of the three overdue Priority 1 recommendations (excluding Housing) is included in Appendix A3 of this report.

A1 Current Status – 2022/23 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Community Infrastructure Levy	**Final**	Satisfactory	-	1	1
Housing Complaints	**Draft**				
Recruitment and Selection	**Final**	Satisfactory	-	3	2
Self-Isolation Grants	**Final**	Full	-	-	-
Information Governance	**Draft**				
Commercial Waste	**Draft**				
Fire Safety – Commercial Provision	**Final**	Satisfactory	-	4	2
BEIS Grants - Post Assurance Plan work	**Work complete**	N/A - Advisory	-	-	-
Creditors	**Draft**				
Key controls testing – continuous testing	**In Progress**				
Governance of Property Disposals	**Work complete and under review**				
Economic Development - Small Business Growth Grants & Apprenticeship Grants	**Work complete and under review**				
Safety of Commercially Leased Buildings	**In Progress**				
Markets	**Work complete and under review**				
Risk Management	**Starts 6 March 2023**				
Invoicing of Housing Services – Emergency & Temporary Accommodation	*Postponed to 2023/24 Plan*				
Councils' response and impacts of Welfare Reform, Cost of Living, Covid-19	*Postponed to 2023/24 Plan*				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Carbon Reduction Programme	*Postponed to 2023/24 Plan*				
Invoicing of Housing Services – Housing Repairs (Contractors)	*Postponed to 2023/24 Plan*				
Civica/Connect HR system	*Postponed to 2023/24 Plan – Reported in November 2022*				
Supply of Affordable housing	*Postponed to 2023/24 Plan – Reported in November 2022*				
Workforce Planning	*Postponed to 2023/24 Plan – Reported in November 2022*				
Contract Audit					
Condition Surveys contract - vertical audit	Audit Cancelled - Reported in November 2022				
Fire Door Contract Management	**In Progress**				
Adur Leisure Contract management	**Starts 13 March 2023**				
Energy Supplier - Procurement & Contract Management	*Postponed to 2023/24 Plan – Reported in November 2022*				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Planned Maintenance Programme	*Postponed to 2023/24 Plan – Reported in November 2022*				
IT					
Device Management	**Final**	Satisfactory	-	4	3
Applications Development	**Draft**				
Digital Strategy	*Postponed to 2023/24 Plan*				
Total			**-**	**12**	**8**

A2 Outstanding Housing Recommendations

Housing Recommendations are being addressed as part of Housing Transformation project - no further follow-up agreed until this project is completed.

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
Rent Collection and Collection of Arrears	**2017/18**	3.2 An alternative solution to the regular payment of housing benefit into the Rent's suspense account for Worthing Emergency Housing before it is allocated out by the Cashiers, should be established.	P3 - Minor Issue	31/03/2018	31/03/2023
Leaseholder Charges	**2017/18**	3.1 The Council should document a Leasehold Management Policy, which outlines the legislative framework (and timescales) within which it is required to operate for the various leasehold functions and services that it provides. The policy should: ● Outline any local policy decisions in respect of the management of leaseholders, recovery of charges etc. and detail how these requirements will be achieved; ● Clearly state how the Council will deal with major repair costs, including outlining the statutory processes that have to be completed and the timescales to ensure the recovery of costs (e.g. invoice or issue S20B notice within 18 months of cost being incurred; and ● State at what level the cost of repairs will be pursued (e.g. minor costs above the £250 legislative rate may not be cost effective for the Council to pursue where there are only a few leaseholders, but if	P1 - Major Issue	30/09/2018	31/03/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		there were several then the costs and effort would be worth it). Once documented, the Policy should be approved by the relevant senior management, member and Committee.			
		3.5 Once the Council's policy re leasehold management has been agreed, and procedures have been reviewed and updated, training should be provided to all relevant staff on how processes should be undertaken, particularly in relation to major works. Evidence should be retained to support training provided, to whom and when.	P2 - Important Issue	30/06/2018	31/7/2023
		3.32 The Council's Policy in respect of options available to leaseholders for payment of major works should be reviewed, approved by ADC Executive and then consistently applied.	P1 - Major Issue	31/03/2019	31/05/2023
		3.33 Once the Major Works Payment Policy has been decided the Council should review how implementing payment loans/arrangements will for major works will be achieved. An agreed process, which reflects policy requirements should be effected to ensure that any future loans/arrangements are correctly actioned. Legal Services and Finance should be involved in any discussions to ensure that all legal and financial requirements are met The agreed process should be formalised in a documented procedure which details the forms that need to be completed, by whom and when and how supporting information/documentation should be retained.	P1 - Major Issue	31/03/2019	30/09/2023
		3.34 Where leaseholders request additional time to pay their invoices, a process should	P2 - Important Issue	31/03/2019	31/03/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		exist for assessing their affordability. Once decided, the method for accessing affordability should be included within the Major Works Payment Options Policy recommended in 3.32 above.			
Gas Safety Inspections	**2017/18**	3.1 The Council should have a documented, approved policy which sets out its' objectives and legal obligations, and how these will be achieved, in respect of the servicing of gas installations within its' properties.	P2 - Important Issue	30/09/2018	22/12/2022
		3.2 Documented procedures should be developed to detail all processes undertaken in respect of gas servicing. Once developed, these procedures should be reviewed and updated regularly and subject to version control. Procedures should be made available to all relevant staff within a central location.	P2 - Important Issue	30/09/2018	31/03/2023
Housing Repairs (Matsoft Process)	**2018/19**	3.8 The process for making variations to works should be documented within a procedure and be available to all relevant staff.	P2 - Important Issue	31/03/2021	31/03/2023
		3.12 Adur Homes Post Inspection requirements should be documented within a Policy.	P2 - Important Issue	31/03/2021	22/12/2022
		3.23 1) The reporting element of the Mats system should be expanded to include the facility for a report on varied jobs to be created. Once established, this report should be run on a regular basis and reviewed by management in order to monitor the overall level and value of variations. 2) Furthermore, management should investigate why the Mats system contains jobs	P2 - Important Issue	30/09/2021	31/03/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		awaiting variation authorisation, which were created as long ago as July 2018 and take corrective action to cancel/close these jobs.			
		3.24 Adur Homes' management should discuss with Digital how the system can be enhanced to require post inspection of repair projects costing over £1,000.	P1 - Major Issue	30/09/2021	22/12/2022
		3.25 Once agreed the requirements of the Inspection Policy will need to be built into the Mats system.	P2 - Important Issue	30/06/2021	22/12/2022
		3.29 Enhancement of the Mats system is required to enable reporting of PIs once agreed.	P2 - Important Issue	30/09/2021	22/12/2022
Rent in Advance/Rent Deposit Scheme	**2019/20**	3.2 The RiA/DG process should be reviewed and the documented procedure updated to reflect the necessary process requirements for this scheme only. In addition, the process to be followed if the applicant is only going to claim DHP should be recorded in a separate procedure. Once updated/generated documented procedures should be dated and be made available to all relevant staff and any procedural changes should be highlighted to staff.	P2 - Important Issue	30/06/2020	30/11/22
		3.3 Every form used in the RiA/RD process which is used to collect the personal data of the client (and/or their family members) needs to be reviewed and a relevant privacy notice added. Furthermore, where personal data is collected and recorded within forms and the Councils	P1 - Major Issue	30/06/2020	30/11/22

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		are relying on a client's consent to process the information then the relevant consent(s) need to be obtained. The Housing Needs Manager should liaise with the Councils' Senior Information Governance Officer (SIGO) in order to effect this.			
		3.11 Relevant debt recovery actions should be taken in respect of all outstanding RiA Debts. Housing Management should be provided by Exchequer Services, with details of those agreements were debts are not being repaid, as agreed, in order that they are aware of such outstanding issues.	P2 - Important Issue	30/06/2020	31/03/2023
		3.12 Performance targets should be set, monitored and reported on a regular basis to senior management & Members.	P2 - Important Issue	31/03/2020	31/03/2023
Regulatory Compliance - Housing	**2019/20**	3.1 The Council should reconcile the different regulatory compliance schedules and timetables with other Council property systems, (such as the property terrier, housing management system etc.) to ensure that all and every single housing property is included in the different regulatory compliance schedules and timetables used to ensure compliance with the various legislative requirements.	P2 - Important Issue	01/06/2021	31/08/2023
		3.2 All regulatory documents should be retained in a central location (Google Drives). Documents known to be held in other locations should be moved to the central repository.	P2 - Important Issue	30/09/2020	31/08/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		Staff should be reminded of this requirement and advised not to retain documents in any other area, particularly within local drives.			
		3.4 Adur Homes should review when the last Asbestos management surveys were undertaken and urgently progress any outstanding ones. Furthermore, the outcomes of the surveys should be recorded and monitored and a monitoring process should be effected to ensure that assessments are undertaken every 12 months.	P1 - Major Issue	01/12/2020	31/08/2023
		3.5 The Electrical Testing spreadsheet should continue be reviewed and updated to ensure it accurately reflects those properties where an inspection has been undertaken with completion dates and outcomes recorded. As noted in rec 3.2 above, certificates obtained from inspections should then be retained in a centralised location.	P2 - Important Issue	01/10/2020	31/08/2023
		3.6 The Council should ensure that appropriate processes are in place to ensure compliance with the LOLER. An internal monitoring record should be developed to ensure that all lifts are maintained/inspected every 6 or 12 months in accordance with requirements. Results of these inspections and/or maintenance visits should be centrally maintained and recorded to allow for any remedial actions to be undertaken in line with	P2 - Important Issue	01/03/2021	31/08/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		recommendations and/or legislation timescales.			
		3.7 Management should monitor and record the outcomes of inspections and/or maintenance visits to ensure any rectification needed is identified. Management should also ensure that any rectifying actions undertaken address the issues originally identified/raised. Where applicable, any documentation (inspection reports, new certificates etc) received which support the completion of rectification works should be retained. Rectification of recommended actions and/or issues identified should be performed in a timely manner and/or in line with established timescales (i.e. recommended by specialists or legislation).	P1 - Major Issue	01/11/2020	31/08/2023
		3.8 Adur Homes should expand the compliance reports produced for the H&S Board to include complete and detailed information for all relevant areas, such as lift safety compliance. This should include any non-compliances in order that immediate follow-up can occur.	P2 - Important Issue	01/12/2020	31/08/2023
Contract Management and Procurement - Housing	**2019/20**	2.1 (i) The Contracts Register should be reviewed for completeness and brought up to date. (ii) A timetable of all contracts that are greater than £100,000 and due to terminate should be produced and the tender evaluation panel and evaluation criteria should be timetabled for agreement and documenting in accordance with the Joint Councils CSOs.	P1 – Major Issue	31/12/2022	31/08/2023

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
		(iii) The Joint Councils CSOs should be updated to stipulate that initial evaluations undertaken by individual tender evaluation panel members should be retained on file.			
Tenancy Management	**2019/20**	2.1 (i) The Tenancy Strategy should be reviewed and updated regularly (i.e. every three years). (ii) Once updated and finalised the new Tenancy Strategy should be made available to all staff and updated on the Adur & Worthing Councils website.	P2 - Important Issue	31/03/2022	30/04/2023
		2.2 Once generated, documented procedures should be dated and be made available to all relevant staff. Procedures should be reviewed and updated annually. (ii) The 'maximising rental income' procedure should also be subject to regular reviews and updated.	P2 - Important Issue	31/03/2022	31/12/2022
		2.3 (i) Management should develop a mechanism to record and maintain appeals processes documentation. (ii) Considerations should also be given to undertake spotchecks ensuring compliance with the process described, including an independent review of appeals cases.	P2 - Important Issue	31/03/2022	31/03/2024
Rent Collection and Recovery of Arrears	**2020/21**	3.2 The rent collection procedure should be updated to reflect the current actions being taken to collect arrears. This should include following the suggested actions on Orchard as well as alternative actions taken when Orchard suggested actions are not considered appropriate.	P2 - Important Issue	30/02/2021	31/12/2022

Audit Title	Audit Plan Year	Recommendation	Priority	Original Deadline	Revised Deadline
Leaseholder Charges	**2020/21**	2.2 Minimum leaseholder service standards, to which the Council commits, should be set and the Leasehold Team should devise KPIs based on the service standards, to allow the standard of service to be more easily monitored and measured. Furthermore, the service standards should be documented within the Leaseholders Handbook.	P2 - Important Issue	31/12/2021	30/05/2023
		2.3 The Council should agree an approach to the way in which leaseholder observations, responses and correspondence are held.	P2 - Important Issue	31/12/2021	31/12/2023

A3 Outstanding Priority 1 Recommendations (Past Implementation Date)

Disaster Recovery 2021/22 - (Final Issued July 2022)

A recommendation related developing a Disaster Recovery Plan is overdue which had an implementation date of December 2022. Members can see details related to this in the briefing reports provided to Members.

Governance of Property Purchases – (Final Issued November 2022)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
2.1 All files relating to property acquisition must be stored in a central location, such as the MATS system that the AMP suggests. Access to this information should then be restricted to relevant officers only. Staff should be reminded that all documentation relating to property acquisitions should only be stored centrally and should not be kept within their email account. Consideration should be given to the introduction of a generic email address which can be used by the Estates Team to receive information relating to commercial property acquisitions so that this issue of documentation being held in individual officers' email archives can be negated.	We were not provided with documentation requested in respect of six of eight property acquisitions since 2019/20 that we selected for testing. We were therefore not able to perform testing to establish whether the purchases were conducted in line with the governance requirements laid down in the CPIF. *Risk*: Non-compliance with the formal governance approach can lead to inappropriate purchases, mismanagement of funds and loss of reputation for the Councils.	Head of Major Projects and Investments – Agreed. Audit Comment – a completion timescale of 31st January 2023 has been added so that implementation of actions can be monitored.	No comments received in the IA App. Raised with CLT.	31/03/2023

Workspaces AW Accommodation Review 2021/22 - (Final Issued November 2022)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
Project Managers should be provided with access to all relevant documentation relating to the project that they are managing, especially when they take over management from a predecessor. Furthermore, the Councils should ensure that sufficient handover occurs where project managers change during delivery of a key projects, in order that corporate knowledge is retained.	Key documents that were requested were not made available for the audit as the new Project Manager could not provide them. *Risk*: Where key documentation cannot be provided or is not available, the governance of the project cannot be demonstrated.	Head of Major Projects and Investments – Accept that requested documentation was not provided. The Councils' policy which states the data management and information management requirements on development projects for all project managers should be complied with. Audit Comment – The issue of central retention of project documentation was raised in the Project Management Final report issued In June 2021 and a priority 1 recommendation raised. This is being addressed by revision to the Project Management Framework (PMF) that will require Project Managers need to allow access for stakeholders to access project information and this should be achieved by creating a shared google document. Heads of Service should ensure that this requirement is communicated to all project managers and compliance confirmed. An implementation timescale has been added in order that		31/03/2023

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
		assessment of whether project documentation is being managed in accordance with the PMF is being achieved. Deadline: 31st January 2023		

A4 Definitions of Assurance

Definitions of Assurance Levels	
Level	**Description**
Full	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Satisfactory	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Definitions of Recommendations		
Priority	**Definition**	**Action required**
Priority 1 (Fundamental)	Major issues for the attention of senior management and the Joint Governance Committee.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Significant)	Other recommendations for local management action.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.

Priority 3 (Housekeeping)	Minor matters.	Remedial action should be prioritised and undertaken within an agreed timescale.

A5 Statement of Responsibility

We take responsibility to the Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk

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Joint Governance Committee
23 March 2023

ADUR & WORTHING COUNCILS

Key Decision: No

Ward(s) Affected: N/A

2023/24 INTERNAL AUDIT PLAN
REPORT BY THE HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

1.1 This report Asks Members to consider and approve the 2023/24 Internal Audit Plan.

2. Recommendations

2.1 Recommendation One

That the Committee consider whether there are any specific internal audits which they would like to see progressed in 2023/24, which are not currently contained within the proposed plan.

2.2 **Recommendation Two**

That the 2023/24 Internal Audit Plan be approved.

3. Context

3.1 Background

In accordance with professional internal auditing standards and the Internal Audit Charter, Internal Audit Plans are presented annually to Members for consideration and approval.

In order to focus internal audit resources on areas of high risk or where independent assurance is required, we have met with each Head of Service to discuss and identify potential audits by:

- Reviewing the risks contained within the Councils' corporate and service risk registers;

- Discussing areas of change or concern;
- Results of our previous work undertaken, and
- Considering current issues impacting on Local Government and the wider Public Sector.

4. Issues for Consideration

4.1 The proposed 2023/23 Internal Audit Plan, attached as **Appendix A**, consists of 20 audits and 406 days of work allocated as summarised below:

Category of Work	Type of Work	Number of Days
Audits of High Risk^ areas	System audits, annual testing of key financial and governance systems	82
Audits of High Risk^ areas	Cross service audits	42
Audits of Medium^ Risk areas	System and cross service audits	93
ICT Audits	Specialist ICT related audits and Application Reviews	35
Programme/Project and Contract Audits	Specialist reviews & Contract examination	44
NFI	Co-ordination & investigation of matches	30
Follow Up	Follow up to confirm implementation of agreed audit recommendations	20
Other	Management & Contingency	60
Total Days in Plan		**406**

^ based on Internal Audit strategic plan assessment

4.2 An ongoing system of monitoring the progress of internal audit work against the plan is in place. Monthly progress is reported to the Chief Financial Officer and quarterly reports on progress are presented to this Committee. In accordance with the Terms of Reference, other reports may be presented to the Committee as necessary during the year.

4.3 The Committee is asked to consider whether there are any specific areas of interest, which they would like to see covered in the 2023/24 Internal Audit Plan.

5. Engagement and Communication

5.1 Following meetings with each Head of Service, the proposed draft 2023/24 Internal Audit Plan was presented to the Councils' Leadership Team for review and comment. Any comments received have been addressed within the proposed plan presented to Committee.

6. Financial Implications

6.1 The costs for the provision of Internal Audit are included within the Councils budgets as presented by the Chief Finance Officer.

7. Legal Implications

7.1 There are no legal matters arising as a result of this report.

Background Papers
None

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The report explains that the overall level of audit coverage for 2023/24 has been developed by applying a risk-based approach in order to provide Members, management, and other external bodies with independent assurance on the adequacy of the Council's risk management, governance, and internal control framework. The detailed Plan is listed in Appendix 1 of this report. .

Adur District & Worthing Borough Councils
Proposed 2023-24 Internal Audit Plan
March 2023

Appendix 1 - Proposed 2023/24 Internal Audit Plan

Auditable area	Corporate or Service Level Risk Register Issue (were relevant)	Notes	Audit Sponsor	IA Risk Rating	Indicative Days	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
ECONOMY									
Place & Economy									
Events – Processing and Management	PE01 – Large scale events facilitated by the Councils – The safe management of large scale events across Adur and Worthing.	Head of Service request. Internal Audit (IA) to look at adequacy of internal controls related to events management.	Head of Place and Economy	M	**12**	-	-	-	12
COMMUNITIES									
Wellbeing									
Safeguarding (Children and Adults)		Head of Service request. IA to look at adequacy of internal controls related to management of safeguarding related referrals.	Head of Wellbeing	M	**12**	-	-	12	-
Bereavement Services	BS01 - delivery of essential bereavement services.	Head of Service request. IA to look at adequacy of internal controls related to bereavement services.	Head of Wellbeing	M	**15**	-	15	-	-
Housing									
Follow up on Housing-related IA Recommendations		Head of Service request. A follow up on the overdue housing-related recommendations	Director for Communities	H	**15**	-	-	-	15

Auditable area	Corporate or Service Level Risk Register Issue (were relevant)	Notes	Audit Sponsor	IA Risk Rating	Indicative Days	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
		considering changes in processes brought by the transformation programme.							
Disabled Facilities Grant		Postponed from the 2022/23 Plan. IA to look at adequacy of internal controls related to management of the disabled facilities grant including applications and works undertaken.	Head of Housing	M	**10**	-	10	-	-
Emergency and Temporary Accommodation – Multi disciplinary Team		Head of Service request. Postponed from the 2022/23 Plan.	Head of Housing	M	**10**	-	-	10	-
Discretionary Housing Payments (Cost of Living Response)		Director for Communities has requested discretionary housing payments to be audited.	Director for Communities	M	**12**	-	-	12	-
Human Resources									
Civica/Connect HR system	HR03 - Failure to implement the phase 2 of the HR Connect system effectively system.	Postponed from the 2022/23 Plan. IA to review core system controls and effective use effectively for HR processes as intended by implementation.	Head of Human Resources	H	**12**	-	-	12	-
Financial Services									

Auditable area	Corporate or Service Level Risk Register Issue (were relevant)	Notes	Audit Sponsor	IA Risk Rating	Indicative Days	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
Accounts Receivable		Head of Service request to complete full audit of one key financial system each year.	Chief Financial Officer	H	**15**	-	-	15	-
Key control testing - financial systems		Ongoing testing of key financial controls (includes Revenues & Benefits systems).	Chief Financial Officer	H	**40**	10	10	10	10
Legal Services									
Members Expenses		Head of Service request. IA to at adequacy of internal controls related to claims and payment of Members expenses.	Head of Legal Services	H	**10**	-	-	-	10
Legal Services	LS04 – Legal Services capacity.	Head of Service request. IA to look at adequacy of internal controls related to recording of work, allocation, billing arrangements.	Head of Legal Services	M	**12**	-	12	-	-
TECHNOLOGY AND DIGITAL AUDITS									
Digital Strategy		Postponed from the 2022/23 Plan. IA to look at Digital Strategy after Councils overall strategy has been refreshed.	Head of Digital Services	H	**20**	-	-	-	20

Auditable area	Corporate or Service Level Risk Register Issue (were relevant)	Notes	Audit Sponsor	IA Risk Rating	Indicative Days	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
IT Audits Needs Assessment		Head of Service request. IA to conduct an IT Audit Needs Assessment to identify key risks and priorities for IT coverage,	Head of Digital Services	H	**15**	-	-	15	-
PROGRAMME/PROJECT AND CONTRACT AUDITS									
Planned Maintenance programme	FS06 - Contract management.	Postponed from 2022/23 Plan. New contract currently being procured for planned maintenance of corporate buildings	Head of Facilities & Technical Services	H	**15**	15	-	-	-
Carbon Reduction Programme	Corp Risk - Climate Emergency (High)	Postponed from the 2022/23 Plan. IA to look at governance of programme and how the Councils ensure that the funding received will be spent be deadlines.	Director for Communities	H	**14**	-	-	-	14
Energy Supplier - procurement & contract management	FS06 - Contract management.	Postponed from 2022/23 Plan. New contract currently being procured.	Head of Facilities & Technical Services	H	**15**	-	-	15	-
CROSS SERVICE REVIEWS									
Supply of Affordable Housing	Corp Risk - Housing Supply (High) H02 (B) - Failure to enable	Postponed from 2022/23 Plan.	Head of Housing	H	**12**	12	-	-	-

Auditable area	Corporate or Service Level Risk Register Issue (were relevant)	Notes	Audit Sponsor	IA Risk Rating	Indicative Days	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
	development of affordable homes.								
Workforce Planning	Corp Risk - Organisational Development (Low).	Postponed from 2022/23 Plan. IA to examine how departments and services plan their workforce requirements for the coming years. To include succession planning.	Director for Digital, Sustainability & Resources	H	**15**	-	-	15	-
Health & Safety		Head of Service request. IA to look at how the results of the recent external H&S review are being addressed & implemented.	Head of Facilities & Technical Services	H	**15**	-	15	-	-
OTHER									
Management & Admin		Ongoing contract management.		N/a	**40**	10	10	10	10
Ad-Hoc/Contingency		Resources for unplanned work, if required.		N/a	**20**	5	5	5	5
NFI Co-Ordination		NFI liaison.		N/a	**10**	2.5	2.5	2.5	2.5
NFI Testing		Continuing testing of NFI matches		N/a	**20**	5	5	5	5
Follow-Up		Follow up of prior year recommendations.		N/a	**20**	5	5	5	5
Totals					**406**	**64.5**	**89.5**	**143.5**	**108.5**

Appendix 2 - Statement of Responsibility

We take responsibility to the Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk

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Joint Audit & Governance Committee
23 March 2023

ADUR & WORTHING
COUNCILS

Key Decision [Yes/No]

Ward(s) Affected:

Statement of Accounts 2021/22 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 2021/22 Statements of Accounts are substantially complete. The 2021/22 financial statements have been adjusted in respect of the known External Auditor's findings as at 13th March 2023. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2022.

1.2 The Auditors Annual Report, elsewhere on this agenda, is still to be finalised with a proposal that the final version be formally presented to the next meeting of the Committee to enable members to be briefed on the outcome of the 2021/22 audit together with the final version (if changed) of the accounts.

1.2 The following appendices have been attached to this report:

(i) **Appendix 1** (a) Adur DC Statement of Accounts 2021/22
(b) Worthing BC Statement of Accounts 2021/22

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 2022 in appendix 1.

- To delegate to the Chairs of this Committee the ability to approve, if necessary, the amended final version of the accounts including any changes agreed with auditors as the audit is concluded; and

- To delegate to the Chairs of this Committee the ability to approve the letter of representation.

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 2021/22.

3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2021/22 draft accounts be certified by the 31st July 2022.

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 2022 by the CFO adjustments have been made for revised valuations of fair value assets which were not received in time to be included on the draft statement. The two sets of accounts have been audited which did reveal some disclosure and presentational errors, these have been corrected to ensure that the accounts presented are of a high standard. Changes identified, up to 13th March 2023, have been discussed, agreed and adjusted for within the sets of accounts circulated to members.

3.5 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. At the time of writing this report the external Auditors Results Report and Letters of Representation have not yet been completed for inclusion on the committee agenda. However, due to the impending publication of the triennial valuation of the pension fund to 31st March 2022 due in March 2023, any delay in finalising the reports beyond 31st March 2023 will have an implication of additional resource, time and cost. This is because accounting regulations state that the net defined benefit liability recorded in the accounts must not materially differ from the amounts that would be determined at the end of the reporting period. Therefore once the triennial valuation is published, as it covers the reporting period, both councils would be required to commission revised actuary reports to determine the difference and adjust the accounts if material.

3.6 It is proposed that Adur District Council and Worthing Borough Council's Statements of Accounts 2021/22 be approved by this Committee. It is also recommended that if there are any adjustments identified after the Committee meeting, the Chairpersons of the Committee will be briefed and asked to reapprove the accounts, in consultation with the Chief Financial Officer, on the Committee's behalf. This will enable the accounts to be signed off as quickly as possible. It is operationally critical that the accounts are signed off prior as close to the year end as possible. If the accounts are not approved and the audit work completed then the Councils will be faced with gaining additional assurance regarding the 'going concern' assessment.

3.7 Members of the committee will be updated and presented with final versions of the statement of accounts 2021/22, Audit Results Reports and Letters of Representation for both councils at the Joint Governance Committee meeting in May 2023.

4. Financial Implications

4.1 The two sets of Statements of Accounts reflect the 2021/22 outturn position and the transfers to and from reserves and carry forward of balances as reported in the 'Financial Performance 2021/22 - 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 5th July, 2022.

4.2 **Reconciliation of 2021/22 Revenue Outturn to 2021/22 Comprehensive Income and Expenditure Accounts**

The difference between the Adur and the Worthing 2021/22 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following:

Adur District Council		2021/22
	£'000	£'000
Final Outturn 2021/22		
General Fund		9,624
HRA		850
Final 2021/22 Outturn Net Spend		**10,474**
Income from council tax and NDR	(8,165)	
Government grants and contributions not included in the outturn report	(5,592)	
Net income from taxation	(13,757)	(13,757)
Payments to MHCLG to the housing capital receipts pool	358	
Gain/loss on disposal and derecognition of assets	441	
Parish Council precepts	435	
Other Operating Expenditure not included in Outturn	1,234	1,234
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(2,314)
Net impact of accounting for pensions under IAS19		1,827
Revenue funded from capital under statute		1,278
Net depreciation, impairment and revaluations		6,042
Transfer to the Major Repairs Allowance		(4,416)
Capital grants applied to revenue		(1,125)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal		
Other adjustments		300
2021/22 Comprehensive Income and Expenditure - Surplus on provision of services		**(457)**

Worthing Borough Council		2021/22
	£'000	£'000
Final 2021/22 Outturn Net Spend		**15,595**
Income from council tax and NDR	(10,067)	
Government grants and contributions not included in the outturn report	(5,405)	
Capital grants and contributions	(10,263)	
Net income from taxation	(25,735)	(25,735)
Balance carried forward		(10,140)

Worthing Borough Council		2021/22
Balance brought forward		(10,140)
Gain/loss on disposal and derecognition of assets	2,275	
Other Operating Expenditure not included in Outturn	2,275	2,275
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(1,536)
Net impact of accounting for pensions under IAS19		1,934
Revenue funded from capital under statute		2,129
Net depreciation, impairment and revaluations		899
Capital grants credited to revenue		
Amount of non current assets written off on disposal or		(3,736)
sale as part of the gain/loss on disposal		2,706
Cash sale proceeds credited to CIES as part of the		(558)
gain/loss on disposa of assets.		
Capital expenditure charged against General Fund		(287)
Other minor adjustments		(258)
2021/22 Comprehensive Income and Expenditure - Deficit on provision of services		**(6,572)**

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	**2021/22**	**2020/21**	**Movement**
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(24,995)	(20,373)	(4,622)
Re-measurements of the Net DefinedPension Benefit Liability	(6,065)	147	(6,212)
Other Comprehensive Income and Expenditure	**(31,060)**	**(20,226)**	**(10,834)**

Worthing Borough Council	2021/22	2020/21	Movement
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(3,985)	322	(4,307)
Re-measurements of the Net DefinedPension Benefit Liability	(7,709)	1,960	(9,669)
Other Comprehensive Income and Expenditure	**(11,694)**	**2,282**	**(13,976)**

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.

Finance Officer: Emma Thomas / Sarah Gobey Date: 13th March 2023

5. Legal Implications

5.1 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 2021/22, based on International Financial Reporting Standards (IFRS).

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

Legal Officer:Joanne Lee　　　　　　　Date: 14/03/2023

6. Publicity

6.1 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.

7. Conclusion

7.1 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.

7.2 Members’ are asked to approve the amended Adur District Council and Worthing Borough Council 2021/22 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 and sign the Letter of Representation. Publication will take place when the External Auditors have signed their opinion on the 2021/22 accounts.

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 2021/22 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2021/22 Accounts

5th July 2021 Joint Strategic Committee – Financial Performance 2020/21 Revenue Outturn and Capital Projects Outturn
https://democracy.adur-worthing.gov.uk/documents/g1714/Public%20reports%20pack%2005th-Jul-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10

31st May 2022 Joint Governance Committee – “The Annual Governance Statements 2021/22” – review and approval
https://democracy.adur-worthing.gov.uk/documents/g1705/Public%20reports%20pack%2031st-May-2022%2018.30%20Joint%20Audit%20and%20Governance%20Committee.pdf?T=10

Officer Contact Details:-

Emma Thomas
Chief Accountant
01903 221232
emma.thomas@adur-worthing.gov.uk

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 reports are publicly available documents and as such, the findings in the report have an impact on the Councils’ reputations with regard to financial Governance.

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ADUR DISTRICT COUNCIL

Statement of Accounts 2021/2022

-

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, 2022

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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 2021/22;

- 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 2022. It provides a summary of the financial position as at 31st March 2022 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 2021/22

- The 2021/22 revenue budget process and medium term financial plan

- Financial Overview of the Council 2021/22

    * Revenue spend in 2021/22
    * Capital Strategy and Capital Programme 2021/22 to 2023/24

- 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 64,190 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	57.8%	62.4%
65+	23.7%	18.6%

There are 2,345 businesses within the area. Business Rate income was £9.34m in 2021/22. This was significantly lower than in the years before 2020/21 and was due to the continued support given by the Government to the local economy during the Covid 19 pandemic through the granting of additional business rate reliefs. 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 2021/22 Municipal Year

Adur has 29 Councillors representing 14 wards. In 2021/22 the political make-up of the Council was:

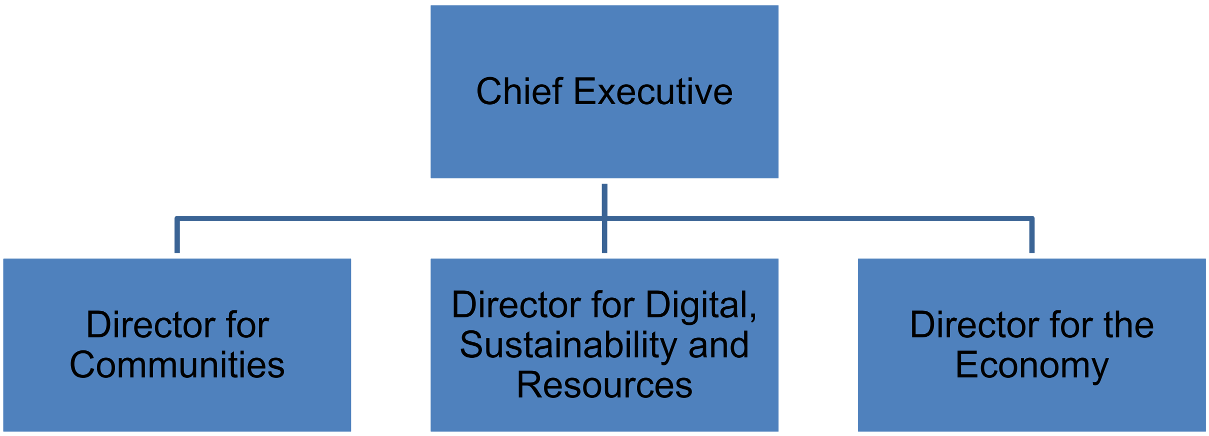
Conservative Party	19 Councillors
Labour	7 Councillors
Green Party	1 Councillors
Independent - Shoreham Beach Residents Association	1 Councillor
Independent Alliance	1 Councillor

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 £362m of assets to support services and provide income to fund service delivery
- √ Generates £9.01m 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 2021/22 government funding (New Homes Bonus and Lower Tier Services Grant) made up 0.06% 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 £23.6m for 2021/22. 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 was 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 continued to be difficult in 2021/22 due to various restrictions on our lives.

To help support our communities, the Council, in partnership with central Government, continued to administer a range of activities for the benefit of our residents including:

- Providing additional business rate reliefs to local businesses worth £3.1m;
- 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 £4.24m in grants in 2021/22.
- 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 1,408 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.

2022/23 has seen a lessening of the impact of the pandemic, largely due to the success of the vaccine roll out which means that life has gradually returned to normal and the financial impact less significant in the 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.

However, due to the impact of both the pandemic and the war in Ukraine on our economy, there is now a new challenge of escalating inflation for our residents. 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:

- Continuation of additional Council Tax discounts of up to £150.00 for those residents in receipt of Council Tax support;
- Payment of energy grants of £150.00 to all residents in Council Tax bands A-D and a discretionary scheme for residents in other Council Tax bands;
- 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 impacts 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. The Council is now developing our new corporate plan which will cover the period 2023 - 2026.

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 2021/22

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 administer 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.

- **Development of Place:**

  Adur Civic Centre (Phase 2) - The planning application for the former Civic Centre site was approved in February 2022. This will see the delivery of 159 new affordable homes

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

  New homes - The Council through its planning department has supported several major schemes to deliver new homes including:

    Free Wharf - Southern Housing has now completed the flood defences and groundwork necessary to support 540 new homes at Free Wharf in Shoreham, supported by grants from Homes England. Enabling works have now progressed on Stage 1 which will deliver 137 affordable housing units on the A259 frontage at Free Wharf and work is imminent on the site at The Mannings with the redevelopment of the existing flats with 73 new affordable units.

    Hyde Housing will also be starting on site shortly delivering 255 affordable homes on Kingston Wharf alongside Easystore's innovative Enterprise Centre providing storage and managed office floorspace.

    New Monks Farm - Cala homes have completed 120 homes at New Monks Farm; the riverside Pumping Station is complete and operational; and planning permission has been secured for a fourth arm for the new roundabout on the A27. Work has begun on the new roundabout, using £5.7m of Local Growth funding secured via Coast to Capital.

- **Supporting Local Business and Innovation:**

  Through our work with the Adur & Worthing Business Partnership we have co-sponsored the successful Better Business Show and the Annual Business Awards. We have continued to focus on supporting our town centres and providing a safe and welcoming environment for people to return to.

  The gigabit fibre programme continues to make good progress now reaching 32,000 homes. 87 local businesses, including 10 in the last period, have benefitted from the Council's Small Business Growth Grant and we have continued to work with the University of Chichester to promote the Coast to Capital wide HotHouse Programme which focuses support on financial, innovation and productivity skills for small and medium sized enterprises.

Platform 2: Thriving People and Communities

- **Proactive**

  Our multidisciplinary Proactive Project is progressing well and by the end of October had engaged over 164 residents. The team uses the LIFT platform to identify households with low financial resilience and telephones them to explore ways to increase household income, reduce household debt and also to address the depression, anxiety and loneliness that often accompany financial exclusion. For some residents, support is offered at the first point of contact (our customer services team) but for others, they are "introduced" (referred) to other Council teams for further assistance.

  The team has now been able to identify financial and wellbeing impacts as a result of this work. LIFT assigns each resident with a financial risk score and we can track these over time.

  Of those residents that have engaged with us, we can see that more are moving into a "coping" risk score and out of "not coping" scores. We are also seeing positive impacts in terms of the self-assigned wellbeing scores that residents who engage with the Proactive team report to us. The work of the OneStop "Money Coaches" programme has been fundamental in supporting the Proactive Project and supporting the community more widely. During the period July - Oct

2021 there have been 125 complex referrals receiving at least 10 interventions per referral (1,250). These interventions have led to an increase in income for these households.

- **Food strategy / system**

  We have spent time over this period working with local food groups to support and enable their work. Working with Community Works, the A&W Food Group has been meeting regularly and has been providing a space to understand needs and issues. We have used our Contain Outbreak Management Fund (COMF) grant to provide direct funding to groups enabling them to purchase food through the Autumn/Winter period and also to engage with people who are food insecure to better understand their needs; this will help us to co design a more sustainable system around the needs of the people.

  We are also working with food groups to deliver better infrastructure and this work includes supporting shared food storage spaces. These food storage sites are located in Worthing (Queen Street), Lancing (the Old Police Station), Shoreham (the Shoreham Centre) and Fishersgate (the Gateway building).

- **Homelessness:**

  Demand on the service continues to increase, driven by more evictions following the end of the eviction ban and the end of the furlough scheme, pushing more people into financial difficulties. The Housing Needs Team are working closely with partner organisations to ensure as many households and individuals as possible are helped to avoid homelessness, or be speedily rehoused once homeless. Data shows that, in 2020/21, of households presenting to the councils as at risk, homelessness was prevented in 52% of cases in Adur and 41% of cases in Worthing.

  A number of new initiatives and close partnership working made this possible. For example, a West Sussex County Council (WSCC) pilot project "Discharge to Assess Beds", provides an improved pathway for those being discharged from Mental Health settings and this work includes:

  - Pathways Home floating support (a floating support and mentoring service), together with referral routes for Registered Social Landlords into the Homelessness Team and Pathways Home.
  - The implementation of a joint working protocol for young people and care leavers, which includes joint assessments for 16 and 17 year olds.
  - The co-location of an Independent Domestic Violence Advocate (IDVA) with the Housing Needs Team
  - Working more closely with OneStop to support those in temporary accommodation
  - Beginning the process to submit a bid for Rough Sleeper Initiative funding 2022-2025
  - Secured Rough Sleeping Accommodation Programme funding to contribute capital and support for single people who have experienced rough sleeping.

  While the Hospital Admission Reduction Pathway (HARP) funding stream has now ended, WSCC funded an extension to the programme until March 2022. This provision provides a housing navigator in the hospital and a community nurse. Options to mainstream this service after March 2022 have been explored as well as expanding the remit to include those who misuse alcohol who are currently excluded under the extension due to constraints of the funding stream.

  Plans to improve homelessness prevention in prison have started by working with the Probation Service's CAS3 project, which is intended to provide accommodation to those at risk of being homeless on being released from prison and are not owed a statutory duty

  During 2022/2023 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 lifted 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 with planning applications submitted on a number of sites. The Council completed 15 new Council homes at the former Cecil Norris House in Shoreham. The contract to build 49 homes at Albion Street has been let with the contractor now on site.

  The new Cecil Norris House in Ravens Road, Shoreham.

- **Opening Doors Scheme:**

  We have completed a total of 22 lets so far through the Opening Doors Scheme in Adur. This is a scheme which matches those in temporary accommodation with landlords with the Council acting as rent guarantor. We have also 'floated off' 8 tenancies, which means that, because they have been successful for two years, the council is no longer liable for the rent guarantees on those properties.

  Individual landlords are also still showing interest in the scheme, despite the fact that rents are continuing to rise and LHA rates remain frozen. We are also now working with our HMO (House in Multiple Occupation) emergency accommodation landlords to turn emergency accommodation placements into permanent offers of accommodation, where appropriate, through the Opening Doors scheme. We have completed successfully on two of these with a further two in the pipeline. With rising numbers of single person placements and a lack of available ‘move on’ accommodation, this is proving to be a very useful method in securing long term accommodation for this group.

- **HealthyAW**

  During this period we have completed and signed off our new Health and Wellbeing Strategy, ‘HealthyAW’, and the associated Delivery Plan. This strategy sets out our approach over the next two and a half years and our ambition to develop how we work with and enable our communities to thrive, focusing on health inequalities across the following three priorities:

  - Priority 1 - To improve health and wellbeing for all, focusing most on our communities with the poorest health and wellbeing.
  - Priority 2 - To create places, spaces, and environments that are sustainable and promote and enable good health and wellbeing
  - Priority 3 - To promote stronger community resilience in our communities and our workforce

The HealthyAW Delivery Plan outlines what we will do over the next two and a half years and shows the inter connections across many areas of work in the Councils and with external organisations. This is a move towards a systems approach, where we recognise that we live and work within an interconnected, complex context where no one action is divorced from another. The delivery plan therefore aims to help people, including: staff, residents, members and local partners, to make links between their actions and others. The new HealthyAW Delivery Plan will help to drive forward this work.

- **Creating a Space to Collaborate**

Part of our 'Covid Response' included a new cloud based case management system that enabled our services to work together and respond at speed to residents in need. A multi-disciplined team, made up of our Wellbeing Hubs, One Stop (Money, Digital & Employment Support) and Going Local, have been working together alongside Digital colleagues to further develop this system. Key developments are to include:

  - Creating One Front Door for those self referring and referring.
  - Improving the quality of referrals, ensuring the service user is getting the right service at the right time.
  - To more effectively co-work cases across a number of services.
  - To improve the allocation of cases and the management of these.
  - Increased data capabilities, providing key information to commissioners, greater insight and gap analysis.

This system will create the space for these teams to continue to improve their practice and more effectively meet/manage the needs of those residents accessing services.

- **Safer Communities**

We have also been working on the next Safer Communities Strategy which was signed off by the Joint Strategic Committee in October 2021. Work is now being done to develop the Delivery Plan for this work which will be focusing on the following priorities:

  - Reduce the harm caused by serious, organised and acquisitive crime;
  - Increase safety for vulnerable adults and children;
  - Improve pathways out of offending and reoffending;
  - Increase community cohesion and reduce ASB & hate crime;
  - Reduce public place violent crime with a particular focus on youth safety;
  - Tackle social inequality and the drivers of crime;
  - Embed trauma informed practice across partners;
  - Better understand the experiences of minoritised communities;
  - Tackle violence against women and girls at every opportunity

Some of our key metrics and achievements during this last period for safer communities include: co-delivering a Sussex wide conference to embed Contextual Safeguarding, instigating a pilot to reduce school exclusions, contributing to the Social Care transformation process to safeguard children from exploitation, extending mentoring to children struggling to thrive at school, recruiting an additional officer to support those impacted by anti social behaviour, refreshing the Joint Action Group to be more data and intelligence led and training four Community Ambassadors to support communities impacted by youth violence and exploitation.

Platform 3: Tackling climate change and supporting our natural environments

- **Sustainable Energy**

Good progress has been made with delivering schemes with the £2m public sector decarbonisation funding secured earlier in the year. This includes triple glazing and insulation at Worthing Civic Quarter, solar PV arrays at multiple sites, ground and air source heat pumps at Shadwells Court,Tollbridge House and the Shoreham Centre.

To date 31 sites have been put forward for installations of EV charge points under the WSCC EV network. An Installer was awarded in early November (Connected Kerb) and the first charge points installed in Adur & Worthing (AW) in Spring 2022. Workplace charge points have been installed at Commerce Way for new EV vans.There are plans to provide EV charge points at Worthing Civic Quarter in the newbuild Multi Storey Car Park (MSCP) where the Council rental fleet will be parked and can then be switched from hybrid to full EV.

The Waste Team is exploring opportunities for hydrogen fuel for transport and freight vehicles across the Greater Brighton area.

The Solar Together Sussex (STS) scheme, supported by Councils across Sussex, including Adur and Worthing Councils, continues to progress well and is in its second phase. STS is a group buying scheme that enables residents to install high-quality, roof-mounted solar panels and battery systems at competitive prices. During the first round almost 50 households installed either solar PV and/or battery storage. During the second round over 400 households in A&W registered interest to have PV and/or battery storage installed in their homes.

We continue to support the Local Authority Delivery (LAD) Green Homes Grant Programme in consortia with other South East local authorities. LAD aims to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes EPC rated D,E,F & G. Together with the SE Warmer Homes Consortium, £63m worth of investment has been secured and 900 homees across the SE have benefitted.

- **Waste and recycling**

Our recycling rate has continued to rise year on year. Our recycling rate increased by 0.75% in 2021/22 compared to the same period in 2020-2021.

Overall we collected 5,475 tonnes of recycling material in Adur, a reduction of 687 tonnes from 6,162 tonnes collected last year.

The recycling percentage increase was helped by the increase in garden waste collected. The amount of garden waste recycled increased in Adur by 1.87% when compared to last year.

Collected refuse figures for the same period (April 2021 - March 2022) this year totalled 10,298 tonnes in Adur, which is a reduction of 726 tonnes.

The commercial food waste service was launched in October initially serving a small number of customers on a trial basis. The trial has gone very well helping commercial customers manage their waste more sustainably and reduce costs. A more high profile campaign is now being launched to offer this service more widely

- **Nature Restoration and Protection**

The Council is a member of the Sussex Kelp Restoration Project, a collaboration of national and local organisations taking an evidence-based approach to tackle the challenges to the restoration of Sussex kelp. We have also initiated a West Sussex Coastal Local Authority Forum to help coordinate action along the coast as the kelp forest returns, working collaboratively on beach management issues.

Linked to this, excellent progress is being made with Sussex Bay, the ambitious initiative to drive integrated “blue habitat” restoration along the coast through kelp forest and river estuary restoration. The project is working with DEFRA (Department for Environment, Food and Rural Affairs) and many local partners, and has recently successfully engaged the Worthing small boat fishing community in developing plans for the future of sustainable fishing locally. Work is also progressing with the Arun to Adur Farmers Group regarding use of seaweed as fertiliser for soil improvement to tackle the wash up of kelp from winter storms.

The Council’s land acquisitions for nature restoration are among the most innovative interventions made in the UK by any local authority. Partnership and community working locally is very strong, and restoration plans are progressing well. The Adur River project (Pad Farm and New Salts Farm) has passed the Expression of Interest stage with DEFRA test &

trials, and funding from this scheme would assist the development of blended finance models for the sites, and support engagement with landowners in the wider river valley.

Platform 4: Good services and new solutions

- WorkspacesAW has seen the Councils respond quickly to learning gained through the pandemic. By leasing a part of Portland House, revenue has been generated to support the Councils' finances while providing the financial capacity for significant modernisation of office spaces. WorkspacesAW will deliver different kinds of office space (meeting rooms, quiet spaces, collaboration spaces) while supporting home working and making a blended model of working the norm. Our staff travel policy being developed in parallel is helping staff shift modes of transport to reduce commuting and business miles, helping to reduce carbon emissions.
- Our customer service team has continued to deliver excellent levels of service throughout the post pandemic period, embracing the opportunity to proactively support the most vulnerable, making calls out to help customers facing financial or housing difficulties, and referring them on to further support from housing, well-being or third party support services. This proactive work, described in more detail in Platform 2, is data led, person centred, and focuses on improving household income and/or reducing household debt. Customer service has established and led a cross service team that can take a more holistic view of residents to support those already in crisis, and can also take an early intervention approach to minimise the numbers of residents tipping into crisis. A simple pathway has been followed for over 160 residents, with tangible financial and wellbeing outcomes identifiable for many of those. Of those who have engaged with the proactive team, more are now "coping" financially than previously and fewer are "struggling" or "at risk" .
- With new internal service design expertise in place, work to design a Citizen Hub is underway. Designed to enable joint working across teams and track outcomes for those receiving support, Citizen Hub will be expanded over time to enable tracking of customer experience end to end, across multiple services.
- Our digital estate continues its migration to the cloud, with the Revenues & Benefits system migrating in 2021/22. The provision of much needed digital self service for the revenues and benefits service will be delivered in 2022/23 and is expected to make a big impact on convenience for customers and should reduce call volumes freeing staff up to support customers proactively.
- Revised Business Rates bills have been issued following the government announcement about the reduction in Expanded Retail Relief for the retail, hospitality, leisure & tourism sectors from 1 July.
- Applications for £500 Test & Trace Support Payments for residents who are self-isolating, unable to work from home and suffering a loss of earnings continue to be administered scheme was extended until 31 March 2022 with more than 3,600 applications.

- ## Platform 5: Leadership of our place

- **Critical Relationships**

  The Councils continue to maintain and develop a diverse and ever increasing set of partnerships including housing partners, the community and voluntary sector, the NHS, and Police and Community Safety organisations. Our relationships with other Districts and Boroughs continue to be positive and we are keen to further cultivate these for example through strategic work such as Sussex Bay. Our work with West Sussex County Council in many areas is also progressing well and this will need to develop further if we are to successfully implement policy changes such as the Environment Act and the Health and Social Care reform agenda plus other areas of shared priority, including the relocation of Afghan refugees. At a regional level the Local Resilience Forum has continued to be invaluable, bringing together a variety of local players to deal with the pandemic response at a Sussex wide level. Our work with the Local Economic Partnership and the Greater Brighton Economic Board continues, supporting our ambitions around place, prosperity and sustainability.

- **Community and Voluntary Sector**

  Our relationship with the local Community and Voluntary Sector continues to develop and mature. With funding from the Contain Outbreak Management Fund (COMF) we have been able to further support the local food partnership and other mutual aid groups in Adur and Worthing. For example, we are working with food groups to increase community partnership working and resilience by developing shared food storage facilities in Worthing (Queen Street), Lancing (the Old Police Station), Shoreham (the Shoreham Centre) and Fishersgate (the Gateway building).

- **Community Participation**

  We have also begun to further develop our Asset Based Community Development practice to improve and strengthen our work with communities. The Minoritised Ethnic Community Engagement Project is aiming to develop collaborative working relationships with minoritised ethnic community partners and organisations, helping to inform the development of the Councils' policies and services going forward.

- **Emergency Planning and Civil Contingency Work**

  In "Platforms for our Places : Going Further" the importance of Emergency Planning and Civil Contingency work was emphasised. Over the past couple of years the council has been working with West Sussex County Council, the lead authority for public health, to ensure that vulnerable people in our communities are supported. This work has been wide ranging and as described above, includes secure housing, developing and strengthening our food system, supporting people with their finances (including those that need to self isolate), mental health support, addiction services, developing a good work agenda and promoting safety.

Monitoring our 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 programme of work is reported on twice a year. The full monitoring reports to JSC in 2021/22 may be viewed at:

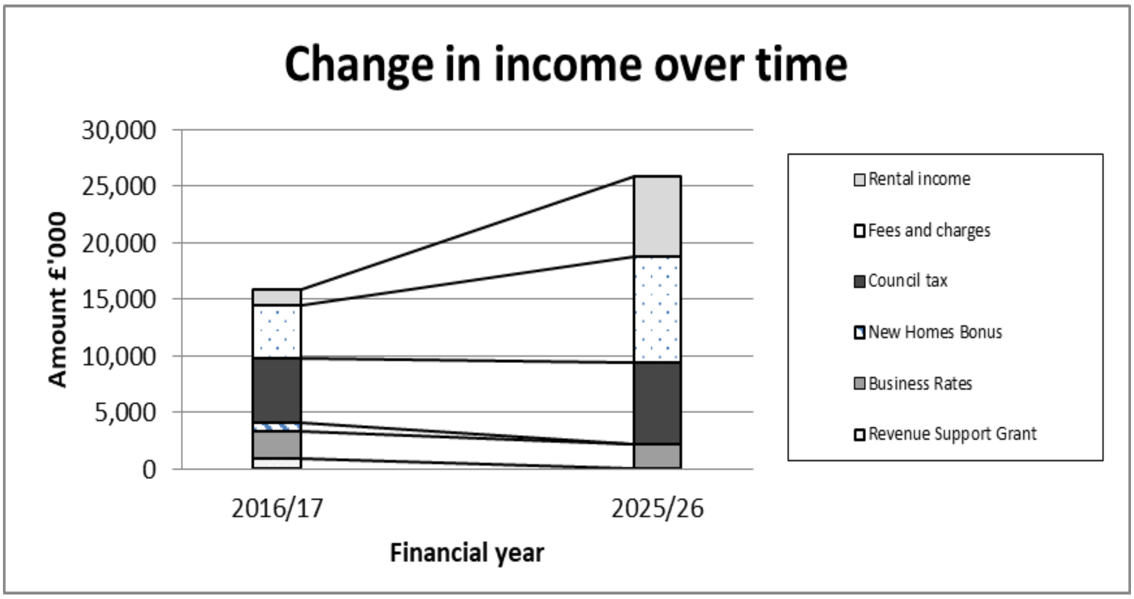
Joint Strategic Committee report 13th July 2021 (6 month progress update)

Joint Strategic Committee report 11th January 2022 (12 month update)

4. *THE REVENUE BUDGET 2021/22 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2021/22

The budget for 2021/22 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 2021/22 through 5 major work streams: developing commercial income: investing in property to support service objectives: tackling homelessness: reviewing and rationalising our property holdings; 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 £561,000 as part of the 2021/22 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2021.

Council Tax

The Council chose to increase Council Tax for 2021/22 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	2020/21	2021/22	Change
	£	£	%
Adur District Council – Basic Council Tax	289.62	294.21	1.58
West Sussex County Council	1,438.74	1,510.56	4.99
Sussex Police & Crime Commissioner	199.91	214.91	7.50
	1,928.27	2,019.68	4.74
Parish precepts and other adjustments:			
Special expenses	22.23	24.39	9.72
Lancing Parish Council	51.30	52.65	2.63
Sompting Parish Council	33.39	37.26	11.59

Council Tax base

The Council Tax base for 2021/22 was 21,232.80 which was a decrease of 147.60 on the previous year‘s number of Band D equivalents. This in part reflects the expected impact of the pandemic on the number of claimants for Council Tax Support payments.

Band D Council Tax	2020/21	2021/22
Number of Band D equivalent dwellings	21,380.40	21,232.80

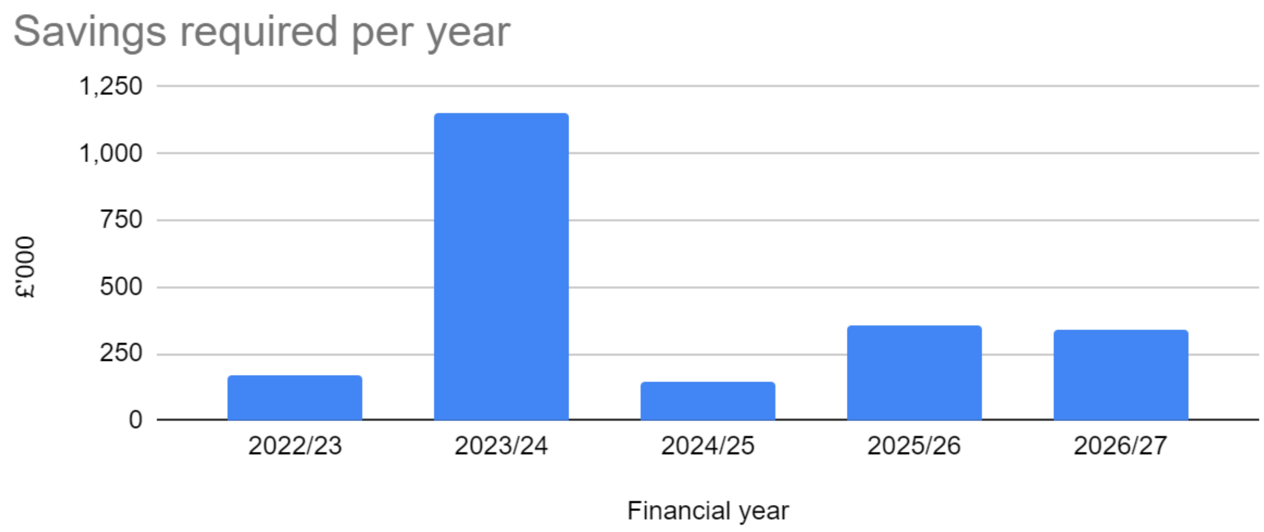
Budget Strategy for 2022/23 to 2025/26

In preparing the budget strategy for 2022/23 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 2022/23 budget was approved by Council on 13th July 2021 and it set the strategic direction to address the significant challenges not only for 2022/23 but onwards.

The fall in government funding combined with the impact of the pandemic on 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 £2.2m over the five years with a £0.2m challenge expected for 22/23 as follows:



In February 2022, the Council set a balanced budget having successfully identified further savings of £0.2m.

Further details around the most recent forecasts for both Councils are contained in the report ‘Developing a revenue budget for 2023/24 against the backdrop of high inflation’, which was considered on 5th July 2022 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the current high inflation rates are 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 2021/22 considered on 5th July 2022 by the Joint Strategic Committee. There are two separate reports titled:

- Financial Performance 2021/22 - Revenue Outturn; and
- Financial Performance 2021/22 - 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 2021/22

A more detailed summary of the Council's financial results for 2021/22 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 2021/22 Adur District Council reported an underspend of £183,437 against a budget of £9,581,300, which was only a marginal difference from the budget.

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

	Adur
2021/22 Outturn	£'000
Reduction in income due to the impact of Covid 19 pandemic	236
Impact of waste dispute	59
Reduced borrowing requirement: a reduction in net borrowing costs in 2021/22, due to reprofiling of the capital programme and continued low interest rates.	-165
Non ring fenced Government grants:	
Additional Non ring fenced grant	-8
Government Covid 19 Grant Funding	-297
Sales, Fees and Charges Guarantee Scheme	-81
Impact of Taxation:	
Section 31 - additional NNDR grant for extra reliefs granted in 2021/22	-1,183
Changes to business rate income	-645
Transfer from reserves	
Reduction in net transfer from business rate smoothing reserve	1,944
Tax Guarantee Smoothing Reserve	-118
Transfer to Property Risk Reserve	75
Net underspend	-183

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 for 2022/23.

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

CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2021/22	OUTTURN 2021/22	(UNDER)/ OVERSPEND
	£	£	
Leader	1,054,800	668,467	(386,333)
CM for Environment	2,952,860	3,305,820	352,960
CM for Health & Wellbeing	1,336,850	1,368,016	31,166
CM for Customer Services	1,459,500	1,605,369	145,869
CM for Regeneration	1,630,370	1,730,959	100,589
CM for Resources	249,940	96,312	(153,628)
Holding Accounts	255,570	-	(255,570)
TOTAL CABINET MEMBER	**8,939,890**	**8,774,943**	**(164,947)**
Credit Back Depreciation	(1,504,540)	(1,465,168)	39,372
Minimum Revenue Provision	2,145,950	2,314,250	168,300
Total Budget requirement before funding from taxation	**9,581,300**	**9,624,025**	**42,725**
Funded by:			
Net Council Tax income	(6,611,890)	(6,611,890)	
Net business rate income	(2,435,850)	(2,437,865)	(2,015)
Lower Tier Services Grant	(75,260)	(75,260)	-
Local Tax Guarantee Scheme	(62,710)	(62,710)	-
Covid 19 and other unringfenced grants	(432,480)	(818,230)	(385,750)
Other unfenced grants (New homes bonus)	(18,480)	(18,480)	-
Contribution to/ (from) Collection Fund	55,370	55,370	-
Net budget before transfers to or from reserves	-	**(345,040)**	**(345,040)**
Transfer to/from reserves:			
Net Transfer to / from (-) reserves to fund specific expenditure		161,603	161,603
Net Underspend Transferred to Reserves		183,437	183,437
	-	-	-

Approved Use of Underspends	**£'000**
Underspend transferred to Working balance	100
Net Underspend Transferred to Capacity Issues Reserve	83
Underspend declared in year	183

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

1. **Funding from Central Government**

The Council received no Revenue Support Grant in 2021/22. However the Council did receive a substantial amount of funding related to the pandemic (£0.8m). A new lower services grant of £75,260 and £18,480 of New Homes Bonus.

2. **Funding from Local Taxpayers**

The Council collected £42.9m of Council Tax relating to 2021/22 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Councils. This represented 97.07% of the £44.152m Council Tax due to be collected. In addition, Council Tax Support payments totalling £4.8m were awarded during the year together with other discounts such as Single Person Discount of £4.2m.

Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.43%, Sussex Police & Crime Commissioner 10.62% and Adur District Council and Parish Councils 15.95%.

The Council benefitted from £6.6m of Council Tax income in 2021/22. 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 £15.5m collected, after allowing for exemptions, reliefs and provisions, the Council receives 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

However, of the amount kept by the Council, a further £5.6m was due to be paid over to the Government as part of the business rate retention system.

The Council retained a net £2.4m of Business Rate and associated grant income in 2021/22 within the statutory accounts.

Total Funding from taxation:

	Budget £	Actual £
Council Tax *	6,556,520	6,556,520
Parishes *	435,000	435,000
Business Rates after use of smoothing reserve	1,430,850	249,865
Section 31 grants - compensation for loss of business rate income	1,005,000	2,188,000
Tax Income Guarantee - withdrawal from reserve	62,710	62,710
Lower tier grant	75,260	75,260
Covid Grant and other miscellaneous grant funding	432,480	818,230
New Homes Bonus	18,480	18,480
	10,016,300	10,404,065

* 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 2021/22 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 £2.2m reduced the call on the Business Rates Smoothing Reserve in 2021/22, which is retained 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.

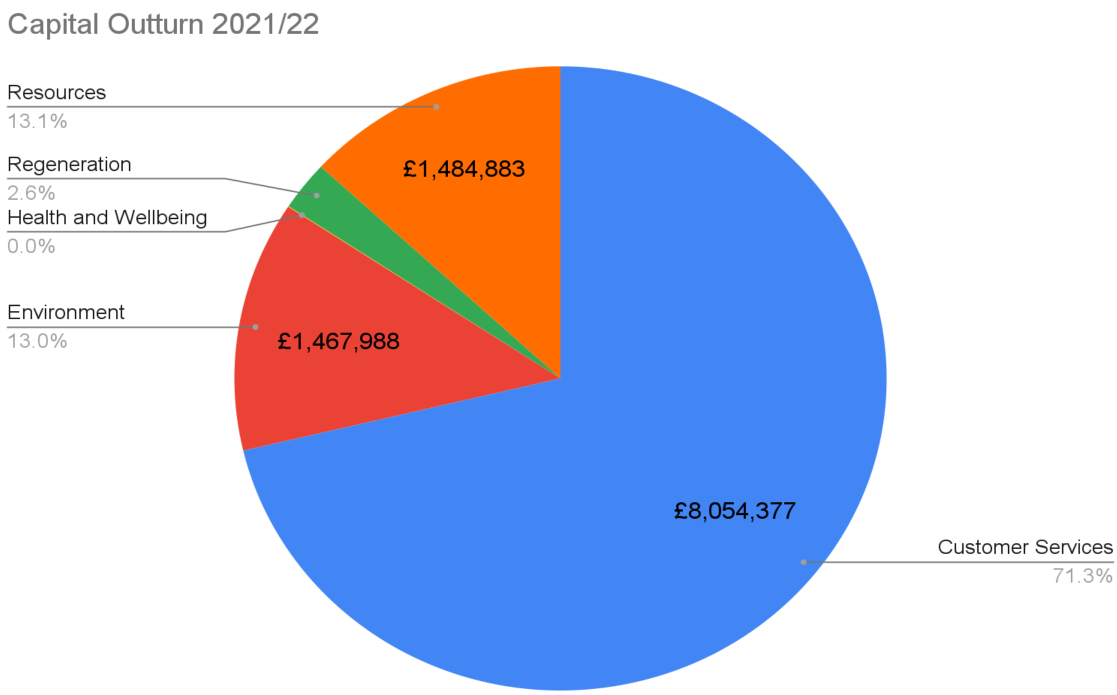
As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance, over and above budgeted receipts, to aid with cash flow and to allow the Council to help the residents and businesses of Adur District. This has impacted on the outturn as some grants were not used in full in the 2021/22 financial year (thus held in reserves) and others were intended to be held in reserve for use in 2022/23.

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 additional grant totalling £0.297m was received and Sales, Fees and Charges compensation grant totalling £0.081m.

In addition capital grants and contributions were received totalling £2.61m.

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 £80,930,230. Subsequent approvals and re-profiling of budgets produced a total revised budget of £20,711,660. Actual expenditure in the year totalled £11,299,894, a decrease of £9,411,766 on the revised estimate, comprising net budget carry forward to future years of £9,108,880 and a net underspend of £302,886. 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. Identification of suitable opportunities to develop new commercial property.

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

7. The impact of supply chain issues following the pandemic and Brexit on the delivery of some materials.

The re-profiling of schemes was on-going throughout the year and in total 13 schemes did not complete as planned in 2021/22.

Expenditure in 2021/22 was financed as follows:

	£'000
Government grants and other contributions	4,811
Capital receipts	1,243
Borrowing	2,592
Major Repairs Reserve	2,511
S106 contribution	73
Revenue contribution	70
	11,300

Significant investments in 2021/22 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.

- Decarbonisation programme of works to improve the sustainability of our buildings
- Improvements to the Council's digital infrastructure
- Adur and Worthing Workspaces project to co-locate the NHS with the Councils

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Financial Performance 2021/22 - Capital and Projects Outturn" which was considered on the 5th July 2022. 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 is contained in Note 17 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 5th July 2022 Joint Strategic Committee report "Financial Performance 2021/22 - 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 2,517 homes which are worth £217m.
- In 2021/22 the Council collected £12.1m in dwelling rents (£12m in 2020/21).
- The Council is planning to spend £40.9m over the next 3 years to increase the supply of affordable homes and improve the condition of existing housing stock.

Capital Investment Plans 2022/23 – 2024/25

The Council plans to invest £103m in its capital assets over the next 3 years (including £40.9m 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;
- Investment in assets to support the local economy, improve the supply of housing or reduce the Council's carbon footprint and produce a sustainable income stream for the future.

	3-year plan			
Expenditure by Portfolio	**2022/23** £'000	**2023/24** £'000	**2024/25** £'000	**Total** £'000
Customer Services	36,345	6,076	6,076	48,497
Environment	2,218	1,113	690	4,021
Health and Wellbeing	546	36	36	618
Regeneration	2,568	146	137	2,851
Resources	15,969	15,702	15,523	47,194
Total Expenditure	**57,646**	**23,073**	**22,462**	**103,181**
Funded by:				
Capital grants and contributions	1,783	471	462	2,716
Revenue contributions and reserves	4,030	3,969	3,948	11,947
Borrowing	51,633	18,533	17,931	88,097
Capital receipts	200	100	121	421
Total Funding	**57,646**	**23,073**	**22,462**	**103,181**

6. *TOP STRATEGIC RISKS*

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

Risk overview	**Covid-19** Risk that the pandemic will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery
Commentary / Mitigation measures	Applications for £500 self isolation payments continued. Since the start of the scheme in September 2020 more than 5,800 applications have been assessed and awards totalling in excess of £700k have been made. Eligible businesses received additional business rate relief. 100% Business Rates Relief was awarded from 1 April 2020 and 1 April 2021, this reduced to 66% from 1 July 2021 and 50% from 1 April 2022. The Covid Business Grants closed in July 2022. Over £60m has been distributed through over 8,000 transactions in the last 18 months. Business and town centre activity has been monitored in the last 6 months; footfall levels are increasing and vacancy rates are competitive against the national average. Additional activity, such as events, are returning for 2022 which will boost further economic recovery.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**<u>Council finances</u>** Risk that Councils finances will continue to be under pressure
Commentary / Mitigation measures	The Councils set a balanced budget for 2022/23. However new inflationary pressures including national and local pay award pressures, severely increased energy bills, reduced income in commercial waste and car parking and other income generating services are emerging which makes the position for 2023/24 difficult and which will need to be addressed over the next financial year.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk
Risk Overview	**<u>Cost of living crisis</u>** The pandemic has already impacted residents who are experiencing health and wellbeing inequality and has increased those inequalities. Now other cost of living pressures such as higher energy bills and housing costs are further increasing those pressures which will increase demands for Council services.
Commentary / Mitigation measures	The Councils are continuing to work in a number of ways to support and assist residents that are experiencing difficulties. New data shows a real spike in the number of people coming under pressure and there is a concern for autumn 2022. Proactive Programme being used to assist and support residents. The approach uses the LIFT platform to identify households with low financial resilience and our Customer Service team members then telephone households to explore ways of increasing household income, reducing household debt and also addressing issues such as depression, anxiety and loneliness that often accompany financial exclusion. One Stop Money Coaches programme supporting the work of Proactive and supporting the community more widely. The situation in respect of the impact of Universal Credit on the live Housing Benefit caseloads remains unchanged in that it is reducing by approximately 0.75% each month. The volume of new claims for Council Tax Support has reduced whilst the live Council Tax Support caseload in both Adur and Worthing is reducing and is now below preCOVID levels.
Risk Rating:	Impact = Major, Likelihood = Very 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 its 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.
Commentary / Mitigation measures	Demand for emergency accommodation continues to be very high. In 21/22, the average monthly caseload in Adur was 76 households. The increasing costs of living means some landlords are selling up and so evicting tenants, or rents are increasing, while at the same time tenants are less able to afford to spend on housing and keep up with utility bills. This means continued reliance on spot purchased accommodation (hotels/self contained flats) to meet our accommodation needs. The Adur Opening Doors portfolio is currently 14 properties. This is in addition to 8 properties which, having reached the end of the two year Opening Doors Contract, were floated off back to be managed by the property owners, with the tenancies still in place. The role of Acquisitions and Landlord Support Officer is temporarily vacant following the departure of the previous post holder. Telljo - the tool to identify residents in need of support or at risk of homelessness that will link with our Proactive work and is in its final phase of development and should enable us to support families earlier and offer a wider range of support. In terms of building more affordable and social housing to reduce the length of time tenants have to spend in TA, it is worth noting that the Levelling Up and Regeneration Bill introduced in the Queen's Speech will incorporate some proposals to reform the planning system including the introduction of an infrastructure levy, which would be locally set and nonnegotiable and to be spent on housing, schools, GPs and new roads. This could provide more funds for the Council to build more properties in the future but how it would operate is still uncertain.
***Risk Rating*:**	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	<u>Locally hosted applications</u> Risk that hosting applications locally carries increasing risks given the pace of technological change. As for most councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.
Commentary / Mitigation measures	The Revenues and Benefits core database was successfully migrated to the cloud in November 2021. The on premise VMWare and SAN had a significant hardware failure in March 2022 but all affected data and systems were successfully recovered, albeit with disruption to services and the need to invoke business continuity plans. This platform is end of life support and was planned for replacement in 2022/23. This project is now moving forwards as a priority and expected to be completed in Autumn 2022. Some systems and services will always need to be hosted on site, and the new platform will provide resilience, security and scalability. The current data network is also at end of life and is being replaced during 2022/23.
***Risk Rating*:**	Impact = Extreme, Likelihood = Moderate **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	Recent inflation in build costs is likely to have an impact on a number of the major projects. Supply of certain materials such as steel, labour and timber has been difficult with a resultant increase in prices. A number of the major projects are market facing so dependent on rental income or disposable income to make their business cases suitable. Should inflation sustain without a commensurate increase in commercial income then the viability of some projects will be challenging.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**<u>Climate emergency risk -</u>** Councils need to mitigate climate change, adapt to climate change and prepare for more frequent extreme climate events and impacts.
Internal controls / Mitigation measures	1) Mitigating climate change; Significant work streams are being delivered to reduce council carbon emissions and support decarbonisation across Adur & Worthing. Last year (2020/21), Council emissions fell by 7.4%. Govt data shows Adur & Worthing carbon emissions continue to fall year on year, with housing and industry related emissions dropping faster than transport mainly due to decarbonisation of electricity. However, these reductions are not on track to achieve net zero and radical transformations are needed to accelerate reductions. Data is published 2 years in arrears. Adur DC has signed up to the Net Zero pledge with UK100 Cities to work towards achieving net zero emissions across the Adur and Worthing area by 2045. The Carbon Reduction team has secured Public Sector Decarbonisation Funding and is delivering £2m of capital projects identified as part of the Carbon Neutral Plan work with Technical Services and Adur Homes. These are projected to reduce emissions from the Councils' estate by approximately 12% and a pipeline of future projects. Projects are nearing completion and include 2 large Heat pump projects, insulation and energy efficiency projects and solar PV installations. The Worthing Heat Network project has reached the procurement launch and is at the initial assessment stage. The Council is now in receipt of a £5m HNIP (BEIS) funding agreement for Commercialisation & Construction funding. The scheme proposes to deliver a Worthing town centre heat network that will enable heat decarbonisation at scale based on a 3MW sewer source heat pump or equivalent low carbon measure. The WHN consists of 28 connections of which 18 are public sector buildings or with 7 owners, 16 are WBC owned buildings or sites. The HN is expected to deliver 2,454 tonnes of CO_2 savings per year when fully developed.

	PV Sol Software has been acquired to support design work for solar PV installations in order to develop more opportunities without the need for external consultancy support. The Councils are involved in consortia to deliver Green Homes Grant Local Authority Delivery programmes (LAD). These aim to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes rated D,E,F & G: Work is progressing on a countywide electric vehicle charging network that would provide charge points across Adur & Worthing on street and in council car parks. This would deliver one consistent, accessible, renewable powered EV charging network for West Sussex through a concessionary contract that is due to begin installing charge points in summer 2022. Work is ongoing to collaborate with WSCC on the successful delivery of new cycling schemes located on county highways through the Councils' Sustainable Transport Group. 2) Adapting to climate change; Development of opportunities on Council owned land, in and bordering Adur & Worthing for offsetting, biodiversity, rewilding and climate resilience schemes in particular New Salts Farm, Pad Farm, the Adur Estuary and Kelp restoration as part of Sussex Bay with external partners. The Strategic Flood Risk Assessment has been updated and found that the following number of sites are predicted to be at risk of surface water flooding (Section 12): 41 development sites in A&W: due to climate change, 21 sites are predicted to be at risk of fluvial flooding and 18 sites are predicted to be at risk from tidal flooding in the future. Adur DC has approved project costs for coastal defence works at Kingston Beach. Technical Services are assessing flood risk on/in the vicinity of Council owned land/buildings to identify opportunities for projects to improve climate resilience. Parks are planning to review opportunities for flood mitigation through an increase in permeable surfaces and rain gardens. Ongoing collaboration with external partners to investigate restoration of kelp forests as part of Sussex Bay could reduce storm surge and tidal influence on the shore line by 70%; and to investigate an Adur Estuary project to provide flood mitigation and multiple additional benefits. 3) Preparing for more frequent extreme climate events and impacts: adverse weather impacts are considered by AWC Emergency Planning service based upon pan Sussex risks using the National Risk Register of Civil Emergencies.The Sussex risks are in the public domain available to all via the Sussex Police register.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Risk overview	**<u>Delivery of partnership working and joint services</u>** Delivery of Adur & Worthing Councils partnership working arrangements model and the provision of joint services is impacted by the different competing priorities being set by the new administrations which leads to a failure to deliver strategic objectives, potential reputational damage, an impact on the budget costs for both Councils. A potential risk of the breakdown of partnership arrangements which would be unaffordable.
Internal controls / Mitigation measures	New governance arrangements to be introduced to enable decisions to be taken, and scrutiny undertaken, by individual authorities for sole matters, while retaining joint management and scrutiny of shared operational services. Review of Constitutions being undertaken with wide consultation over summer 2022. Regular meetings of both Leaders with the Chief Executive to support good working relationships. Regular meetings between the Councils Leadership Team and both Executive teams, and meetings between Director and portfolio holders. Development of shared objectives where possible, such as climate, cost of living crisis and a range of other key agendas.
***Risk Rating*:**	Impact = Major, Likelihood = Very 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 2022. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

This is a difficult time for the whole of Local Government. The Council faced 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 2021/22 is most welcome at this time to help the Council build its reserves to manage the impact of unexpectedly high inflation 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 will be 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 2023/24 budget. The intention is to build recurring under spends into the 2023/24 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

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 2022. 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 2021/22 (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:**

Statement of Responsibilities **34**

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

Movement in Reserves Statement **35**

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

Comprehensive Income and Expenditure Statement **36**

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

The Balance Sheet **37**

This statement summarises the Council's assets and liabilities as at 31st March 2022 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' reserves.

The Cash Flow Statement **38**

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

Notes to the Accounts **39-109**

Housing Revenue Account (HRA) **110-115**

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 116-118

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 2021/22:

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 38 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 £4.2m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from a change to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 38.

Provisions, contingencies and material events

The Council has no contingencies.

There are no material income or expenditure items to disclose in 2021/22, that are not disclosed on the face of the accounts. The provisions made in 2021/22 are laid out in Note 21.

CHANGES TO ACCOUNTING POLICIES

The accounting policies are laid out within Note 1 of the Accounts. These policies reflect the 2021/22 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

S T A T E M E N T   O F   A C C O U N T S
FOR THE YEAR ENDED 31ST MARCH, 2022

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 2021/22 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 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, 2022 and its income and expenditure for the year ended on that date.

Sarah Gobey

SARAH GOBEY

Chief Financial Officer **Dated: 29/07/2022**
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 xxxx.

ANDY McGREGOR
Chairman, Joint Governance Committee **Dated:**

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 2020 c/fwd	**(952)**	**(1,312)**	**(1,013)**	**(1,865)**	**(3,454)**	**(5,349)**	**(2,113)**	**(16,058)**	**(140,190)**	**(156,248)**
Surplus or (deficit) on provision of services	688	-	(586)	-	-	-	-	102	-	102
Other Comprehensive Expenditure & Income	-	-	-	-	-	-	-	-	(20,226)	(20,226)
Total Comprehensive Expenditure Income	**688**	**-**	**(586)**	**-**	**-**	**-**	**-**	**102**	**(20,226)**	**(20,124)**
Adjustments between accounting and funding basis under Regs. (Note 7)	(5,972)	-	1,250	-	1,132	(2,118)	(1,904)	(7,612)	7,612	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(5,284)**	**-**	**664**	**-**	**1,132**	**(2,118)**	**(1,904)**	**(7,510)**	**(12,614)**	**(20,124)**
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)**	**(12,614)**	**(20,124)**
Balance at 31st March 2021 c/fwd	**(951)**	**(6,597)**	**(349)**	**(1,865)**	**(2,322)**	**(7,467)**	**(4,017)**	**(23,568)**	**(152,804)**	**(176,372)**
Movement in Reserves during 2021/22										-
Surplus or (deficit) on provision of services	(3,060)	-	2,603	-	-	-	-	(457)	-	(457)
Other Comprehensive Expenditure & Income				-	-	-	-	-	(31,060)	(31,060)
Total Comprehensive Expenditure and Income	**(3,060)**	**-**	**2,603**	**-**	**-**	**-**	**-**	**(457)**	(31,060)	(31,517)
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,111	-	(1,494)	-	(1,013)	(1,905)	1,554	2,253	(2,253)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**2,051**	**-**	**1,109**	**-**	**(1,013)**	**(1,905)**	**1,554**	**1,796**	(33,313)	(31,517)
Contribution to Major Repairs Reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Transfers to/from Earmarked Reserves (Note 8)	(2,150)	2,150	(1,306)	1,306	-	-	-	-	-	-
(Increase)/Decrease in Year	**(99)**	**2,150**	**(197)**	**1,306**	**(1,013)**	**(1,905)**	**1,554**	**1,796**	(33,313)	(31,517)
Balance at 31st March 2022	**(1,050)**	**(4,447)**	**(546)**	**(559)**	**(3,335)**	**(9,372)**	**(2,463)**	**(21,772)**	(186,117)	(207,889)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2021/22 Gross Expenditure	2021/22 Gross Income	Note	2021/22 Net Expenditure	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Income/ Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
The Leader	879	(158)		721	609	(43)	566
Environment	6,337	(2,593)		3,744	5,939	(2,008)	3,931
Health & Wellbeing	2,931	(1,285)		1,646	1,876	(1,062)	814
Customer Services	17,879	(15,910)		1,969	26,848	(25,490)	1,358
Regeneration	4,153	(1,077)		3,076	2,326	(884)	1,442
Resources	5,180	(2,145)		3,035	5,284	(2,512)	2,772
Net Cost of General Fund Services	37,359	(23,168)		**14,191**	**42,882**	**(31,999)**	**10,883**
Housing Revenue Account	15,411	(14,042)		1,369	10,596	(13,421)	(2,825)
Net Cost of Services	52,770	(37,210)		**15,560**	**53,478**	**(45,420)**	**8,058**
Other Operating Expenditure			9	1,234			2,436
Financing and Investment Income and Expenditure			10	(3,494)			3,258
Taxation and non-specific grant income			11	(13,757)			(13,650)
(Surplus) or Deficit on Provision of Services				**(457)**			**102**
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			23	(24,995)			(20,373)
Remeasurements of the net defined pension benefit liability			23	(6,065)			147
Other Comprehensive Income and Expenditure				(31,060)			(20,226)
Total Comprehensive Income and Expenditure				**(31,517)**			**(20,124)**

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 2022	As at 31st March 2021
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	12	279,088	263,626
Heritage Assets	13	368	366
Investment Property	14	79,530	75,891
Intangible Assets	15	1,080	669
Long Term Investments	17	3,213	2,738
Long Term Debtors	18	18	25
Total Long Term Assets		**363,297**	**343,315**
Current Assets:			
Short Term Investments	17	18,034	3,012
Assets Held For Sale	16	6,712	280
Inventories		64	71
Short Term Debtors	18	9,099	12,118
Cash & Cash Equivalents	19	4,317	7,540
Total Current Assets		**38,226**	**23,021**
Current Liabilities:			
Short Term Borrowing	17	(13,010)	(8,756)
Short Term Creditors	20	(15,566)	(13,784)
Provisions	21	(699)	(862)
Grants Received in Advance Revenue	33	(4,263)	(563)
Total Current Liabilities		**(33,538)**	**(23,965)**
Long Term Liabilities:			
Long Term Borrowing	17	(149,720)	(151,385)
Other Long Term Liabilities	37	(10,376)	(14,614)
Total Long Term Liabilities		**(160,096)**	**(165,999)**
Net Assets		**207,889**	**176,372**
Financed By Reserves:			
Usable Reserves	22	(21,772)	(23,568)
Unusable Reserve	23	(186,117)	(152,804)
Total Reserves		**(207,889)**	**(176,372)**

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:	2021/22	2020/21
		£'000	£'000
Net (surplus) or deficit on provision of services	24	457	(102)
Adjustments to net surplus or deficit on the provision of services for non cash movements	24	14,432	17,902
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(5,970)	(13,105)
Net cash flows from Operating Activities	24	**8,919**	**4,695**
Investing Activities	25	(19,101)	6,971
Financing Activities	26	6,959	(8,323)
Net increase or decrease in cash and cash equivalents		**(3,223)**	**3,343**
Cash and cash equivalents at the beginning of the reporting period		7,540	4,197
Cash and cash equivalents at the end of the reporting period	19	**4,317**	**7,540**

NOTES TO THE ACCOUNTS

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.

The Balance Sheet includes the Council's 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 Council when there is reasonable assurance that:

- the Council 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 Council 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 2021/22 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the council'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 council 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 council 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 council 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 council 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 council'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 council'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 council 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 council 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 council 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 council 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 council – 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 2021/22 Code.

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

- IFRS1 IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention but will not have a material impact.
- IAS 41 Agriculture will be amended but does not impact an urban local authority
- IAS 16 Property, Plant and Equipment: Proceeds before intended use
  This standard requires that any income generated by an asset before it is fully brought into use is charged to the income and expenditure statement rather than netted off the cost of acquisition. This standard will only have limited applicability to the Council and as such will not have a material impact on the Council's accounts.

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 AND GOING CONCERN

Critical Judgements

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 38.

- 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 £88k.

Going Concern

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 2021/22 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 DLUHC 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 Council has seen the impact of the Covid-19 pandemic on its finances during 2021/22, 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 £183k (2% against budget) underspend for the financial period ending 31st March 2022.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2021/22, 2022/23 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 2022 the Council approved a balanced budget for 2022/23. 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 2022 the Council has the following reserves to call on in delivering its services.

- General Fund Working Balance £1.051m
- HRA Working Balance £0.545m
- General Fund Earmarked Reserves £4.447m
- HRA Earmarked Reserves £0.559m
- Capital Grants £2.463m
- Capital Receipts £3.335m

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.

The Authority has been closely monitoring its cash flow and investments to ensure it has sufficient liquidity to meet its commitments. The Council had investments of £18m and cash and cash equivalents of £4m at the end of March 2022 and has prepared a cash flow forecast to the end of July 2024 which is 12 months from the date the accounts are approved. The Council remains confident in its ability to maintain sufficient cash for its services throughout this period and is furthermore able to borrow short term for cash management if ever needed.

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 2022 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 £23.5k. 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 2021/22 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 2021/22, the Council's actuaries advised that the net pension liability has decreased by a net £4.24m, of this a £1.83m decrease is as a result of estimates being corrected as a result of experience and an increase of £6.07m attributable to updating of the assumptions. Refer to note 38 for further details.
Impairment Loss Allowance	At 31st March 2022 the Council had a net balance of debtors due (excluding government departments) of £7.18m. A review of significant balances suggested that an impairment of doubtful debt of £1.76m 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 £18k

Item	Uncertainties	Effect if actual results differ from assumptions
Business Rate Appeals Provision	At March 2022 the total provision for the impact of appeals on business rate income is £0.517m, the Council share of this is £0.207m. 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 £50k. The Council share of this would be £20k.
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.

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 2022 and the date when the Statement of Accounts is authorised for issue.

There were no events after the balance sheet date for 2021/22.

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.

	2021/22	2021/22	2021/22	2020/21	2020/21	2020/21
	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	630	91	721	508	58	566
Environment	2,550	1,194	3,744	2,870	1,061	3,931
Health & Wellbeing	1,454	192	1,646	708	106	814
Customer Services	845	1,124	1,969	(8,335)	9,693	1,358
Regeneration	1,712	1,364	3,076	1,809	(367)	1,442
Resources	1,907	1,128	3,035	1,939	833	2,772
HRA	(1,547)	2,916	1,369	(2,068)	(757)	(2,825)
Net Cost of Services	**7,551**	**8,009**	**15,560**	**(2,569)**	**10,627**	**8,058**
Other income and expenditure	(4,391)	(11,626)	(16,017)	(2,051)	(5,905)	(7,956)
(Surplus) or deficit on provision of services	**3,160**	**(3,617)**	**(457)**	**(4,620)**	**4,722**	**102**
Opening General Fund & HRA Reserve Balance at 31st March	(9,762)			(5,142)		
Deficit/(surplus) in Year	3,160			(4,620)		
Closing General Fund & HRA Reserve Balance at 31st March *	**(6,602)**			**(9,762)**		

2021/22 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	38	53		91
Environment	791	403		1,194
Health & Wellbeing	(73)	265		192
Customer Services	782	342		1,124
Regeneration	914	450		1,364
Resources	858	270		1,128
Housing Revenue Account	3,174	(258)		2,916
Net Cost of Services	**6,484**	**1,525**	**-**	**8,009**
Other income and expenditure from the Funding Analysis	(9,000)	302	(2,928)	(11,626)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**(2,516)**	**1,827**	**(2,928)**	**(3,617)**

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	(10,116)	327	3,884	(5,905)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**629**	**209**	**3,884**	**4,722**

Income and Expenditure analysed by nature	**2021/22**	**2020/21**
	£'000	**£'000**
Employee Expenses*	6,019	4,460
Depreciation, amortisation, impairment	6,042	7,439
Precepts	435	415
Payments to the Government Housing Capital Receipts Pool	358	319
Other service expenditure	44,723	50,815
Total Expenditure	57,577	63,448
Grants and contributions	(8,406)	(21,054)
Fees, charges and other service income	(37,575)	(35,015)
(Gain)/loss on disposal of non current assets	441	1,702
Income from council tax and business rates	(8,165)	(4,304)
Interest and Investment Income	(4,329)	(4,675)
Total Income	(58,034)	(63,346)
Deficit or surplus on Provision of Services	(457)	102

*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.

2021/22 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 23)	(1,377)	(4,400)	-	-	-	5,777
Revaluation losses on Property Plant and Equipment (Note 23)	(627)	(3,173)	-	-	-	3,800
Movements in the market value of investment Properties (Note 14)	3,639	-	-	-	-	(3,639)
Amortisation of intangible assets (Note 23)	(88)	(16)	-	-	-	104
Capital grants and contributions applied (Note 23)	501	1,703	-	-	-	(2,204)
Revenue Expenditure funded from capital under statute (Note 23)	(1,278)	-	-	-	-	1,278
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 23)	(458)	(2,569)	-	-	-	3,027
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory and voluntary provision for the financing of capital investment (Note 23)	2,314	-	-	-	-	(2,314)
Capital expenditure charged against the General Fund and HRA balances	70		-	-	-	(70)
Repayment of Grant	27		(27)			-
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	829	297	-	-	(1,126)	-

Application of grants to capital financing transferred to the Capital Adjustment Account (Note 23)	-	-	-	-	2,680	(2,680)
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	372	2,214	(2,586)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 35)	-	-	1,243	-	-	(1,243)
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 9)	(358)	-	358	-	-	-
Write down of Housing Repairs Grant						
Transfer from **Deferred Capital Receipts Reserve** upon receipt of cash	-	-	(1)	-	-	1
Adjustments involving the Major Repairs Reserve						-
Transfer of depreciation to the Major Repairs Reserve (HRA Note 5)	-	4,416	-	(4,416)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,511	-	(2,511)
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 DLUHC override (Note 17)	475	-	-	-	-	(475)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 38)	(4,830)	34	-	-	-	4,796
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 38)	2,969	-	-	-	-	(2,969)

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	2,928	-	-	-	-	(2,928)
TOTAL ADJUSTMENTS 2021/22	**5,111**	**(1,494)**	**(1,013)**	**(1,905)**	**1,554**	**(2,253)**

2020/21 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 23)	(1,425)	(4,062)	-	-	-	**5,487**
Revaluation losses on property plant and equipment	839	2	-	-	-	**(841)**
Movements in the market value of investment properties	(2,696)	-	-	-	-	**2,696**
Amortisation of intangible assets	(80)	(17)	-	-	-	**97**
Capital grants and contributions applied	9,430	653	-	-	-	**(10,083)**
Movement in the Donated Assets Account	-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Revenue Expenditure funded from capital under statute	(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	(180)	(1,991)	-	-	-	**2,171**
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 23)	2,222	-	-	-	-	(2,222)
Capital expenditure charged against the General Fund & HRA	33	-		-	-	**(33)**

Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	829	1,713	-	-	(2,542)	-
Repayment of Capital Grant	-	-	-	-	638	(638)
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	21	447	(468)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,282	-	-	(1,282)
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(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						
Reversal of Major Repairs Allowance credited to the HRA (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 17)	(19)	-	-	-	-	**19**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 23)	(3,703)	426	-	-	-	**3,277**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 23)	3,068	-	-	-	-	**(3,068)**

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.	(3,884)	-	-	-	-	**3,884**
TOTAL ADJUSTMENTS 2020/21	**(5,972)**	**1,250**	**1,132**	**(2,118)**	**(1,904)**	**7,612**

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 2021/22.

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

Movement in Earmarked Reserves	Balance at 01/04/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Earmarked Revenue Reserves							
Capacity Issues Fund	337	(63)	399	673	(92)	250	831
Insurance Fund	153	(37)	31	147	(25)	31	153
Special & Other Emergency *	60	-	-	60	(60)	-	-
Property Investment Risk Reserve	100	-	200	300		76	376
Election Reserve *	8	-	-	8	(8)	-	-
Grants & Contributions	623	(223)	943	1,343	(394)	254	1,203
* these reserves have been consolidated into the Capacity Issues Fund							
Sub Total	**1,281**	**(323)**	**1,573**	**2,531**	**(579)**	**611**	**2,563**
Reserves to manage Collection Fund timing difference:							
Business Rates Smoothing	31	-	3,738	3,769	(2,003)	-	1,766
Local Tax Income Guarantee	-	-	297	297	(179)	-	118
Total General Fund	**1,312**	**(323)**	**5,608**	**6,597**	**(2,761)**	**611**	**4,447**
Housing Revenue Account							
New Development & Acquisition Reserve	1,640	-	-	1,640	(1,288)	-	352
Discretionary Assistance Fund	116	-	-	116	-	-	116
Business Improvement Reserve	109	-	-	109	(18)	-	91
Total Housing Revenue Account	**1,865**	**-**	**-**	**1,865**	**(1,306)**	**-**	**559**
Total Earmarked Reserves	**3,177**	**(323)**	**5,608**	**8,462**	**(4,067)**	**611**	**5,006**

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. The remaining balance has been transferred into the Capacity Issues Reserve in 2021/22.

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. The remaining balance has been transferred into the Capacity Issues Reserve in 2021/22.

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. 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 2022/23. The Business Rates Smoothing Reserve will fund the losses when they are incurred and are not available for other purposes.

Local Tax Income Guarantee
The Council received grant funding towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the losses are due to be funded by the General Fund over 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	2021/22	2020/21
	£'000	£'000
Parish Council Precepts	435	415
Payments to the Government Housing Capital Receipts Pool	358	319
(Gains)/losses on the disposal of non-current assets	441	1,702
TOTAL	**1,234**	**2,436**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2021/22	2020/21
	£'000	£'000
Interest payable & similar charges (Note 17)	4,613	4,656
Pensions interest cost & expected return on pensions assets (Note 38)	303	327
Interest receivable & similar income	(154)	(186)
Income and expenditure in relation to investment properties (Note 14)	(3,947)	(4,104)
Changes in fair value of investment properties (Note 14)	(3,639)	2,696
Changes in fair value of investments (Note 17)	(475)	19
Other investment income (Trading Operations Note 27)	(195)	(150)
TOTAL	**(3,494)**	**3,258**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2021/22	2020/21
	£'000	£'000
Council Tax Income (including Parish Council Precepts)	(7,106)	(6,816)
Non Domestic Rates income and expenditure	(1,059)	2,512
Non-ringfenced Government Grants (Note 33)	(2,986)	(6,513)
Capital Grants and Contributions (Note 33)	(2,606)	(2,833)
TOTAL	**(13,757)**	**(13,650)**

* During the Pandemic the Government provided significant additional business rate reliefs which reduced the income from business rates in both 2020/21 and 2021/22. The reliefs granted in 2020/21 were significantly higher than those granted in 2021/22. The Council was fully compensated for the loss in income via Government Grants.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2021/22	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 2021	198,286	43,387	6,030	6,804	1,788	5,626	8,000	269,921
Additions	2,705	22	273	998	-	-	5,507	9,505
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	18,888	106	18	9	-	1,047		20,068
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,200)	88	-	-	-	5	(768)	(3,875)
Derecognition	(1,411)	(113)	(430)	(37)	-	-	(30)	(2,021)
Assets reclassified (to)/from Held for Sale	(1,385)	-	-	-	-	(6,632)		(8,017)
Reclassifications to Intangible Assets								-
Reclassifications between PPE asset classes and REFCUS	3,224	287		10			(3,499)	22
As at 31st March 2022	**217,107**	**43,777**	**5,891**	**7,784**	**1,788**	**46**	**9,210**	**285,603**
Accumulated Depreciation and Impairment								
1st April 2021	-	(167)	(3,451)	(2,676)	-	(1)	-	(6,295)
								-
Depreciation charge	(4,298)	(746)	(487)	(245)	-	(1)		(5,777)
Depreciation written out to the Revaluation Reserve	4,165	762	-	-	-	-	-	4,927
Deprecation written out to the Surplus/Deficit on the Provision of Services	23	87	-	-	-	2	-	112
Derecognition	60	5	395	31	-	-	-	491
Reclassifications between PPE asset classes and Assets Held for Sale	50	-	-	-	-	-	(23)	27
As at 31st March 2022	**-**	**(59)**	**(3,543)**	**(2,890)**	**-**	**-**	**(23)**	**(6,515)**
Net Book Value at 31st March 2022	**217,107**	**43,718**	**2,348**	**4,894**	**1,788**	**46**	**9,187**	**279,088**
Net Book Value at 31st March 2021	**198,286**	**43,220**	**2,579**	**4,128**	**1,788**	**5,625**	**8,000**	**263,626**

OPERATIONAL ASSETS

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

Movements in 2021/22	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
1st April 2021	5,117	-	5,117
			-
Additions	155		155
Reclassifications	-		-
Derecognition - Other	(357)		(357)
at 31st March 2022	**4,915**	**-**	**4,915**
Accumulated Depreciation and Impairment			
1st April 2021	(2,778)	-	(2,778)
Depreciation charge	(425)		(425)
Derecognition - Other	322		322
at 31st March 2022	**(2,881)**	**-**	**(2,881)**
Net Book Value at 31st March 2022	**2,034**	**-**	**2,034**
Net Book Value at 31st March 2021	**2,339**	**-**	**2,339**

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 2022/23.

Comparative Movements 2020/21

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								
At 1st April 2020	190,561	38,103	6,084	6,753	1,788	1,297	4,946	249,532
Prior Year Adjustment	-	-	-	-	-	-	-	-
Additions	1,960	493	486	213	-	-	4,359	7,511
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,161	4,648	-	6	-	3,682	-	15,497
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(24)	(63)	-	-	-	915	-	828
Derecognition	(1,057)	(147)	(540)	(169)	-	-	(713)	(2,626)
Assets reclassified (to)/from Held for Sale	(315)	-	-	-	-	(280)	-	(595)
Reclassifications to Intangible Assets	-	-	-	-	-	-	-	-
Reclassifications between PPE asset classes and Heritage Assets	-	353	-	1	-	12	(592)	(226)
As at 31st March 2021	**198,286**	**43,387**	**6,030**	**6,804**	**1,788**	**5,626**	**8,000**	**269,921**
Accumulated Depreciation and Impairment								-
At 1st April 2020	-	(417)	(3,431)	(2,578)	-	(1)	(42)	(6,469)
Prior Year Adjustment	-	-	(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	-	-	42	765
Reclassifications between PPE asset classes	7	-	-	-	-	-	-	7
As at 31st March 2021	**-**	**(167)**	**(3,451)**	**(2,676)**	**-**	**(1)**	**-**	**(6,295)**
Net Book Value								
As at 31st March 2021	**198,286**	**43,220**	**2,579**	**4,128**	**1,788**	**5,625**	**8,000**	**263,626**
As at 31st March 2020	**190,561**	**37,686**	**2,653**	**4,175**	**1,788**	**1,296**	**4,904**	**243,063**

Comparative Movements 2020/21

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			
At 1st April 2020	5,165	98	5,263
Transfer out of Joint Account	-	-	-
Additions	478	-	478
Reclassifications	-	(98)	(98)
Derecognition - Other	(526)	-	(526)
As at 31st March 2021	**5,117**	**-**	**5,117**
Accumulated Depreciation and Impairment			
At 1st April 2020	(2,824)	-	(2,824)
Transfer out of Joint Account	-	-	-
Depreciation charge	(467)	-	(467)
Derecognition - Other	513	-	513
As 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**

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

Capital Commitments

At 31st March 2022 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 £11.261m. The significant commitments at 31st March 2021 were £14,569m. The significant commitments at 31st March 2022 are:

- Albion Street Development of 49 units: £9.98m.
- Albion Street Refurbishment of 2 semi-detached properties in 6 units: £795,489
- Sompting Recreation Ground Play Area Refurbishment: £87,000
- Shoreham Centre - Installation of Air Source Heat Pump: £398,506

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	-	-	2,348	4,894	1,788	-	9,187	18,217
Valued at current value as at:								
31st March 2022	217,107	9,643						226,750
31st March 2021		17,762				46		17,808
31st March 2020		6,324						6,324
31st March 2018		8,773						8,773
31st March 2017		1,216						1,216
Total Cost or Valuation	**217,107**	**43,718**	**2,348**	**4,894**	**1,788**	**46**	**9,187**	**279,088**

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 2022:

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 2022
	£'000	£'000	£'000	£'000
Offices		39		39
TOTAL	-	**39**	-	**39**

Details of the authority’s surplus assets fair value hierarchy as at 31st March 2021 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 2021
	£'000	£'000	£'000	£'000
Land	-	5,585	-	5,585
Offices	-	40	-	40
TOTAL	**-**	**5,625**	**-**	**5,625**

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.

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 2021/22	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2021	12	29	325	366
Revaluations	1	1	-	2
As at 31st March 2022	**13**	**30**	**325**	**368**
As at 31st March 2021	**12**	**29**	**325**	**366**

COMPARATIVE MOVEMENTS 2020/21

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
As at 31st March 2021	**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 2021/22 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.

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.

	2021/22	2020/21
	£'000	**£'000**
Rental income	(4,175)	(4,339)
Direct operating expenses	228	235
Net (gain)/loss	**(3,947)**	**(4,104)**

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

	2021/22	2020/21
	£'000	**£'000**
Balance at start of the year	75,891	78,587
Additions:		
Acquisitions	-	-
Net gains/losses from fair value adjustments:		
General Fund	3,639	(2,696)
Balance at end of the year	79,530	75,891

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2022 and 31st March 2021 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2022
	£'000	**£'000**	**£'000**	**£'000**
Land	-	486	-	486
Office	-	40,774	-	40,774
Retail	-	15,194	-	15,194
Leisure	-	23,076	-	23,076
TOTAL	-	79,530	-	79,530

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 2021
	£'000	£'000	£'000	£'000
Land	-	548	-	548
Office	-	40,847	-	40,847
Retail	-	14,066	-	14,066
Leisure	-	20,430	-	20,430
TOTAL	-	75,891	-	75,891

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 council's investment property is measured annually on 31st March each year. 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 council's Estates Department and finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

NOTE 15: INTANGIBLE ASSETS

	2021/22	2020/21
Balance at start of the year:	**£'000**	**£'000**
Gross carrying amounts	1,010	764
Accumulated amortisation	(341)	(296)
Net carrying amount at start of year	**669**	**468**
Additions:		
Purchases	515	298
Reclassification from Property, Plant and Equipment		-
Disposals:	(135)	(52)
Amortisation for the period:	(104)	(10)
Amortisation wriiten off on disposal:	135	(35)
Net carrying amount at end of year	**1,080**	**669**
Comprising:		
Gross carrying amounts	1,390	1,010
Accumulated amortisation	(310)	(341)
	1,080	**669**

NOTE 16: ASSETS HELD FOR SALE

	Current 2021/22	Current 2020/21	Non Current 2021/22	Non Current 2020/21
	£'000	**£'000**	**£'000**	**£'000**
Balance outstanding at 1st April 2021	280	-	-	-
Assets newly classified as held for sale:				
From Property, Plant and Equipment	7,967	588	-	-
Revaluations	(37)	-	-	
Assets sold:	(1,498)	(308)	-	-
Balance outstanding at year-end	**6,712**	**280**	**-**	**-**

The 2021/22 increase in assets held for sale relates includes the Adur Civic Centre which has been transferred from Surplus Assets in recognition of it being sold subject to planning conditions

NOTE 17: 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		
	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000
Fair Value through Profit and Loss	3,183	2,708	-	-	-	-	-	-	**3,183**
Amortised Cost - Investments and debtors	5	5	18	25	18,010	3,000	508	2,689	**18,541**
Amortised Cost - accrued interest	-	-	-	-	24	12	-	-	**24**
Cash and cash equivalents	-	-	-	-	4,317	7,540	-	-	**4,317**
Fair Value through other comprehensive income	25	25	-	-		-	-	-	**25**
Total Financial Assets	**3,213**	**2,738**	**18**	**25**	**22,351**	**10,552**	**508**	**2,689**	**26,090**
Assets not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**8,591**	**9,429**	**8,591**
Total	**3,213**	**2,738**	**18**	**25**	**22,351**	**10,552**	**9,099**	**12,118**	**34,681**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000
Amortised Cost - Principal	(149,720)	(151,385)	-	-	(12,216)	(7,972)	(3,808)	(3,095)	**(165,744)**
Amortised cost - accrued interest	-	-	-	-	(794)	(784)	-	-	**(794)**
Total Financial Liabilities	**(149,720)**	**(151,385)**	**-**	**-**	**(13,010)**	**(8,756)**	**(3,808)**	**(3,095)**	**(166,538)**
Liabilities not defined as financial instruments	-	-	-	-	-	-	**(11,758)**	**(10,689)**	**(11,758)**
Total	**(149,720)**	**(151,385)**	**-**	**-**	**(13,010)**	**(8,756)**	**(15,566)**	**(13,784)**	**(178,296)**

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 2022 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 2022 of £3.183m 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 2022, 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 Boom Credit Union holding is 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:

	2021/22	2021/22	2020/21	2020/21
	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)	(475)	-	19	-
Financial assets measured at amortised cost	182	-	40	-
Total net (gains)/losses	**(293)**	**-**	**59**	**-**
Interest revenue:				
Financial assets measured at amortised cost	(51)	-	(69)	-
Other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(106)	-	(117)	-
Total interest revenue	**(157)**	**-**	**(186)**	**-**
Interest expense	**4,600**	**-**	**4,653**	**-**
Fee expense on financial liabilities that are not at fair value through profit or loss	**13**	**-**	**3**	**-**

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.

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 2022 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	31st March 2022		31st March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	(139,212)	(148,825)	(136,726)	(156,068)
Non-PWLB Debt	(23,518)	(36,400)	(23,415)	(39,439)
Total Borrowing	(162,730)	(185,225)	(160,141)	(195,507)
Short Term Creditors	(3,808)	(3,808)	(3,095)	(3,095)
Total	**(166,538)**	**(189,033)**	**(163,236)**	**(198,602)**

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 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £148.825m 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 £207.848m, 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:

Financial Assets - valued at amortised cost	31st March 2022		at 31st March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	18,034	18,014	3,012	3,016
Long term investments	5	5	5	5
Cash and cash equivalents	4,317	4,317	7,540	7,540
Short term debtors	508	508	2,689	2,689
Long term debtors	18	18	25	25
Total	**22,882**	**22,862**	**13,271**	**13,275**

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, 2022 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
- 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 Joint Treasury Management Strategy & Annual Investment Strategy 2022-23 to 2024-25

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 2021/22 was approved by the Council on 18th February 2021 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 £10.025m in banks and building societies, £8m in the government's Debt Management Office and £3.94m in 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 2022 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-22	Estimated Maximum Exposure to Loss 31-Mar-22	Estimated Maximum Exposure 31-Mar-21
	£'000	£'000	£'000
Lease debtors	164	54	51
Sundry debtors	344	1,043	863

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 2022 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 18.

Credit Risk Exposure

At 31st March 2022 the Council held £3.020m of bank investments at credit rating A+, £4m of bank investments at credit rating A, £5k of bank investments at credit rating AA- (which is in a call account so classified as Cash and Cash Equivalents), £1m with a building society at rating A- and £2m with a bank at rating A-. £3.94m classified as Cash and Cash Equivalents was held in AAA rated money market funds. £8m was held with the government's Debt Management Office. 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. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. 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 2022	Actual 31 March 2022	Actual 31 March 2021	Actual 31 March 2021
				£'000s		£'000s
Maturing within one year	0%	20%	8%	(13,010)	6%	(8,756)
Maturing in 1-2 years	0%	30%	5%	(7,206)	7%	(11,666)
Maturing in 2-5 years	0%	50%	12%	(19,663)	13%	(20,835)
Maturing in 5-10 years	0%	70%	24%	(38,738)	24%	(38,910)
Maturing in 10-20 years	0%	80%	29%	(47,846)	29%	(45,974)
Maturing in 20-30 years	0%	60%	1%	(2,296)	1%	(1,998)
Maturing in 30-40 years	0%	60%	9%	(13,812)	7%	(11,804)
Maturing in more than 40 years	0%	45%	12%	(20,159)	13%	(20,198)
TOTAL			100%	**(162,730)**	100%	**(160,141)**

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 2022, 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	49
Share of overall impact credited or debited to the HRA	22
Decrease in fair value of fixed rate investment assets - impact on Other Comprehensive Income and Expenditure	27
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)	19,608

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 £3.183m in the Local Authorities' Property Fund as valued at 31st March 2022 and the value varies based on the value of the underlying assets. 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 18: DEBTORS

Amounts falling due in one year net of bad debt impairment provision:	31-Mar-22 £'000s	31-Mar-21 £'000s
Central Government Bodies	1,918	4,630
Other Local Authorities	5,253	3,233
NHS Bodies	98	35
Other Entities and Individuals*	1,830	4,220
	9,099	12,118

*** Of which £1.2m relates to net Housing Benefit overpayment arrears in 2021/22**

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

Overall Aged Debt Analysis	31-Mar-22	31-Mar-21
	£'000	£'000
Under 1 year	8,762	11,806
1 - 2 years	42	67
2 - 3 years	59	39
Over 3 years	236	206
	9,099	12,118

Long Term Debtors

Long Term Debtors	31-Mar-22	31-Mar-21
	£'000s	£'000s
Car loans	18	25
TOTAL	**18**	**25**

NOTE 19: CASH AND CASH EQUIVALENTS

	31-Mar-22	31-Mar-21
	£'000	£'000
Cash held/(overdrawn) by the Council	1	1
Bank Current Accounts	361	1,539
Call Accounts and Money Market Funds	3,955	6,000
Total Cash & Cash Equivalents	**4,317**	**7,540**

NOTE 20: CREDITORS

	31-Mar-22	31-Mar-21
	£'000s	£'000s
Central Government Bodies *	(9,609)	(9,784)
Other Local Authorities	(2,046)	(720)
Other Entities and Individuals	(3,911)	(3,280)
TOTAL	**(15,566)**	**(13,784)**

* 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.

NOTE 21: 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-21	Additional provisions made in 2021/22	Amounts used in 2021/22	Balance at 31-Mar-22
	£'000	£'000	£'000	£'000
Courtfields Major works	(414)	(45)	-	(459)
Insurance Provision	(25)	-	-	(25)
Land Charges Provision	(8)	-	-	(8)
Business Rates Appeals	(415)	-	208	(207)
	(862)	**(45)**	**208**	**(699)**

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 22: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 35.

NOTE 23: UNUSABLE RESERVES

UNUSABLE RESERVES	31st March 2022	31st March 2021
	£'000s	**£'000s**
Revaluation Reserve	(148,437)	(125,540)
Capital Adjustment Account	(49,644)	(46,871)
Financial Instruments Adjustment Account	422	424
Financial Instruments Revaluation Reserve	(133)	342
Deferred Capital Receipts Reserve	-	-
Pension Reserve	10,368	14,606
Collection Fund Adjustment Account	1,307	4,235
TOTAL UNUSABLE RESERVES	**(186,117)**	**(152,804)**

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	2021/22 £'000	2020/21 £'000
Balance at 1st April	(125,540)	(106,264)
Upward revaluation of assets	(30,887)	(24,286)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,892	3,913
Surplus or deficit on revaluation of non-current assets charged to other comprehensive income and expenditure	**(24,995)**	**(20,373)**
Difference between fair value depreciation and historical cost depreciation	999	937
Accumulated gains on assets sold	1,099	160
Amount written off to Capital Adjustment Account	**2,098**	**1,097**
Balance at 31st March	**(148,437)**	**(125,540)**

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	2021/22	2020/21
	£'000	£'000
Balance at 1st April	**(46,871)**	**(49,277)**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	5,777	5,487
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	3,800	(841)
Amortisation of intangible assets	104	97
Revenue expenditure funded from capital under statute Current Year	1,278	9,888
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	3,027	2,171
Net written out amount of the cost of non-current assets consumed in the year	**13,986**	**17,026**
Adjusting amounts written out of the Revaluation Reserve	(2,098)	(1,097)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,243)	(1,282)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,511)	(1,961)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,204)	(10,083)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,680)	(638)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,314)	(2,222)
Capital expenditure charged against the General Fund and HRA balances	(70)	(33)
	(13,120)	**(17,316)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,639)	2,696
Balance at 31st March	**(49,644)**	**(46,871)**

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	2021/22	2020/21
	£'000	£'000
Balance at 1st April	14,606	14,250
Remeasurements of the net defined benefit liability / (asset)	(6,065)	147
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	4,796	3,277
Employer's pension contributions and direct payments to pensioners payable in the year	(2,969)	(3,068)
Balance at 31st March	10,368	14,606

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	2021/22	2020/21
	£'000	£'000
Balance at 1 April	4,235	351
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	(116)	120
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	(2,812)	3,764
Balance at 31 March	**1,307**	**4,235**

NOTE 24: CASH FLOW - OPERATING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	142	237
Interest paid	(4,605)	(4,639)
Total	**(4,463)**	**(4,402)**

Cash Flow – Net Cash Flow From Operating Activities

	Net 2021/22	Net 2020/21
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**457**	**(102)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	5,777	5,487
Impairment and downward valuations	3,800	(841)
Amortisation	104	97
Increase/(Decrease) in Creditors	5,002	7,622
(Increase)/Decrease in Debtors	(833)	145
(Increase)/Decrease in Inventories	7	38
Movement in Pension Liability	1,827	209
Contributions to/(from) Provisions	(163)	262
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	3,027	2,171
Movement in Investment property values	(4,116)	2,712
	14,432	**17,902**
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	(2,637)	(476)
Net capital Grants credited to surplus or deficit on the provision of services	(3,333)	(12,629)
	(5,970)	**(13,105)**
Net Cash Flows from Operating Activities	**8,919**	**4,695**

NOTE 25: CASH FLOW - INVESTING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(9,531)	(10,225)
Purchase of short-term and long-term investments	(78,970)	(93,689)
Other payments for investing activities	(10)	(13)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,112	575
Proceeds from short-term and long-term investments	63,960	97,689
Other receipts from investing activities	3,338	12,634
Net cash flows from investing activities	**(19,101)**	**6,971**

NOTE 26: CASH FLOW - FINANCING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	**£'000**
Cash receipts of short- and long-term borrowing	11,185	6,822
Repayments of short- and long-term borrowing	(8,604)	(9,687)
Other payments for financing activities	4,378	(5,458)
Net cash flows from financing activities	**6,959**	**(8,323)**

NOTE 27: 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:

	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Income	2020/21 Net Income
	£'000	**£'000**	**£'000**	**£'000**
Trade Refuse	471	(666)	(195)	(150)
	471	**(666)**	**(195)**	**(150)**

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 28: AGENCY SERVICES

Adur District Council entered into an Agency Agreement with West Sussex County Council to improve the Parking Enforcement for the District. In 2021/22 income collected was £144,788, (2020/21 £159,781) and expenditure was £142,332, which includes a refund from previous year overpayments (2020/21 £110,389). West Sussex County Council contributes £52,326 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 29: MEMBERS' ALLOWANCES

The total allowances paid to Members were as follows:

2021/22	2020/21
£	**£**
217,028	211,866

NOTE 30: 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	**2021/22**	**2020/21**
£50,000 to £54,999	13	23
£55,000 to £59,999	15	5
£60,000 to £64,999	5	1
£65,000 to £69,999	4	6
£70,000 to £74,999	3	4
£75,000 to £79,999*	2	2
£80,000 to £84,999	3	4
£85,000 to £89,999	2	1
£90,000 to £99,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	2	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	**50**

* These include redundancy, efficiency of service and settlement payments relating to 2021/22. Please see note 32 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 2021/22 and in 2020/21.

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 2021/22 or 2020/21.

Remuneration Disclosures for Senior Officers						
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 Council**
Chief Executive						
2021/22	128,987	128,987	24,637	153,624	76,812	76,812
2020/21	125,406	125,406	25,207	150,613	75,307	75,306
Director for Communities						
2021/22	94,276	94,276	18,007	112,283	67,370	44,913
2020/21	78,795	78,795	15,499	94,294	56,577	37,717
Director for Digital & Resources						
2021/22	103,868	103,868	19,839	123,707	74,224	49,483
2020/21	102,333	102,333	20,569	122,902	73,741	49,161
Director for the Economy						
2021/22	101,831	101,831	19,450	121,281	73,981	47,300
2020/21	100,326	100,326	20,166	120,492	73,500	46,992
Head of Finance						
S151 Officer						
2021/22	82,380	82,380	15,702	98,082	49,041	49,041
2020/21	80,794	80,794	16,240	97,034	48,517	48,517
Head of Legal						
Monitoring Officer						
2021/22*	64,032	64,032	12,230	76,262	40,503	35,759
2020/21	57,301	57,301	11,517	68,818	36,549	32,269
Head of Planning & Development						
Strategic Planning						
2021/22	74,955	74,955	14,316	89,271	45,528	43,743
2020/21	73,666	73,666	14,807	88,473	45,121	43,352
Head of Housing						
Strategic Housing						
2021/22	82,208	82,208	15,702	97,910	33,290	64,620
2020/21	78,516	78,516	15,782	94,298	32,062	62,236

* from January 2022 an external locum has been fullfilling the duties of this position whilst the Council undergo a recruitment process

NOTE 31 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**	
	2021/22	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
							£	**£**
£0 - £20,000	-	1	2	3	2	4	19,626	20,335
£20,000 - £40,000	1	-	2	1	3	1	92,763	20,571
£40,000 - £60,000	-	-	-	1	-	1	-	47,000
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings	1	1	4	5	5	6	112,389	87,906
Total cost included in CIES	1	1	4	5	5	6	112,389	87,906

These redundancy costs are shared between Adur & Worthing Councils in proportion to the service allocation. The total cost of £112,389 in the table above includes £50,120 for exit packages that have been charged to Adur's Comprehensive Income and Expenditure Statement in the current year.

TERMINATION BENEFITS

	Adur
	£
Redundancy costs	50,120
Enhanced Pension Benefits	42,576
Total termination benefit 2021/22	92,696
Termination benefits 2020/21	77,124

Of this total, £50,120 is payable in the form of compensation for loss of office and £42,576 is the 2021/22 cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 32: EXTERNAL AUDIT COSTS

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

	2021/22	2020/21
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	61	40
Fees payable to external auditors for the certification of grant claims and returns for the year	49	44
TOTAL	**110**	**84**

NOTE 33: GRANT INCOME

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

	2021/22	2020/21
	£'000s	£'000s
General Fund Grants & Donations		
New Homes Bonus Scheme	(19)	(88)
Section 31 Grant	(2,188)	(4,566)
Council Tax Income Guarantee	(2)	(181)
NNDR Tax Income Guarantee	116	(116)
DLUHC - Sales Fees & Charges	(80)	(452)
DLUHC - COVID New Burdens	(619)	(1,101)
Other	(194)	(9)
Total revenue grants credited to Taxation and Non specific Grant Income	**(2,986)**	**(6,513)**
Capital Grants & Donations - Credited to Taxation & Non Specific Grant Income		
S106 Other Contributions	(153)	(88)
Homes England Housing	(386)	(1,800)
Public Sector Decarbonisation Schemes Fund	(1,684)	-
DLUHC Land Release Fund	(407)	(566)
Local Enterprise Partnership Funding - Coast to Capital	-	(328)
Other Grants & Donations	24	(51)
	(2,606)	**(2,833)**
Capital Grants & Donations - credited to services		
DLUHC Disabled Facilities Grant	(704)	(700)
Local Enterprise Partnership Funding	-	(8,981)
Environment Agency	(23)	(115)
Total Capital Grants and Donations	**(3,333)**	**(12,629)**

Credited to Services	2021/22	2020/21
	£'000s	£'000s
General Fund Grants & Donations		
Department for Levelling Up, Housing and Communities (DLUHC)	(939)	(936)
Cabinet Office	(21)	-
Department of Health and Social Care (DHSC)	(83)	-
Department of Work and Pensions (DWP)	(209)	(87)
Department for Environment, Food and Rural Affairs (DEFRA)	(9)	(76)
West Sussex County Council	(860)	(351)
Sussex Police and Crime Commissioner	(77)	-
Environment Agency	(18)	-
Salix Low Carbon Skills Fund	(104)	-
Business, Energy and Industrial Strategy (BEIS) - Heat Network	(82)	(82)
The Tree Council/Network Rail	(15)	-
Arun District Council	(38)	-
English Sports Council	(119)	(12)
Chichester District Council - Retail Training Programme	-	(50)
Horsham District Council - Journey to Work	-	(89)
Other Grants	-	(12)
Grants recognised in the Joint Committee	-	(552)
Total revenue grants credited to services	**(2,574)**	**(2,247)**
TOTAL GRANTS AND DONATIONS	**(8,893)**	**(21,389)**

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:

	2021/22	2020/21
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Department for Levelling Up, Housing & Communities (DLUHC)	(5)	
Covid 19	-	(10)
Council Tax Energy Rebate	(3,858)	-
Test and Trace	(76)	-
Housing / Rough Sleeping protect and vaccinate	(23)	(7)
West Sussex County Council -		
Covid 19 / Contain Outbreak Management Fund	(181)	(150)
LEAP funding	(81)	(47)
English Sports Council - Leisure Recovery	-	(110)
Business, Energy and Industrial Strategy - Heat Network	-	(82)
Salix - Low Carbon Skills Fund	(24)	(113)
Grants recognised in the Joint Committee	(15)	(44)
TOTAL	**(4,263)**	**(563)**

NOTE 34: 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 33. Grant receipts which remain to be used at 31st March 2022 are shown in Note 33.

Members

Members of the Council have direct control over the Council's financial and operating policies**.** The total of members' allowances paid in 2021/22 is shown in Note 29. During 2021/22 there were no related party transactions declared by Councillors. In 2021/22 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 2021/22.

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

In January 2021 the Council entered into a 5 year agreement with South Downs Leisure for the provision of leisure services within the District. During 2021/22 the Council made a service fee payment of £345,368 and a re-opening support payment of £104,000.

NOTE 35: 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.

	2021/22	2020/21
	£'000	£'000
Opening Capital Financing Requirement	168,496	167,018
Capital Investment		
Property, Plant and Equipment	9,506	7,511
Heritage Assets	-	-
Investment Properties		-
Intangible Assets	515	298
Revenue Expenditure Funded from Capital Under Statute	1,278	9,888
Sources of Finance		
Capital receipts	(1,243)	(1,282)
Government grants and other contributions	(4,884)	(10,721)
Sums set aside from revenue:		
Direct revenue contributions	(49)	(24)
MRP/loans fund principal	(2,314)	(2,222)
Revenue funding	(2,532)	(1,970)
Closing Capital Financing Requirement	**168,773**	**168,496**
Explanation of movements in year		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	277	1,478
Increase/(decrease) in Capital Financing Requirement	**277**	**1,478**

NOTE 36: 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-22	31-Mar-21
	£'000	£'000
Not later than one year	5,160	5,098
Later than one year and not later than five years	16,421	17,881
Later than five years	19,633	24,434
	41,214	47,413

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 37: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities		31-Mar-22	31-Mar-21
	See Note No.	£'000s	£'000s
Commuted Sums		(8)	(8)
Pension Reserve Liability	36	(10,368)	(14,606)
TOTAL		**(10,376)**	**(14,614)**

NOTE 38: 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:

Transactions Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Adur 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
	£'000s	£'000s	£'000s	£'000s
Cost of services				
Current service cost	792	3,643	4,435	2,950
Past service cost	-	58	58	-
Effect of business combination	-	-	-	-
Financing & Investment Income & Expenditure				
Net Interest cost	239	64	303	327
Total post employment benefit charged to the surplus or deficit on the provision of services	**1,031**	**3,765**	**4,796**	**3,277**
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)	1,650	1,442	3,092	(26,286)
Actuarial gains and losses arising on changes in demographic assumptions	(542)	(383)	(925)	252
Actuarial gains and losses arising on changes in financial assumptions	(3,327)	(5,210)	(8,537)	27,506
Other (if applicable)	169	136	305	(1,325)
Total remeasurements recognised in the other comprehensive income	**(2,050)**	**(4,015)**	**(6,065)**	**147**
Total post-employment benefits charged to the CI&E statement	**(1,019)**	**(250)**	**(1,269)**	**3,424**

Transactions Relating to Post-employment Benefits

	Adur 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
	£'000s	£'000s	£'000s	£'000s
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(1,031)	(3,765)	(4,796)	(3,277)
Actual amounts charged against the General Fund balance for pensions in the year:				
Employer's contributions payable to the scheme	1,345	1,477	2,822	2,921
Retirement benefits payable to pensioners	147	-	147	147
Total charged against the General Fund balance	1,492	1,477	2,969	3,068

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2021/22			2020/21		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Present value of the defined benefit obligation	(83,111)	(62,933)	(146,044)	(88,141)	(63,543)	(151,684)
Fair value of plan assets	72,997	62,679	135,676	75,516	61,562	137,078
Net liability arising from defined benefit obligation	**(10,114)**	**(254)**	**(10,368)**	**(12,625)**	**(1,981)**	**(14,606)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2021/22			2020/21		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
Opening fair value of scheme assets	75,516	61,562	137,078	61,344	47,524	108,868
Interest income	1,449	1,273	2,722	1,389	1,106	2,495
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	(1,650)	(1,442)	(3,092)	14,637	11,649	26,286
Contributions from employer	1,492	1,477	2,969	1,591	1,477	3,068
Contributions from employees into the scheme	103	520	623	120	493	613
Benefits paid	(3,913)	(710)	(4,623)	(3,566)	(686)	(4,252)
Rounding adjustment	-	(1)	(1)	1	(1)	-
Closing fair value of scheme assets	**72,997**	**62,679**	**135,676**	**75,516**	**61,562**	**137,078**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2021/22			2020/21		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1st April	(88,141)	(63,542)	(151,683)	(77,805)	(45,313)	(123,118)
Current service cost	(792)	(3,643)	(4,435)	(620)	(2,330)	(2,950)
Interest cost	(1,688)	(1,337)	(3,025)	(1,756)	(1,066)	(2,822)
Contributions from scheme members	(103)	(520)	(623)	(120)	(493)	(613)
Remeasurement (gains) and losses:						
Actuarial gains / losses arising from changes in demographic assumptions	542	383	925	(168)	(84)	(252)
Actuarial gains / losses arising from changes in financial assumptions	3,327	5,210	8,537	(12,151)	(15,355)	(27,506)
Other experience	(169)	(136)	(305)	913	412	1,325
Past service cost		(58)	(58)	-	-	-
Benefits paid	3,913	710	4,623	3,566	686	4,252
Liabilities extinguished on settlements			-	-	-	-
Closing balance 31st March	**(83,111)**	**(62,933)**	**(146,044)**	**(88,141)**	**(63,543)**	**(151,684)**

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					
	2021/22			2020/21		
	Adur	Joint Committee	Total	Adur	Joint Committee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	263.4	226.2	489.6	3,348.0	2,729.3	6,077.3
Equity instruments:						
Consumer	-	-	-	7,845.1	6,395.4	14,240.5
Manufacturing	-	-	-	4,408.3	3,593.7	8,002.0
Energy and Utilities	-	-	-	1,156.7	943.0	2,099.7
Financial Institutions	-	-	-	6,841.8	5,577.5	12,419.3
Health and Care	-	-	-	5,050.1	4,116.9	9,167.0
Information Technology	-	-	-	10,480.1	8,543.5	19,023.6
Other	-	-	-	2,502.5	2,040.1	4,542.6
Sub-total equity	**0.0**	**0.0**	**0.0**	**38,284.6**	**31,210.1**	**69,494.7**
Debt Securities:						
UK Government	-	-	-	959.0	781.8	1,740.8
Investment Funds and Unit Trusts:						
Bonds	25,231.8	21,665.7	46,897.5	25,412.4	20,716.2	46,128.6
Equities	34,157.6	29,329.9	63,487.5	-	-	-
Property:						
UK Property	-	-	-	-	-	-
Overseas Property	-	-	-	-	-	-
Private equity	-	-	-	-	-	-
Other investment funds	-	-	-	1,184.5	966.1	2,150.6
Total assets in active markets	**59,652.8**	**51,221.8**	**110,874.6**	**69,188.5**	**56,403.5**	**125,592.0**
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	1,491.6	1,280.8	2,772.4	1,203.2	980.8	2,184.0
Real Estate:						
UK Property	7,123.8	6,117.0	13,240.8	5,124.3	4,177.4	9,301.7
Investment Funds and Unit Trusts						
Infrastructure	3,137.9	2,694.9	5,832.8	-	-	-
Other	1,590.9	1,366.6	2,957.5	-	-	-
Total assets - not in active markets	**13,344.2**	**11,459.3**	**24,803.5**	**6,327.5**	**5,158.2**	**11,485.7**
Total assets	**72,997.0**	**62,681.1**	**135,678.1**	**75,516.0**	**61,561.7**	**137,077.7**

Basis for Estimating Assets and Liabilities:

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March, 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	**2020/21**
Mortality assumptions		
Current pensioners:		
Male	21.9 years	22.1 years
Female	24.2 years	24.4 years
Future pensioners:		
Male	22.8 years	23.1 years
Female	25.9 years	26.1 years
Rate of inflation		
Rate of increase in salaries	3.80%	3.35%
Rate of increase in pensions	3.30%	2.85%
Rate for discounting scheme liabilities	2.70%	1.95%

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 practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31st March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Code	1%	1,067
1 year increase in member life expectancy	4%	3,324
0.1% increase in Salary Increase Rate	0%	22
0.1% increase in the Pension Increase Rate	1%	1,038

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 £1,293,000 contributions to the scheme in 2022/23 and approximately £1,366,000 contributions to the Adur-Worthing Joint Services scheme (40% share).

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

The following assets are not reported in the Balance Sheet because information on the cost or value of these assets is not available due to the lack of comparative information and the unique nature of these assets; the cost of obtaining a valuation would not be commensurate with the benefits to the users of the financial statements.

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 40: TRUST FUNDS

The Council acts as a trustee for two Charities; Adur Recreation 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 41: JOINT BUDGETS

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

	Gross Expenditure 2021/22	Gross Income 2021/22	Net Expenditure 2021/22
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost Of General Fund Services	23,493	(4,457)	19,036
Holding Accounts	11,042	(667)	10,375
NET COST OF SERVICES	**34,535**	**(5,124)**	**29,411**
Funded by:			
Financing Investment and expenditure			617
Adur District Council			(9,893)
Worthing Borough Council			(14,416)
(Surplus) or deficit on provision of services			**5,719**
Remeasurement of the net defined pension benefit liability			(10,034)
Other Comprehensive Income & Expenditure			**(10,034)**
Total Comprehensive Income & Expenditure			**(4,315)**

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HOUSING REVENUE ACCOUNT (HRA)
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	HRA Note	2021/22 Net Expenditure		2020/21 Net Expenditure	
		£'000	£'000	£'000	£'000
INCOME					
Dwelling rents		(12,127)		(12,005)	
Non-dwelling rents		(540)		(552)	
Charges for services and facilities		(1,264)		(864)	
Contributions towards expenditure		(111)		-	
Total Income			**(14,042)**		**(13,421)**
EXPENDITURE					
Repairs and maintenance		4,121		3,597	
Supervision and management		3,473		2,901	
Rents, rates, taxes and other charges		96		65	
Depreciation	5&9	4,416		4,079	
Revaluation and impairment of non-current assets	10	3,173		(2)	
Movement in the allowance for bad debts		132		(44)	
Total Expenditure			**15,411**		**10,596**
Net (Income) / Cost of HRA Services as included in the whole authority CI&E Statement			**1,369**		**(2,825)**
HRA services share of Corporate and Democratic Core			454		563
Net (Income) / Cost of HRA Services			**1,823**		**(2,262)**
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	(996)		(139)	
Derecognition of assets	1	1,351		1,683	
Interest payable and similar charges		2,225		2,197	
HRA Interest and Investment income		(22)		(29)	
Net interest on the net defined benefit liability (asset)		223		330	
Capital grants and contributions receivable		(2,001)		(2,366)	
			780		1,676
Deficit / (surplus) for the year on HRA Services			**2,603**		**(586)**

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	2021/22	2020/21
	£'000s	**£'000s**
Balance on the HRA at the end of the previous reporting period	(349)	(1,013)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	2,603	(586)
Adjustments between accounting basis and funding basis under statute	(1,493)	1,250
Net (Increase) or Decrease before transfers to reserves	1,110	664
Net transfers to or (from) Earmarked Reserves		
Contribution from the New Development & Acquisition Reserve	(1,288)	-
Transfer to/(from) HRA Business Improvement Reserve	(18)	-
Total net transfers to/from earmarked reserves	(1,306)	-
Balance on the HRA at the end of the current reporting period	**(545)**	**(349)**

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

	2021/22	2020/21
	£'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	996	139
Derecognition of assets	(1,351)	(1,683)
HRA share of contributions to or from the Pensions Reserve	34	426
Transfers to/(from) Capital Adjustment Account	(7,589)	(4,077)
Voluntary Provision for Repayment of Debt	-	-
Transfers to/(from) Major Repair Reserve	4,416	4,079
	(3,494)	**(1,116)**
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	1,704	653
Capital grants unapplied	297	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.	**(1,493)**	**1,250**

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

	31st March 2022	31st March 2021
	Number	**Number**
Houses	990	996
Bungalows	168	169
Flats	1,359	1,372
TOTAL DWELLINGS	**2,517**	**2,537**

The Authority recognised the following assets as held for sale during 2021/22:

- 17 Council Dwellings being sold under ‘Right to Buy’ Regulations were reclassified as held for sale.

  16 sales of ‘Right to Buy’ Council Dwellings completed in 2021/22.

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

	31st March 2022	31st March 2021
	£'000s	**£'000s**
Council Dwellings	217,107	198,286
Other Land and Buildings	6,742	6,268
Infrastructure	20	21
Assets Under Construction	1,141	6,729
Total Balance Sheet Value of Land, Houses and the Other Property	**225,010**	**211,304**

NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA

	2021/22	2020/21
	£	**£**
Vacant Possession Value of Dwellings within the HRA	657,901	600,866

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

	2021/22	2020/21
	£'000s	**£'000s**
Balance at 1st April	7,467	5,349
Capital expenditure funded from Major Repairs Reserve	(2,511)	(1,961)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	4,416	4,079
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	**9,372**	**7,467**

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	2021/22	2020/21
	£'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

	2021/22	2020/21
EXPENDITURE	£'000s	£'000s
Council Dwellings	3,174	1,961
Other Properties	3	4
Assets Under Construction	3,829	3,221
TOTAL CAPITAL EXPENDITURE	**7,006**	**5,186**
FINANCING		
Capital Grants and Contributions	3,275	653
HRA usable Capital Receipts	1,009	1,275
Borrowing	211	1,297
Major Repairs Reserve	2,511	1,961
TOTAL CAPITAL EXPENDITURE FINANCED	**7,006**	**5,186**

NOTE 8: CAPITAL RECEIPTS

	2021/22	2020/21
Capital Receipts from the disposal of HRA property	£'000s	£'000s
Sale of Council Dwellings	2,226	445
Less Administration Costs	(19)	(7)
Lease Extensions	7	9
Mortgage Receipts received from previous years sale of Council Dwellings	-	-
	2,214	**447**
Retained for capital investment	1,856	128
Paid to central government	358	319
	2,214	**447**

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

	2021/22	2020/21
	£'000s	**£'000s**
Council Dwellings	4,298	3,955
Other Land and Buildings	76	73
Infrastructure	1	1
Equipment	25	33
Intangible Assets	16	17
TOTAL DEPRECIATION IN YEAR	**4,416**	**4,079**

NOTE 10: REVALUATION

In 2021/22 the revaluation of the Housing Revenue Account dwellings by external valuers at 1st April, 2021 resulted in an decrease in the Authorities housing stock value by £3.8m. This was due to a lower increase in market values during 2020/21 than originally estimated at 31st March 2021. At 31st March 2022 the external valuers advised that residential properties had risen by 12.5% during the financial year and this increase has been reflected in the Authority's HRA.

Revaluations of Council dwellings in 2021/22 totalled £19.875m. £23.052m was added to the HRA Revaluation Reserve and a downward revaluation of £3.177m was included in the HRA income and expenditure account. Revaluations in 2021/22 for HRA other land and property totalled £549,008; £544,968 was added to the Revaluation Reserve and £4,040 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, £223,100 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 2022	31st March 2021
	£'000s	**£'000s**
Gross arrears as at 31st March	1,128	916
Bad Debt provision for uncollectible debts	537	444

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st March 2022

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

	2021/22			**2020/21**		
	Business Rates	**Council Tax**	**TOTAL**	**Business Rates**	**Council Tax**	**TOTAL**
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	44,152	44,152	-	41,588	41,588
Business Rates Receivable	15,524	-	15,524	9,717	-	9,717
TOTAL INCOME (C) = (A+B)	**15,524**	**44,152**	**59,676**	**9,717**	**41,588**	**51,305**
EXPENDITURE (D)						
Contribution From Previous Year Surplus / Deficit (-)						
Central Government	(4,786)	-	(4,786)	(286)	-	(286)
Adur District Council	(3,829)	(56)	(3,885)	(229)	(9)	(238)
West Sussex County Council	(1,125)	(261)	(1,386)	(663)	(39)	(702)
Sx Police & Crime Commissioner	-	(36)	(36)	-	(5)	(5)
	(9,740)	**(353)**	**(10,093)**	**(1,178)**	**(53)**	**(1,231)**
Precepts, Demands & Shares (E)						
Central Government	9,292	-	9,292	9,135	-	9,135
Adur District Council:	7,434	-	7,434	7,307	-	7,307
Adur DC (Excl. Parish Precept)	-	6,612	6,612	-	6,529	6,529
Lancing Parish Council	-	332	332	-	322	322
Sompting Parish Council	-	103	103	-	93	93
West Sussex County Council	1,859	32,073	33,932	1,827	30,762	32,589
Sussex Police and Crime Commissioner	-	4,563	4,563	-	4,274	4,274
	18,585	**43,683**	**62,268**	**18,269**	**41,980**	**60,249**
Charges to Collection Fund (F)						
Less: Write off of uncollectable amounts	83	(8)	75	18	8	26
Less: Inc / Dec (-) in Bad Debt Provision	(2)	117	115	114	402	516
Less: Inc / Dec (-) in Provision for Appeals	(520)	-	(520)	1,048	-	1,048
Less: Cost of Collection	84	-	84	84	-	84
	(355)	**109**	**(246)**	**1,264**	**410**	**1,674**
TOTAL EXPENDITURE (G) = (D+E+F)	**8,490**	**43,439**	**51,929**	**18,355**	**42,337**	**60,692**
Sur. / Def. (-) arising during the year (C-G)	**7,034**	**713**	**7,747**	**(8,638)**	**(749)**	**(9,387)**
Surplus / Deficit (-) b/fwd. 01.04.21	**(10,153)**	**(1,083)**	**(11,236)**	**(1,515)**	**(334)**	**(1,849)**
Surplus / Deficit (-) c/fwd. 31.03.22	**(3,119)**	**(370)**	**(3,489)**	**(10,153)**	**(1,083)**	**(11,236)**

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 2021/22 was 21,232.8 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	£32,073,418.37	÷	21,232.8	1,510.56
Sussex Police & Crime Commissioner	£4,563,141.05	÷	21,232.8	214.91
Adur District Council	£7,046,456.00	÷	21,232.8	331.87

NOTE 2: BUSINESS RATES

For 2021/22, 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 2021/22 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 2021/22 (49.9p in 2020/21) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £46.2m (£46.3m in 2020/21).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £1,871k and £309k for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2021/22 in line with Adur District Council's accounting policy for maintaining the provision. The comparative bad debt provisions for 2020/21 were £1.727m for Council Tax and £311k for Business Rates.

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 2022/23 demand	**73.43%**	**10.62%**	**15.95%**	**100%**
Council Tax Arrears	2,620,963	378,900	573,184	**3,573,047**
Provision for Bad Debts	(1,373,941)	(198,624)	(298,423)	**(1,870,988)**
Receipt in Advance	(536,179)	(77,513)	(116,459)	**(730,151)**
(Surplus)/Deficit	271,776	39,288	59,033	**370,097**
Balance as at 31st March 2022	**982,619**	**142,051**	**217,336**	**1,342,006**

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 DLUHC 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	97,390	19,478	77,912	**194,780**
Provision for Bad Debts	(154,540)	(30,908)	(123,632)	**(309,079)**
Provision for Appeals	(2,519,633)	(503,927)	(2,015,706)	**(5,039,266)**
RV List Amendments	2,261,326	452,265	1,809,060	**4,522,651**
Receipt in Advance	(150,948)	(30,190)	(120,759)	**(301,897)**
(Surplus)/Deficit	1,559,628	311,926	1,247,702	**3,119,255**
Balance as at 31st March 2022	**1,093,223**	**218,644**	**874,577**	**2,186,444**

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-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 2022 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

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

Decision making

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

Risk Management

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

Scrutiny and Review

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

Corporate Leadership Team

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

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the Framework during 2021/22.

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. The Council has an approved Counter Fraud Policy and Strategy Statement which can be found on the internet at https://www.adur-worthing.gov.uk/media/Media,167176,smxx.pdf

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 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.

A new strategy will be developed during 2022.

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 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

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

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

Recruitment and induction

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

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 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

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 2021/22 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 2022 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 31st May 2022.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

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.

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 31st May 2022 at the Joint Governance Committee in the report titled ‘Annual Governance Statements 2021/22’. 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, 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 are two significant governance issues either identified by red status on the Governance Action Plan, or via Corporate Leadership team, 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 Service and other key housing management policies and processes such as those governing leaseholder charges following an in depth review. A transformation manager has been employed to support a full review of the programme with an agreed programme of work.

Actions are being taken to improve the service by way of:

- A full transformation planned for the service with an approved two year programme;
- 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 full discovery and review of all Housing Service IT systems
- Establish an effective and strong resident engagement regime with all parts of the service

At the end of the transformation programme, internal audit have been commissioned to undertake a review to ensure that all outstanding audit recommendations have been addressed.

ii) ICT Disaster Recovery Plans

The Council has an ICT Disaster Recovery Plan in place, a recent audit has revealed issues with how this plan is being implemented. These audit findings coupled with the recent significant IT outage within the data centre has led to inclusion of this issue within the Annual Governance Report.

Following the IT outage, planned replacement of key infrastructure is being accelerated to protect the Councils digital provision.

There is also a series of audit recommendations in place which the Digital team are now working to address. Progress will be monitored via the regular reporting by the Head of Internal Audit.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2019 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 necessitated the use of urgency powers in 2021/22, which was formally reported to members at the next available meeting of the Joint Strategic Committee in June 2021.

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: ________________________

Councillor Neil Parkin
Leader of the Council
Adur District Council

Dated:

Signed: ___________________

Catherine Howe
Chief Executive of
Adur & Worthing Councils

Dated:

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 2021/22 which means the year commencing 1st April 2021 and ending 31st March 2022. 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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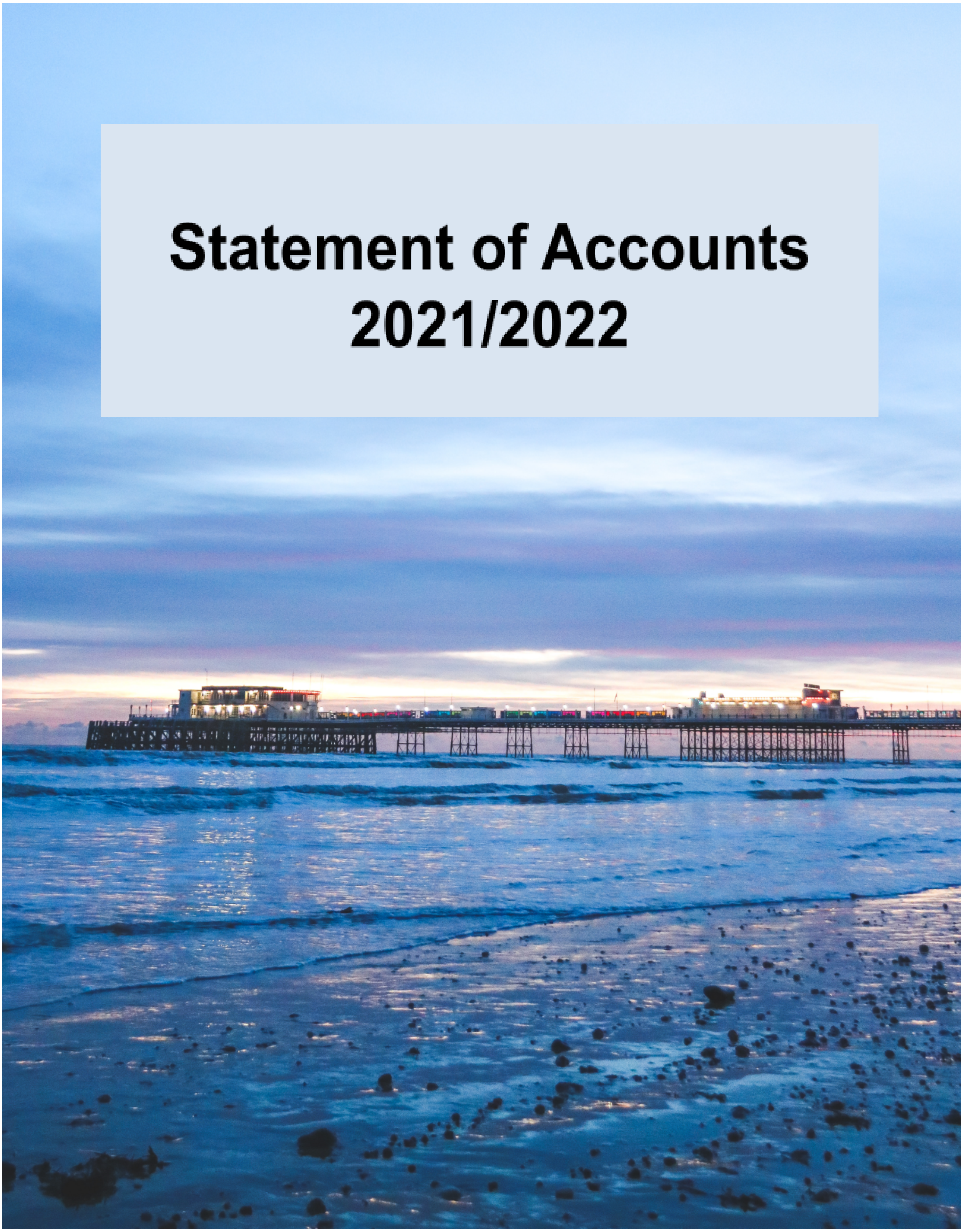
WORTHING BOROUGH COUNCIL

Statement of Accounts 2021/2022



WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2022

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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 2021/22;
- 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 2022. It provides a summary of the financial position as at 31st March 2022 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 2021/22
- The 2021/22 revenue budget process and medium term financial plan
- Financial Overview of the Council 2021/22
    - Revenue spend in 2021/22
    - Capital strategy and Capital Programme 2021/22 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 110,730 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 15	17.7%	19.0%
16 - 64	59.6%	62.4%
65+	22.7%	18.6%

There are 3,695 businesses within the area. Business Rate income was £25.7m in 2021/22. This was lower than in the years before 2020/21 which 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 £3.4m 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 2021/22 Municipal Year

Worthing has 37 Councillors representing 13 wards. At the start of the 2021/22 municipal year the political make-up of the Council was:

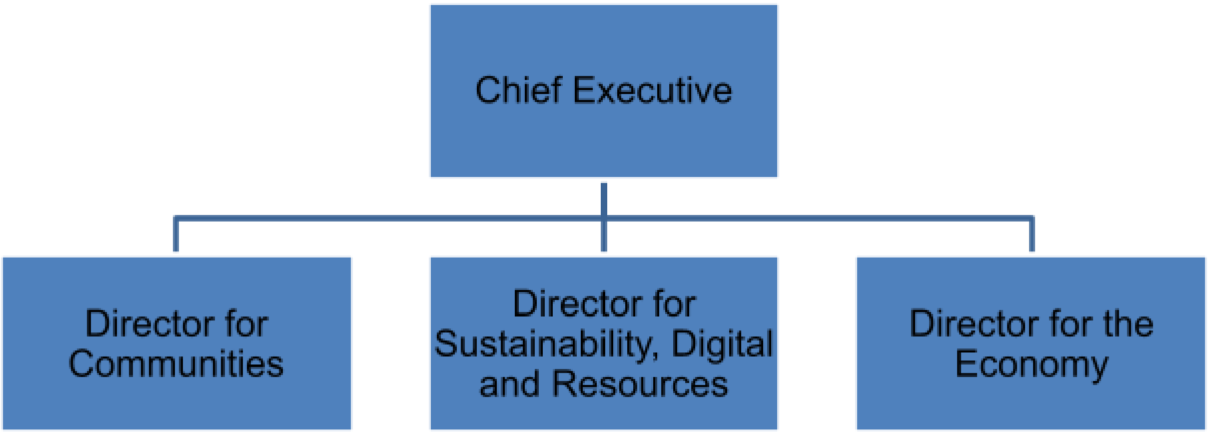
Conservative Party	19 Councillors
Labour	15 Councillors
Liberal Democrat Party	3 Councillors

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

The leader of the Council during 2021/22 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 £267m of assets to support services and provide income to fund service delivery
- √ Generates £22m 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 2021/22 government funding (New Homes Bonus and Lower Tier Services Grant) made up 2.8% of total generated 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 £23.6m for 2021/22. 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 2021/22 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 £5.9m;
- 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 £6.9m in grants to local businesses in 2021/22;
- 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 4,115 additional Council Tax discounts of up to £150.00 to those residents in receipt of Council Tax support;
- Continued to administer the payment 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.

2022/23 has seen a lessening of the impact of the pandemic, largely due to the success of the vaccine roll out which means that life has gradually returned to normal and the financial impact less significant in the 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.

However, due to the impact of both the pandemic and the war in Ukraine on our economy, there is now a new challenge of escalating inflation for our residents. 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:

- Continuation of additional Council Tax discounts of up to £150.00 for those residents in receipt of Council Tax support;
- Payment of energy grants of £150.00 to all residents in Council Tax bands A-D and a discretionary scheme for residents in other Council Tax bands;
- 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 impacts 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. The Council is now developing our new corporate plan which will cover the period 2023 - 2026.

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 2021/22

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 administer 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.

- **Development of Place:**

  Worthing Integrated Care Centre - Work has begun on site to deliver the Worthing Integrated Care Centre.

Teville Gate - Worthing Borough Council has completed the purchase of Teville Gate . This is of fundamental importance to securing the regeneration of this strategically important site. While the development strategy is put together we will deliver a safer and much more welcoming environment for our communities by introducing ‘meantime activities’ and re-establishing pedestrian routes to the Station.

New homes - The Council through its planning department has supported several major schemes to deliver new homes. Schemes are underway at the former Beales building and permissions have been granted for other residential conversion and redevelopment schemes above existing shop units including at Poundland, HMV and other vacant shops, bringing residents into the heart of the town.

Decoy Farm - Following the successful completion of the £4.8m project to decontaminate Decoy Farm and make the site ‘development ready’ the Borough Council has made the decision to develop out the site directly and bring forward high quality employment space to help our expanding businesses and support inward investment. As part of this approach we are actively exploring the concept of a ‘net zero business park’.

- **Supporting Local Business and Innovation:**

  Through our work with the Adur & Worthing Business Partnership we have co-sponsored the successful Better Business Show and the Annual Business Awards. We have continued to focus on supporting our town centres and providing a safe and welcoming environment for people to return to.

  The gigabit fibre programme continues to make good progress, now reaching 32,000 homes. 87 local businesses, including 10 in the last period, have benefitted from the Council’s Small Business Growth Grant and we have continued to work with the University of Chichester to promote the Coast to Capital wide HotHouse Programme which focuses support on financial, innovation and productivity skills for small and medium sized enterprises.

Platform 2: Thriving People and Communities

- **Proactive**

  Our multidisciplinary Proactive Project is progressing well and by the end of October had engaged over 164 residents. The team uses the LIFT platform to identify households with low financial resilience and telephones them to explore ways to increase household income, reduce household debt and also to address the depression, anxiety and loneliness that often accompany financial exclusion. For some residents, support is offered at the first point of contact (our customer services team) but for others, they are "introduced" (referred) to other Council teams for further assistance.

  The team has now been able to identify financial and wellbeing impacts as a result of this work. LIFT assigns each resident with a financial risk score and we can track these over time.

  Of those residents that have engaged with us, we can see that more are moving into a "coping" risk score and out of "not coping" scores. We are also seeing positive impacts in terms of the self-assigned wellbeing scores that residents who engage with the Proactive team report to us. The work of the OneStop "Money Coaches" programme has been fundamental in supporting the Proactive Project and supporting the community more widely. During the period July - Oct 2021 there have been 125 complex referrals receiving at least 10 interventions per referral (1,250). These interventions have led to an increase in income for these households.

- **Food strategy / system**

  We have spent time over this period working with local food groups to support and enable their work. Working with Community Works, the A&W Food Group has been meeting regularly and has been providing a space to understand needs and issues. We have used our COMF (Contain Outbreak Management Fund) grant to provide direct funding to groups enabling them to purchase food through the Autumn/Winter period and also to engage with people who are food insecure to better understand their needs; this will help us to co design a more sustainable system around the needs of the people.

  We are also working with food groups to deliver better infrastructure and this work includes supporting shared food storage spaces. These food storage sites are located in Worthing (Queen Street), Lancing (the Old Police Station), Shoreham (the Shoreham Centre) and Fishersgate (the Gateway building).

- **Homelessness:**

  Demand on the service continues to increase, driven by more evictions following the end of the eviction ban and the end of the furlough scheme, pushing more people into financial difficulties. The Housing Needs Team are working closely with partner organisations to ensure as many households and individuals as possible are helped to avoid homelessness, or be speedily rehoused once homeless. Data shows that, in 2020/21, of households presenting to the councils as at risk, homelessness was prevented in 52% of cases in Adur and 41% of cases in Worthing.

  A number of new initiatives and close partnership working made this possible. For example, a West Sussex County Council (WSCC) pilot project "Discharge to Assess Beds", provides an improved pathway for those being discharged from Mental Health settings and this work includes:

  - Pathways Home floating support (a floating support and mentoring service), together with referral routes for Registered Social Landlords into the Homelessness Team and Pathways Home.
  - The implementation of a joint working protocol for young people and care leavers, which includes joint assessments for 16 and 17 year olds.
  - The co-location of an Independent Domestic Violence Advocate (IDVA) with the Housing Needs Team
  - Working more closely with OneStop to support those in temporary accommodation

- Beginning the process to submit a bid for Rough Sleeper Initiative funding 2022-2025
- Secured Rough Sleeping Accommodation Programme funding to contribute capital and support for single people who have experienced rough sleeping.

The last official annual count found that, in 2021/22 there were 8 people sleeping rough in the streets of Worthing .

While the Hospital Admission Reduction Pathway (HARP) funding stream has now ended, WSCC funded an extension to the programme until March 2022. This provision provides a housing navigator in the hospital and a community nurse. Options to mainstream this service after March 2022 have been explored as well as expanding the remit to include those who misuse alcohol who are currently excluded under the extension due to constraints of the funding stream.

Plans to improve homelessness prevention in prison have started by working with the Probation Service's CAS3 project, which is intended to provide accommodation to those at risk of being homeless on being released from prison and are not owed a statutory duty

During 2022/2023 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 lifted 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 temporary and emergency accommodation. 19 homes have been completed at Rowlands Road and 8 more homes have been completed as part of the Downview phase 2 development.

New flats for area's most vulnerable residents have been built behind the old Downview Pub site, Worthing

- **Opening Doors Scheme:**

We have completed a total of 64 lets so far through the Opening Doors Scheme in Worthing. We have also 'floated off' 12 tenancies, which means that, because they have been successful for two years, the council is no longer liable for the rent guarantees on those properties.

We have also just completed a contract with a property developer,"Crowding Bricks" to secure 21 newly refurbished one-bed properties in Worthing that will be let through the Opening Doors service. Individual landlords are also still showing interest in the scheme, despite the fact that rents are continuing to rise and LHA rates remain frozen. We are also now working with our House in Multiple Occupation (HMO) emergency accommodation landlords to turn emergency accommodation placements into permanent offers of accommodation, where appropriate, through the Opening Doors scheme. We have completed successfully on two of these with a further two in the pipeline. With rising numbers of single person placements and a lack of available ‘move on’ accommodation, this is proving to be a very useful method in securing long term accommodation for this group.

- **HealthyAW**

  During this period we have completed and signed off our new Health and Wellbeing Strategy, ‘HealthyAW’, and the associated Delivery Plan. This strategy sets out our approach over the next two and a half years and our ambition to develop how we work with and enable our communities to thrive, focusing on health inequalities across the following three priorities:

  - Priority 1 - To improve health and wellbeing for all, focusing most on our communities with the poorest health and wellbeing.
  - Priority 2 - To create places, spaces, and environments that are sustainable and promote and enable good health and wellbeing
  - Priority 3 - To promote stronger community resilience in our communities and our workforce

  The HealthyAW Delivery Plan outlines what we will do over the next two and a half years and shows the inter connections across many areas of work in the Councils and with external organisations. This is a move towards a systems approach, where we recognise that we live and work within an interconnected, complex context where no one action is divorced from another. The delivery plan therefore aims to help people, including: staff, residents, members and local partners, to make links between their actions and others. The new HealthAW Delivery Plan will help to drive forward this work.

- **Creating a Space to Collaborate**

  Part of our ‘Covid Response’ included a new cloud based case management system that enabled our services to work together and respond at speed to residents in need. A multi-disciplined team, made up of our Wellbeing Hubs, One Stop (Money, Digital & Employment Support) and Going Local, have been working together alongside Digital colleagues to further develop this system. Key developments are to include:

  - Creating One Front Door for those self referring and referring.
  - Improving the quality of referrals, ensuring the service user is getting the right service at the right time.
  - To more effectively co-work cases across a number of services.
  - To improve the allocation of cases and the management of these.
  - Increased data capabilities, providing key information to commissioners, greater insight and gap analysis.

  This system will create the space for these teams to continue to improve their practice and more effectively meet/manage the needs of those residents accessing services.

- **Safer Communities**

  We have also been working on the next Safer Communities Strategy which was signed off by the Joint Strategic Committee in October 2021. Work is now being done to develop the Delivery Plan for this work which will be focusing on the following priorities:

  - Reduce the harm caused by serious, organised and acquisitive crime;
  - Increase safety for vulnerable adults and children;
  - Improve pathways out of offending and reoffending;
  - Increase community cohesion and reduce ASB & hate crime;
  - Reduce public place violent crime with a particular focus on youth safety;
  - Tackle social inequality and the drivers of crime;
  - Embed trauma informed practice across partners;
  - Better understand the experiences of minoritised communities;
  - Tackle violence against women and girls at every opportunity

  Some of our key metrics and achievements during this last period for safer communities include: co-delivering a Sussex wide conference to embed Contextual Safeguarding, instigating a pilot to reduce school exclusions, contributing to the Social Care transformation process to safeguard children from exploitation, extending mentoring to children struggling to thrive at school, recruiting an additional officer to support those impacted by anti social behaviour, refreshing the Joint Action Group to be more data and intelligence led and training four Community Ambassadors to support communities impacted by youth violence and exploitation.

Platform 3: Tackling climate change and supporting our natural environments

- **Sustainable Energy**

  The Council was recently awarded a £5m grant from central government (BEIS) for the delivery of the Worthing Heat Network, a UK leading district heat network scheme to connect 23 buildings including the NHS, councils and the police in Worthing Town centre using a sewer source heat pump. Aiming to attract an additional £7m of commercial funding, the planned concession model is of interest to project developers across the UK.

  Good progress has been made with delivering schemes with the £2m public sector decarbonisation funding secured earlier in the year. This includes triple glazing and insulation at Worthing Civic Quarter and solar PV arrays at multiple sites.

  To date 31 sites have being put forward for installations of EV charge points under the WSCC EV network. An Installer was awarded in early November (Connected Kerb) and the first charge points installed in Adur & Worthing (AW) in Spring 2022. Workplace charge points have been installed at Commerce Way for new EV vans.There are plans to provide EV charge points at Worthing Civic Quarter in the newbuild Multi Storey Car Park (MSCP) where the Council rental fleet will be parked and can then be switched from hybrid to full EV.

  The Waste Team is exploring opportunities for hydrogen fuel for transport and freight vehicles across the Greater Brighton area.

  The Solar Together Sussex (STS) scheme, supported by Councils across Sussex, including Adur and Worthing Councils, continues to progress well and is in its second phase. STS is a group buying scheme that enables residents to install high-quality, roof-mounted solar panels and battery systems at competitive prices. During the first round almost 50 households installed either solar PV and/or battery storage. During the second round over 400 households in A&W registered interest to have PV and/or battery storage installed in their homes.

  We continue to support the Local Authority Delivery (LAD) Green Homes Grant Programme in consortia with other South East local authorities. LAD aims to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes EPC rated D,E,F & G. Together with the SE Warmer Homes Consortium, £63m worth of investment has been secured and 900 homees across the SE have benefitted.

- **Waste and recycling**

  Our recycling rate has continued to rise year on year. Figures from April 2021 - March 2022 show a further 1.97% increase in Worthing compared to the same period in 2020-2021. We collected 10,373 tonnes of recycling material in Worthing, down 399 tonnes from 10,772 tonnes compared to the same period last year. The recycling percentage point increase was helped by the increase in garden waste collected. Adur & Worthing saw an increase of 1.87% and 1.29% increase respectively in the same period compared to last year. Overall we are running at an increase of 1.38%, when compared to the same period last year.

  Collected refuse figures for the same period (April - March) this year totalled 19,250 tonnes in Worthing, which is a reduction of 1,822 tonnes.

  The commercial food waste service was launched in October initially serving a small number of customers on a trial basis. The trial has gone very well helping commercial customers manage their waste more sustainably and reduce costs. A more high profile campaign is now being launched to offer this service more widely

- **Nature Restoration and Protection**

  The Councils are members of the Sussex Kelp Restoration Project, a collaboration of national and local organisations taking an evidence-based approach to tackle the challenges to the restoration of Sussex kelp. We have also initiated a West Sussex Coastal Local Authority Forum to help coordinate action along the coast as the kelp forest returns, working collaboratively on beach management issues.

  Linked to this, excellent progress is being made with Sussex Bay, the ambitious initiative to drive integrated “blue habitat” restoration along the coast through kelp forest and river estuary restoration. The project is working with DEFRA (Department for Environment, Food and Rural Affairs) and many local partners, and has recently successfully engaged the Worthing small boat fishing community in developing plans for the future of sustainable fishing locally. Work is also progressing with the Arun to Adur Farmers Group regarding use of seaweed as fertiliser for soil improvement to tackle the wash up of kelp from winter storms.

  The Council’s land acquisitions for nature restoration are among the most innovative interventions made in the UK by any local authority. Partnership and community working locally is very strong, and restoration plans are progressing well.

Platform 4: Good services and new solutions

- WorkspacesAW has seen the Councils respond quickly to learning gained through the pandemic. By leasing a part of Portland House, revenue has been generated to support the Councils’ finances while providing the financial capacity for significant modernisation of office spaces. WorkspacesAW will deliver different kinds of office space (meeting rooms, quiet spaces, collaboration spaces) while supporting home working and making a blended model of working the norm. Our staff travel policy being developed in parallel is helping staff shift modes of transport to reduce commuting and business miles, helping to reduce carbon emissions.
- Our customer service team has continued to deliver excellent levels of service throughout the post pandemic period, embracing the opportunity to proactively support the most vulnerable, making calls out to help customers facing financial or housing difficulties, and referring them on to further support from housing, well-being or third party support services. This proactive work, described in more detail in Platform 2, is data led, person centred, and focuses on improving household income and/or reducing household debt. Customer service has established and led a cross service team that can take a more holistic view of residents to support those already in crisis, and can also take an early intervention approach to minimise the numbers of residents tipping into crisis. A simple pathway has been followed for over 160 residents, with tangible financial and wellbeing outcomes identifiable for many of those. Of those who have engaged with the proactive team, more are now “coping” financially than previously and fewer are “struggling” or “at risk” .
- With new internal service design expertise in place, work to design a Citizen Hub is underway. Designed to enable joint working across teams and track outcomes for those receiving support, Citizen Hub will be expanded over time to enable tracking of customer experience end to end, across multiple services.
- Our digital estate continues its migration to the cloud, with the Revenues & Benefits system migrating in 2021/22. The provision of much needed digital self service for the revenues and benefits service will be delivered in 2022/23 and is expected to make a big impact on convenience for customers and should reduce call volumes freeing staff up to support customers proactively.
- Revised Business Rates bills have been issued following the government announcement about the reduction in Expanded Retail Relief for the retail, hospitality, leisure & tourism sectors from 1 July.

- Applications for £500 Test & Trace Support Payments for residents who are self-isolating, unable to work from home and suffering a loss of earnings continued to be administered. The scheme was extended until 31 March 2022 with more than 3,600 applications received.

Platform 5: Leadership of our place

- **Critical Relationships**

  The Councils continue to maintain and develop a diverse and ever increasing set of partnerships including housing partners, the community and voluntary sector, the NHS, and Police and Community Safety organisations. Our relationships with other Districts and Boroughs continue to be positive and we are keen to further cultivate these, for example through strategic work such as Sussex Bay. Our work with West Sussex County Council in many areas is also progressing well and this will need to develop further if we are to successfully implement policy changes such as the Environment Act and the Health and Social Care reform agenda plus other areas of shared priority, including the relocation of Afghan refugees. At a regional level the Local Resilience Forum has continued to be invaluable, bringing together a variety of local players to deal with the pandemic response at a Sussex wide level. Our work with the Local Economic Partnership and the Greater Brighton Economic Board continues, supporting our ambitions around place, prosperity and sustainability.

- **Community and Voluntary Sector**

  Our relationship with the local Community and Voluntary Sector continues to develop and mature. With funding from the Contain Outbreak Management Fund (COMF) we have been able to further support the local food partnership and other mutual aid groups in Adur and Worthing. For example, we are working with food groups to increase community partnership working and resilience by developing shared food storage facilities in Worthing (Queen Street), Lancing (the Old Police Station), Shoreham (the Shoreham Centre) and Fishersgate (the Gateway building).

- **Community Participation**

  We have also begun to further develop our Asset Based Community Development practice to improve and strengthen our work with communities. The Minoritised Ethnic Community Engagement Project is aiming to develop collaborative working relationships with minoritised ethnic community partners and organisations, helping to inform the development of the Councils' policies and services going forward.

- **Emergency Planning and Civil Contingency Work**

  In "Platforms for our Places : Going Further" the importance of Emergency Planning and Civil Contingency work was emphasised. Over the last few years the council has been working with West Sussex County Council, the lead authority for public health, to ensure that vulnerable people in our communities are supported. This work has been wide ranging and as described above, includes secure housing, developing and strengthening our food system, supporting people with their finances (including those that need to self isolate), mental health support, addiction services, developing a good work agenda and promoting safety.

Monitoring our commitments:

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

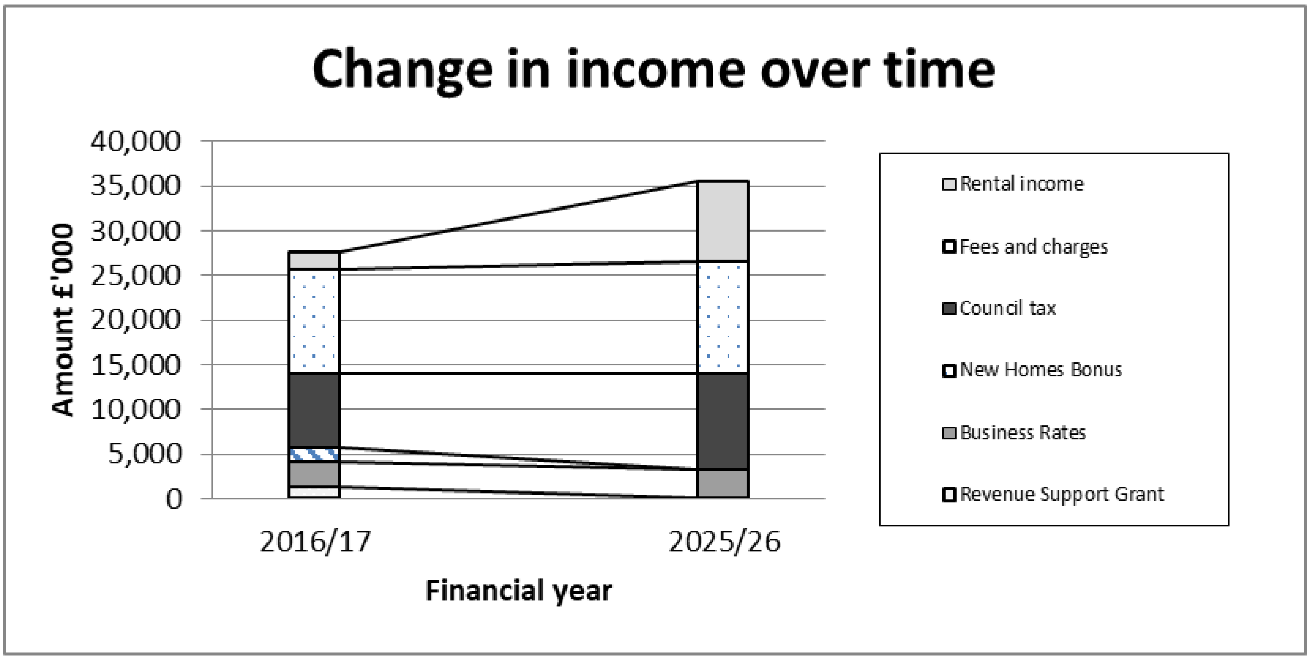
The programme of work is reported on twice a year. The full monitoring reports to JSC in 2021/22 may be viewed at:

Joint Strategic Committee report 13th July 2021 (6 month progress update)

4. *THE REVENUE BUDGET 2021/22 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2021/22

The budget for 2021/22 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 2021/22 through 5 major work streams: developing commercial income: investing in property to support service objectives: tackling homelessness: reviewing and rationalising our property holdings; 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 £1.149m as part of the 2021/22 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2021.

Council Tax

The Council chose to increase Council Tax for 2021/22 by 2.00%.

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

Band D Council Tax	2020/21	2021/22	Change
	£	£	%
Worthing Borough Council	242.55	247.41	2.00
West Sussex County Council	1,438.74	1,510.56	4.99
Sussex Police & Crime Commissioner	199.91	214.91	7.50
	1,881.20	1,972.88	4.87

Council Tax base

The Council Tax base for 2021/22 was 39,131.0 which was a decrease of 138.50 on the previous year's number of Band D equivalents. This reflects the expected impact of the pandemic on the number of claimants for Council Tax Support payments.

Band D Council Tax	2020/21	2021/22
Number of Band D equivalent dwellings	39,269.50	39,131.00

Budget Strategy for 2022/23 to 2025/26

In preparing the budget strategy for 2022/23 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 2022/23 budget was approved by Council on 13th July 2021 and it set the strategic direction to address the significant challenges not only for 2022/23 but onwards.

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

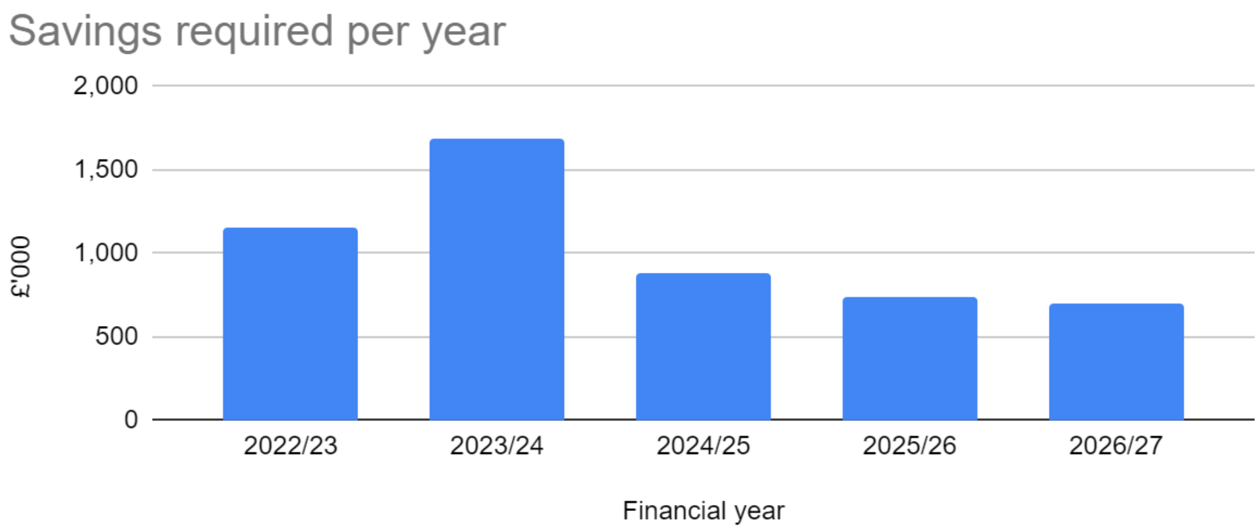
1. To transform services through the use of digital technology and by putting the customer at the heart of our business;

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 £5.2m over the five years with a £1.2m challenge at that point expected for 22/23 as follows:



In February 2022, the Council set a balanced budget having successfully identified further savings of £0.7m.

Further details around the most recent forecasts for both Councils is contained in the report 'Developing a revenue budget for 2023/24 against the backdrop of high inflation', which was considered on 5th July 2022 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the current high inflation rates are 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 2021/22 considered on 5th July 2022 by Joint Strategic Committee. There are two separate reports titled:

- Financial Performance 2021/22 - Revenue Outturn; and
- Financial Performance 2021/22 - 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 2021/22

A more detailed summary of the Council's financial results for 2021/22 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 2021/22 Worthing Borough Council reported a marginal overspend of £0.196m against a budget of £14,361,530.

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

2021/22 Outturn	**Worthing** £'000
Shortfall in income	1,891
Impact of waste dispute	142
Major projects - Spend funded from reserves	135
Reduced borrowing requirement: A reduction in net borrowing costs in 2021/22, due to reprofiling of the capital programme and continued low interest rates.	-935
Non ring fenced Government grants:	
Additional Non ring fenced grant	-54
Government Covid 19 Grant Funding	-297
Sales, Fees and Charges Guarantee Scheme	-396
Impact of Taxation:	
Section 31 - additional NNDR grant for extra reliefs granted in 2021/22	-1,860
Changes to business rate income	-1,196
Transfer from reserves	
Reduction in net transfer from business rate smoothing reserve	3,402
Tax Guarantee Smoothing Reserve	-346
Transfer from reserves to fund projects	-290
Net underspend	**196**

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 and has managed to contain spend to within 1.36% of the original budget.

How the money was spent and how services were funded

EXECUTIVE MEMBER PORTFOLIOS	**ORIGINAL BUDGET 2021/22**	**OUTTURN 2021/22**	**(UNDER)/ OVERSPEND**
	£	**£**	
Leader	1,556,460	1,034,267	(522,193)
CM for Environment	3,379,150	4,084,007	704,857
CM for Health & Wellbeing	1,892,870	2,004,253	111,383
CM for Customer Services	5,634,910	6,519,553	884,643
CM for Regeneration	2,650,230	4,029,622	1,379,392
CM for Resources	705,820	369,594	(336,226)
Holding Accounts	359,540	-	(359,540)
TOTAL CABINET MEMBER	**16,178,980**	**18,041,296**	**1,862,316**
Credit Back Depreciation	(3,804,240)	(3,981,831)	(177,591)
Minimum Revenue Provision	1,986,790	1,535,976	(450,814)
Total Budget requirement before funding from taxation	**14,361,530**	**15,595,441**	**1,233,911**
Funded by:			
Net Council Tax income	(9,681,400)	(9,681,400)	-
Net business rate income	(3,408,990)	(3,464,380)	(55,390)
Lower Tier Services Grant	(202,840)	(202,840)	-
Local Tax Guarantee Scheme	(55,390)	(48,568)	6,822
Covid 19 and other non ring fenced grants	(682,570)	(1,381,484)	(698,914)
Other unfenced grants (New homes bonus)	(407,590)	(407,590)	-
Contribution to/ (from) Collection Fund	(9,000)	(9,000)	-
Net budget before transfers to or from reserves	**(86,250)**	**400,179**	**486,429**
Transfer to/from reserves:			
Net Transfer to / from (-) reserves to fund specific expenditure	86,250	(204,153)	(290,403)
Net Overspend funded from working balance		(196,026)	(196,026)
	-	**-**	**-**

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

1. **Funding from Central Government**

The Council receives no Revenue Support Grant. However the Council did receive a substantial amount of funding related to the pandemic (£1.4m), a new lower services grant of £202,840 and £407,950 of New Homes Bonus.

2. **Funding from Local Taxpayers**

The Council collected £74.94m of Council Tax due in 2021/22 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Councils. This represented 96.58% of the total £77.6m Council Tax due to be collected. In addition, Council Tax Support totalling £6.4m was awarded during the year together with other discounts such as Single Person Discount of £8.4m.

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 £9.7m of Council Tax income in 2021/22.

3. **Funding from Local Businesses**

The Council also collects Business Rates from local businesses. Of the £25.7m 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 2021/22 within the statutory accounts.

Total Funding from Taxation:

	Budget	Actual
	£	£
Council Tax *	9,690,400	9,690,400
Net Business Rates after use of smoothing reserve	1,558,990	-245,620
Section 31 grants - compensation for loss of business rate income	1,850,000	3,710,000
Tax Income Guarantee - withdrawal from reserve	55,390	48,568
Lower tier grant	202,840	202,840
Covid Grant and other miscellaneous grant funding	682,570	1,381,484
New Homes Bonus	407,590	407,590
	14,447,780	15,195,262

* 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 2021/22 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 section 31 Grant from the Government.

The additional Section 31 grant of £1.9m reduced the call on the Business Rates Smoothing Reserve in 2021/22 which is retained 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.

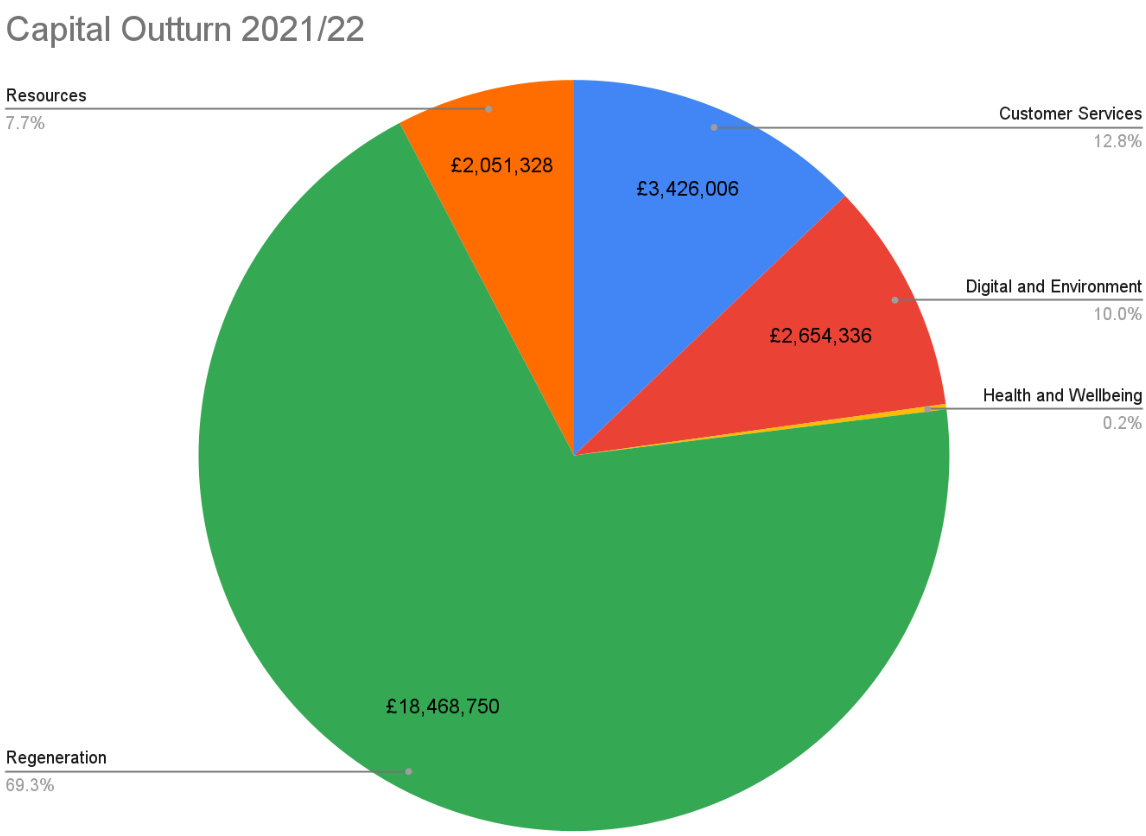
As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance, over and above budgeted receipts, to aid with cash flow and to allow the Council to help the residents and businesses of Worthing Borough. This has impacted on the outturn as some grants were not used in full in the 2021/22 financial year (thus held in reserves) and others were intended to be held in reserve for use in 2022/23.

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 additional grant totalling £0.297m was received and Sales, Fees and Charges compensation grant totalling £0.396m.

In addition capital grants and contributions were received totalling £10.3m.

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 £70,532,820. Subsequent approvals and re-profiling of budgets produced a total revised budget of £34,370,600. Actual expenditure in the year totalled £26,662,250, a decrease of £7,708,350 on the revised estimate, comprising a net budget brought forward from future years of £7,250,070 and a net underspend of £458,280. 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. Identification of suitable opportunities to develop new commercial property.
6. The impact of Covid 19 on the ability to deliver some projects at the year end.
7. The impact of supply chain issues following the pandemic and Brexit on the delivery of some materials.

The re-profiling of schemes was on-going throughout the year and in total 23 schemes did not complete as planned in 2021/22

Expenditure in 2021/22 was financed as follows:

	£'000
Government grants and other contributions	5,066,270
Capital receipts	535,030
Borrowing	20,774,180
Revenue contribution	286,770
	26,662,250

Significant investments in 2021/22 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;
- Construction of a new integrated care centre;
- Acquisition of the Teville Gate site;
- Disabled adaptations to residents homes;
- Decarbonisation programme of works to improve the sustainability of our buildings;
- Adur and Worthing Workspaces project to co-locate the NHS with the Councils;
- Improvements to the Council's digital infrastructure;
- 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 2021/22 - Capital and Projects Outturn" which was considered on the 5th July 2022. 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 is contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 5th July 2022 Joint Strategic Committee report "Financial Performance 2021/22 - Capital and Projects Outturn". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Capital Investment Plans 2022/23 – 2024/25

The Council plans to invest £101.6m in its capital assets over the next 3 years

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

- Development of new temporary and emergency accommodation for residents who become homeless;
- A new heat network for the centre of Worthing;
- Disabled adaptations to residents' homes;
- Development of a new integrated care centre;
- Construction of a new digital hub at Colonnade House;
- Fire safety works at the pier;
- Improvements to Brooklands Park;
- Continued repairs and improvements to the multi storey car parks;

	3-year plan			
	2022/23	**2023/24**	**2024/25**	**Total**
Expenditure by Portfolio	£'000	£'000	£'000	£'000
Customer Services	7,405	1,140	860	9,405
Digital and Environmental Services	5,947	1,369	1,179	8,495
Health and Wellbeing	200	115	115	430
Regeneration	32,849	837	590	34,276
Resources	14,622	18,833	15,587	49,042
Total Expenditure	**61,023**	**22,294**	**18,331**	**101,648**
Funded by:				
Capital grants and contributions	4,972	4,371	856	10,199
Revenue contributions and reserves	229	167	167	563
Borrowing	54,904	17,756	17,219	89,879
Capital receipts	918	0	89	1,007
Total Funding	**61,023**	**22,294**	**18,331**	**101,648**

The future capital investment plan will need to be reviewed to reflect any inflationary pressures.

6. TOP STRATEGIC RISKS

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

Risk overview	**Covid-19** Risk that the pandemic will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery

Commentary / Mitigation measures	Applications for £500 self isolation payments continued. Since the start of the scheme in September 2020 more than 5,800 applications have been assessed and awards totalling in excess of £700k have been made. Eligible businesses received additional business rate relief. 100% Business Rates Relief was awarded from 1 April 2020 and 1 April 2021, this reduced to 66% from 1 July 2021 and 50% from 1 April 2022. The Covid Business Grants closed in July 2022. Over £60m has been distributed through over 8,000 transactions in the last 18 months. Business and town centre activity has been monitored in the last 6 months; footfall levels are increasing and vacancy rates are competitive against the national average. Additional activity, such as events, are returning for 2022 which will boost further economic recovery.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk
Risk overview	**<u>Council finances</u>** Risk that Council's finances will continue to be under pressure
Commentary / Mitigation measures	The Councils set a balanced budget for 2022/23. However new inflationary pressures including national and local pay award pressures, severely increased energy bills, reduced income in commercial waste and car parking and other income generating services are emerging which makes the position for 2023/24 difficult and which will need to be addressed over the next financial year.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk
Risk Overview	**<u>Cost of living crisis</u>** The pandemic has already impacted residents who are experiencing health and wellbeing inequality and has increased those inequalities. Now other cost of living pressures such as higher energy bills and housing costs are further increasing those pressures which will increase demands for Council services.
Commentary / Mitigation measures	The Councils are continuing to work in a number of ways to support and assist residents that are experiencing difficulties. New data shows a real spike in the number of people coming under pressure and there is a concern for autumn 2022. Proactive Programme being used to assist and support residents. The approach uses the LIFT platform to identify households with low financial resilience and our Customer Service team members then telephone households to explore ways of increasing household income, reducing household debt and also addressing issues such as depression, anxiety and loneliness that often accompany financial exclusion. One Stop Money Coaches programme supporting the work of Proactive and supporting the community more widely. The situation in respect of the impact of Universal Credit on the live Housing Benefit caseloads remains

	unchanged in that it is reducing by approximately 0.75% each month. The volume of new claims for Council Tax Support has reduced whilst the live Council Tax Support caseload in both Adur and Worthing is reducing and is now below preCOVID levels.
Risk Rating:	Impact = Major, Likelihood = Very 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 its 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.
Commentary / Mitigation measures	Demand for emergency accommodation continues to be very high. In 21/22, the average monthly caseload in Worthing was 219. The increasing costs of living means some landlords are selling up and so evicting tenants, or rents are increasing, while at the same time tenants are less able to afford to spend on housing and keep up with utility bills. This means continued reliance on spot purchased accommodation (hotels/self contained flats) to meet our accommodation needs. The Worthing Opening Doors portfolio is currently 52 properties. This is in addition to 12 properties which, having reached the end of the two year Opening Doors Contract, were floated off back to be managed by the property owners, with the tenancies still in place. The role of Acquisitions and Landlord Support Officer is temporarily vacant following the departure of the previous post holder. Telljo - the tool to identify residents in need of support or at risk of homelessness that will link with our Proactive work - is in its final phase of development and should enable us to support families earlier and offer a wider range of support. In terms of building more affordable and social housing to reduce the length of time tenants have to spend in TA, it is worth noting that the Levelling Up and Regeneration Bill introduced in the Queen's Speech will incorporate some proposals to reform the planning system including the introduction of an infrastructure levy, which would be locally set and nonnegotiable and to be spent on housing, schools, GPs and new roads. This could provide more funds for the Council to build more properties in the future but how it would operate is still uncertain.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**<u>Locally hosted applications</u>** Risk that hosting applications locally carries increasing risks given the pace of technological change. As for most councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.

Commentary / Mitigation measures	The Revenues and Benefits core database was successfully migrated to the cloud in November 2021. The on premise VMWare and SAN had a significant hardware failure in March 2022 but all affected data and systems were successfully recovered, albeit with disruption to services and the need to invoke business continuity plans. This platform is end of life support and was planned for replacement in 2022/23. This project is now moving forwards as a priority and expected to be completed in Autumn 2022. Some systems and services will always need to be hosted on site, and the new platform will provide resilience, security and scalability. The current data network is also at end of life and is being replaced during 2022/23.
***Risk Rating*:**	Impact = Extreme, Likelihood = Moderate **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	Recent inflation in build costs is likely to have an impact on a number of the major projects. Supply of certain materials such as steel, labour and timber has been difficult with a resultant increase in prices. A number of the major projects are market facing so dependent on rental income or disposable income to make their business cases suitable. Should inflation sustain without a commensurate increase in commercial income then the viability of some projects will be challenging.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**<u>Climate emergency risk -</u>** Councils need to mitigate climate change, adapt to climate change and prepare for more frequent extreme climate events and impacts.
Internal controls / Mitigation measures	1) Mitigating climate change; Significant work streams are being delivered to reduce council carbon emissions and support decarbonisation across Adur & Worthing. Last year (2020/21), Council emissions fell by 7.4%. Govt data shows Adur & Worthing carbon emissions continue to fall year on year, with housing and industry related emissions dropping faster than transport mainly due to decarbonisation of electricity. However, these reductions are not on track to achieve net zero and radical transformations are needed to accelerate reductions. Data is published 2 years in arrears. Adur DC and Worthing BC have signed up to the Net Zero pledge with UK100 Cities to work towards achieving net zero emissions across the Adur and Worthing area by 2045. The Carbon Reduction team has secured Public Sector Decarbonisation Funding and is delivering £2m of capital projects identified as part of the Carbon Neutral Plan work with Technical Services and Adur Homes. These are projected to reduce emissions from the Councils' estate by

	approximately 12% and a pipeline of future projects. Projects are nearing completion and include 2 large Heat pump projects, insulation and energy efficiency projects and solar PV installations. The Worthing Heat Network project has reached the procurement launch and is at Selection Questionnaire stage. The Council is now in receipt of a £5m HNIP (BEIS) funding agreement for Commercialisation & Construction funding. The scheme proposes to deliver a Worthing town centre heat network that will enable heat decarbonisation at scale based on a 3MW sewer source heat pump or equivalent low carbon measure. The WHN consists of 28 connections of which 18 are public sector buildings or with 7 owners, 16 are WBC owned buildings or sites. The HN is expected to deliver 2,454 tonnes of CO_2 savings per year when fully developed. PV Sol Software has been acquired to support design work for solar PV installations in order to develop more opportunities without the need for external consultancy support. The Councils are involved in consortia to deliver Green Homes Grant Local Authority Delivery programmes (LAD). These aim to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes rated D,E,F & G: Work is progressing on a countywide electric vehicle charging network that would provide charge points across Adur & Worthing on street and in council car parks. This would deliver one consistent, accessible, renewable powered EV charging network for West Sussex through a concessionary contract that is due to begin installing charge points in summer 2022. Work is ongoing to collaborate with WSCC on the successful delivery of new cycling schemes located on county highways through the Councils' Sustainable Transport Group. 2) Adapting to climate change; Development of opportunities on Council owned land, in and bordering Adur & Worthing for offsetting, biodiversity, rewilding and climate resilience schemes in particular New Salts Farm, Pad Farm, the Adur Estuary and Kelp restoration as part of Sussex Bay with external partners. The Strategic Flood Risk Assessment has been updated and found that the following number of sites are predicted to be at risk of surface water flooding (Section 12): 41 development sites in A&W: due to climate change, 21 sites are predicted to be at risk of fluvial flooding and 18 sites are predicted to be at risk from tidal flooding in the future. Parks are planning to review opportunities for flood mitigation through an increase in permeable surfaces and rain gardens. Ongoing collaboration with external partners to investigate restoration of kelp forests as part of Sussex Bay could reduce storm surge and tidal influence on the shore line by 70%; and to investigate an Adur Estuary project to provide flood mitigation and multiple additional benefits. The emerging Worthing Local Plan includes a new chapter on climate adaptation. 3) Preparing for more frequent extreme climate events and impacts: adverse weather impacts are considered by AWC Emergency Planning service based upon pan Sussex risks using the National Risk Register of

	Civil Emergencies.The Sussex risks are in the public domain available to all via the Sussex Police register.
Risk Rating:	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**<u>Delivery of partnership working and joint services</u>** Delivery of Adur & Worthing Councils partnership working arrangements model and the provision of joint services is impacted by the different competing priorities being set by the new administrations which leads to a failure to deliver strategic objectives, potential reputational damage, an impact on the budget costs for both Councils. A potential risk of the breakdown of partnership arrangements which would be unaffordable.
Internal controls / Mitigation measures	New governance arrangements to be introduced to enable decisions to be taken, and scrutiny undertaken, by individual authorities for sole matters, while retaining joint management and scrutiny of shared operational services. Review of Constitutions being undertaken with wide consultation over summer 2022. Regular meetings of both Leaders with the Chief Executive to support good working relationships. Regular meetings between the Councils Leadership Team and both Executive teams, and meetings between Director and portfolio holders. Development of shared objectives where possible, such as climate, cost of living crisis and a range of other key agendas.
Risk Rating:	Impact = Major, Likelihood = Very 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 2022. This report is available on the joint Adur District Council and Worthing Borough Council website <u>www.adur-worthing.gov.uk</u>.

SUMMARY

This is a difficult time for the whole of Local Government. The Council faced cost pressures from the impact of the current pandemic 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 minor overspend for 2021/22 needs to be viewed in the context of a difficult year. The Council continues to balance the need to invest in future service developments with new emerging financial challenges from inflation and the continued changes to government funding.

Looking ahead, 2022/23 will be 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 2023/24 budget. The intention is to address any budget issues as part of the development of the 2023/24 budget where possible.

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 2022. 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 2021/22 (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:
Statement of Responsibilities	33
Movement in Reserves Statement	34
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and "unusable reserves".	
Comprehensive Income and Expenditure Statement	35
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).	
Balance Sheet	36
This statement summarises the Council's assets and liabilities as at 31st March 2022 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' Reserves.	
Cash Flow Statement	37
This statement summarises the flows of cash and cash equivalents of the Council that have taken place over the financial year.	
Note to the Accounts	38-109
Collection Fund	110-112
The Council is required to maintain a separate Collection Fund to detail monies received as a billing authority in relation to the Council Tax and Business Rates and accounts for the distribution of Council Tax to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund. The Business Rate Retention Scheme allows the Council to retain a proportion of the total Business Rates received. The Worthing share is 40% with the remainder paid to other bodies - West Sussex County Council (10%) and Department of Communities and Local Government (50%).	

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2021/22:

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 37 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have decreased by £5.8m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from 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 37.

Provisions, contingencies and material events

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

There are no material income or expenditure items to disclose in 2021/22 that are not disclosed on the face of the accounts. The provisions made in 2021/22 are laid out in Note 20.

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 2021/22 Code of Practice Guidance Notes. There were no changes to policies in 2021/22.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2022

The Council's Responsibilities:

(a) To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2021/22 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, 2022 and its income and expenditure for the year ended on that date.

Sarah Gobey

SARAH GOBEY **Dated:**
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 xxxx.

Mike Barrett
Chairman, Joint Governance Committee **Dated: xx/xx/xxxx**

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 31.03.20 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	(1,510)	-	-	-	**(1,510)**	2,282	**772**
Adjustments between accounting and funding basis under regulation (Note 7)	(7,082)	-	298	(1,226)	**(8,010)**	8,010	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,592)	-	298	(1,226)	**(9,520)**	10,292	**772**
Transfers to/from Earmarked Reserves (Note 8)	8,592	(8,592)	-	-	**-**	-	**-**
(Increase)/Decrease in Year	-	(8,592)	298	(1,226)	**(9,520)**	10,292	**772**
Balance at 31.03.21 c/fwd	**(1,543)**	**(11,920)**	**(1,885)**	**(4,475)**	**(19,823)**	**(98,040)**	**(117,863)**
Movement in Reserves during 2021/22							
Total Comprehensive Expenditure and Income	(6,572)	-	-	-	(6,572)	(11,694)	(18,266)
Adjustments between accounting basis and funding basis under regulation (Note 7)	11,541		(30)	(7,167)	**4,344**	(4,344)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	4,969	-	(30)	(7,167)	**(2,228)**	(16,038)	**(18,266)**
Transfers to/from Earmarked Reserves (Note 8)	(4,774)	4,774	-	-	**-**	-	**-**
(Increase)/Decrease in Year	195	4,774	(30)	(7,167)	**(2,228)**	(16,038)	**(18,266)**
Balance at 31.03.22 c/ fwd	**(1,348)**	**(7,146)**	**(1,915)**	**(11,642)**	**(22,051)**	**(114,078)**	**(136,129)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	Note
NET EXPENDITURE ON SERVICES							
The Leader	1,135	(181)	954	828	(15)	813	
Digital and Environment	9,566	(5,377)	4,189	10,453	(5,624)	4,829	
Health and Wellbeing	4,416	(1,849)	2,567	2,716	(1,386)	1,330	
Customer Services	40,036	(34,315)	5,721	40,429	(35,204)	5,225	
Regeneration	9,529	(4,410)	5,119	11,944	(3,229)	8,715	
Resources	5,438	(2,758)	2,680	5,925	(2,633)	3,292	
Net Cost of Services	70,120	(48,890)	**21,230**	72,295	(48,091)	**24,204**	
Other operating expenditure			2,275			(50)	9
Financing and Investment Income and Expenditure			(4,342)			(1,957)	10
Taxation and non-specific grant income			(25,735)			(23,707)	11
(Surplus) or Deficit on Provision of Services			**(6,572)**			**(1,510)**	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(3,985)			322	22
(Surplus)/Deficit from investments in equity instruments designated at fair value			-			-	16
Remeasurements of the net defined pension benefit liability			(7,709)			1,960	22
Other Comprehensive Income and Expenditure			**(11,694)**			**2,282**	
Total Comprehensive Income and Expenditure			**(18,266)**			**772**	

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 2022	As at 31 March 2021
Long Term Assets:		**£'000**	**£'000**
Property, Plant & Equipment	12	176,233	153,665
Heritage Assets	13	13,242	12,991
Investment Properties	14	75,827	74,307
Intangible Assets	15	1,291	717
Long Term Investments	16	1,642	3,904
Long Term Debtors	17	14,739	15,009
Total Long Term Assets		282,974	260,593
Current Assets:			
Short Term Investments	16	24,250	29
Inventories		68	63
Short Term Debtors	17	20,319	29,926
Cash & Cash Equivalents	18	9,407	7,298
Total Current Assets		54,044	37,316
Current Liabilities:			
Short Term Borrowing	16	(23,789)	(20,035)
Short Term Creditors	19	(29,656)	(24,958)
Provisions	20	(304)	(832)
Grants Receipts In Advance - Revenue	33	(7,107)	(731)
Total Current Liabilities		(60,856)	(46,556)
Long Term Liabilities:			
Long Term Borrowing	16	(130,698)	(118,376)
Other Long Term Liabilities	36 & 37	(9,335)	(15,114)
Total Long Term Liabilities		(140,033)	(133,490)
Net Assets		**136,129**	**117,863**
Financed By Reserves:			
Usable Reserves		(22,051)	(19,823)
Unusable Reserves	22	(114,078)	(98,040)
Total Reserves		**(136,129)**	**(117,863)**

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	2021/22	2020/21
		£'000	£'000
Net (surplus) or deficit on provision of services	23	6,572	1,510
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	16,032	21,935
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(12,807)	(9,467)
Net cash flows from Operating Activities	23	9,797	13,978
Investing Activities	24	(31,585)	(8,107)
Financing Activities	25	23,897	(4,530)
Net increase or decrease in cash and cash equivalents		2,109	1,341
Cash and cash equivalents at the beginning of the reporting period		7,298	5,957
Cash and cash equivalents at the end of the reporting period	18	9,407	7,298

NOTES TO THE ACCOUNTS

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.

The Balance Sheet includes the Council's 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 Council when there is reasonable assurance that:

- the Council 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 Council 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 2021/22 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the council'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 council 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 council 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 council 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 council 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 council'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 council'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 council 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 council 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 council 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 council 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 council – 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 2021/22 Code.

- IFRS1 IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention but will not have a material impact.
- IAS 41 Agriculture will be amended but does not impact an urban local council
- IAS 16 Property, Plant and Equipment: Proceeds before intended use.This standard requires that any income generated by an asset before it is fully brought into use is charged to the income and expenditure statement rather than netted off the cost of acquisition. This standard will only have limited applicability to the Council and as such will not have a material impact on the Council's accounts.

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

Critical Judgements

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has 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 37.

- 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 20 and contingent liabilities in note 38.
- 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 £137k.

Going Concern

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 2021/22 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 DLUHC 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 Council has seen the impact of the Covid-19 pandemic on its finances during 2021/22, 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 £196k overspend (1% against budget) for the financial period ending 31st March 2022.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2022/23, 2023/24 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 2022 the Council approved a balanced budget for 2022/23. Known pressures from Covid 19 were built into the 2022/23 budget.

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 2022 the Council has the following reserves to call on in delivering its services.

- ➢ General Fund Working Balance £1.348m
- ➢ General Fund Earmarked Reserves £7.146m
- ➢ Capital Grants £11.642m
- ➢ Capital Receipts £1.915m

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

The council has been closely monitoring its cash flow and investments to ensure it has sufficient liquidity to meet its commitments. The Council had investments of £24m and cash and cash equivalents of £9m at the end of March 2022 and has prepared a cash flow forecast to the end of March 2024 which is 12 months from the date the accounts are approved. The Council remains confident in its ability to maintain sufficient cash for its services throughout this period and is furthermore able to borrow short term for cash management if ever needed.

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 2022 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 £166k. 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 2021/22 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 2021/22, the Council's actuaries advised that the net pension liability has decreased by a net £5.78m. There was a £1.93m increase as a result of estimates being corrected as a result of experience, and a decrease of £7.71m attributable to updating of the assumptions. Refer to note 37 for more information.
Impairment Loss Allowance	At 31st March 2022 the Council had a net balance of debtors due (excluding government departments) of £15.3m. A review of significant balances suggested that an impairment for doubtful debt of £2.59m 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 £40k

Item	Uncertainties	Effect if actual results differ from assumptions
Business Rate Appeals Provision	At March 2022 the total provision for the impact of appeals on business rate income is £0.587m, the Council share of this is £0.235m. 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 £30k .The Council share of this would be £12k.
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 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.	Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.

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 2022 and the date when the Statement of Accounts are authorised for issue.

There were no events after the post balance date for 2021/22..

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.

	2021/22 Net Expenditure Chargeable to the General Fund Balance	**2021/22 Adjust - ments between Funding and Accounting Basis** (Note 7)	**2021/22 Net Expenditure in the Comprehen- sive Income and Expenditure 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**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Leader	886	68	954	766	47	813
Environment	2,725	1,464	4,189	2,179	2,650	4,829
Health & Wellbeing	2,114	453	2,567	1,155	175	1,330
Customer Services	4,455	1,266	5,721	3,812	1,413	5,225
Regeneration	2,775	2,344	5,119	3,633	5,082	8,715
Resources	2,184	496	2,680	2,608	684	3,292
Net Cost of Services	**15,139**	**6,091**	**21,230**	**14,153**	**10,051**	**24,204**
Other income and expenditure	(10,170)	(17,632)	(27,802)	(22,745)	(2,969)	**(25,714)**
Surplus or deficit	**4,969**	**(11,541)**	**(6,572)**	**(8,592)**	**7,082**	**(1,510)**
Opening balance on General Fund reserves as at 1 April	(13,463)			(4,871)		
Deficit/surplus on General Fund in Year	4,969			(8,592)		
Closing balance on reserves as at 31 March *	**(8,494)**			**(13,463)**		

Adjustments between Funding and Accounting Basis

2021/22 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	5	63		68
Environment	1,432	32		1,464
Health & Wellbeing	45	408		453
Customer Services	831	435		1,266
Regeneration	1,736	608		2,344
Resources	419	77		496
Net Cost of Services	**4,468**	**1,623**	**-**	**6,091**
Other income and expenditure from the Funding Analysis	(13,587)	311	(4,356)	(17,632)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**(9,119)**	**1,934**	**(4,356)**	**(11,541)**

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	2,658	(8)		2,650
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	**10,651**	**(600)**	**-**	**10,051**
Other income and expenditure from the Funding Analysis	(10,845)	300	7,576	(2,969)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**(194)**	**(300)**	**7,576**	**7,082**

Expenditure and income analysed by nature

	2021/22 £'000	2020/21 £'000
Employee Expenses *	4,801	2,599
Depreciation, amortisation, impairment	900	8,401
Other service expenditure	66,988	64,511
Total Expenditure	72,689	75,511
Grants and contributions	(21,273)	(23,067)
Fees, charges and other service income	(47,496)	(44,246)
(Gain)/loss on disposal of non current assets	2,275	(50)
Changes in Fair Value to Investments and Investment Properties	(1,757)	(960)
Income from council tax and business rates	(5,798)	(3,776)
Interest and Investment Income	(5,212)	(4,922)
Total Income	(79,261)	(77,021)
Deficit or surplus on Provision of Services	(6,572)	**(1,510)**

*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 and to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2021/22 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 & 22)	(3,891)	-	-	**3,891**
Revaluation losses on Property Plant and Equipment (note 12 & 22)	1,563	-	-	**(1,563)**
Movements in the market value of investment Properties (note 14 & 22)	1,520	-	-	**(1,520)**
Amortisation of intangible assets (note 22)	(91)	-	-	**91**
Capital grants and contributions applied (note 22)	3,736	-	-	**(3,736)**
Revenue Expenditure funded from capital under statute (note 22)	(2,129)			**2,129**

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 22)	(2,706)	-	-	**2,706**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 22)	1,536	-	-	**(1,536)**
Capital expenditure charged against the General Fund (note 22)	287	-	-	**(287)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	8,503	-	(8,503)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	1,332	**(1,332)**
Appropriation of S106 contributions to Fund revenue expenditure	(4)		4	**-**
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	558	(558)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 22 & 34)	-	798	-	**(798)**
Loan repayment		(263)		**263**
Mortgage repayment		(7)		**7**
Adjustments primarily involving the Financial Instruments Revaluation Reserve:				**-**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to DLUHC override	237			**(237)**
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 37)	(6,096)	-	-	**6,096**
Employers' Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,162	-	-	**(4,162)**

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)	4,356	-	-	**(4,356)**
TOTAL ADJUSTMENTS 2021/22	**11,541**	**(30)**	**(7,167)**	**(4,344)**

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 & 22)	(3,656)	-	-	3,656
Revaluation losses on Property Plant and Equipment (note 12 & 22)	(4,522)	-	-	4,522
Movements in the market value of investment Properties (note 22)	(144)	-	-	144
Amortisation of intangible assets (note 22)	(79)	-	-	79
Capital grants and contributions applied (note 22)	6,263	-	-	(6,263)
Revenue Expenditure funded from capital under statute (note 22)	(2,325)	-	-	2,325
Revenue Expenditure funded from capital under statute Prior Year (note 22)	(156)	-	-	156
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 22)	(742)	-	-	742
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 34)	2,210	-	-	(2,210)
Capital expenditure charged against the General Fund (note 22)	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 22)	-	-	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 34)	-	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 DLUHC override	(10)			**10**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(3,923)	-	-	3,923
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	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	**(7,082)**	**298**	**(1,226)**	**8,010**

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 2021/22.

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

Movement in Earmarked Reserves	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	1,361	(197)	396	1,560	(356)	103	1,307
Insurance	248	(73)	31	206	-	47	253
Joint Health Promotion *	1	-	-	1	(1)		-
Leisure Lottery & Other Partnerships	28	-	-	28			28
Grants & Contributions	806	(718)	1,349	1,437	(542)	172	1,067
Museum Reserve	106	(14)	14	106			106
Property Investment Risk Reserve	200	-	250	450			450
Building Maintenance Reserve	-	-	383	383	(57)	-	326
Theatres Capital Maintenance Reserve	109	(51)		58	(58)	-	-
Special & Other Emergency Expenditure *	3	-	-	3	(3)	-	-
*** these reserves have been consolidated into the Capacity Issues Fund**							
Sub Total	**2,862**	**(1,053)**	**2,423**	**4,232**	**(1,017)**	**322**	**3,537**
Reserves to manage Collection Fund timing difference:							
Business Rates Smoothing Reserve	437	-	6,548	6,985	(3,678)		3,307
Local Tax Income Guarantee	-	-	703	703	(401)		302
Total General Fund	**3,299**	**(1,053)**	**9,674**	**11,920**	**(5,096)**	**322**	**7,146**
Capital Expenditure Reserve	29	**(29)**	**-**	**-**			**-**
Total Earmarked Reserves	**3,328**	**(1,082)**	**9,674**	**11,920**	**(5,096)**	**322**	**7,146**

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. The remaining balance has been transferred into the Capacity Issues Fund.

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 reserve funded 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. The balance has been transferred to the Capacity Issues Fund.

Business Rates Smoothing Reserve
This reserve is intended to smooth the impact of changes to reliefs in year. 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 2022/23. The Business Rates Smoothing Reserve will fund the losses when they are incurred and are not available for other purposes.

Local Tax Income Guarantee
The Council received grant funding towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the losses are due to be funded by the General Fund over 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-22	31-Mar-21
	£'000	£'000
Gains/losses on the de-recognition and disposal of non-current assets	2,275	(50)
TOTAL	**2,275**	**(50)**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2021/22	2020/21
	£000	**£000**
Interest Payable & similar charges (Note 16)	2,426	2,400
Net interest on net defined benefit liability (asset) (note 37)	311	300
Interest Receivable & similar income (note 16)	(640)	(630)
Income and expenditure in relation to investment properties (Note 14)	(4,436)	(3,931)
Changes in fair value to investment properties (Note 14)	(1,520)	144
Changes in fair value to investments (note 16)	(237)	10
Trading Operations (note 26)	(246)	(250)
TOTAL	**(4,342)**	**(1,957)**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2021/22	2020/21
	£'000	**£'000**
Council Tax Income	(9,675)	(9,373)
Non Domestic Rates	(392)	5,597
Non-ringfenced Government Grants (note 32)	(5,405)	(13,551)
Capital Grants and Contributions (note 32)	(10,263)	(6,380)
TOTAL	**(25,735)**	**(23,707)**

* During the Pandemic the Government provided significant additional business rate reliefs which reduced the income from business rates in both 2020/21 and 2021/22. The reliefs granted in 2020/21 were significantly higher than those granted in 2021/22. The Council was fully compensated for the loss in income via Government Grants.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2021/22	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 2021	119,261	9,142	7,369	5,946	11,527	8,711	161,956
Historic Cost Adjustment	(2)	-	-	-	-	-	(2)
Additions	1,064	324	172	-	7,448	14,860	23,868
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,036	-	-	-	(1,281)	-	1,755
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,009	-	-	-	(328)	-	681
Disposals / Derecognition	(390)	(763)	(84)	-	-	(2,218)	(3,455)
Reclassifications between asset classes, including transfers to REFFCUS	4,259	-	164	-	270	(4,693)	-
At 31 March 2022	**128,237**	**8,703**	**7,621**	**5,946**	**17,636**	**16,660**	**184,803**
Accumulated Depreciation & Impairment							
At 1 April 2021	(598)	(5,011)	(2,682)	-	-	-	(8,291)
Historic Cost Adjustment	2	-	-	-	-	-	2
Depreciation charge	(2,854)	(729)	(307)	-	(1)	-	(3,891)
Depreciation recognised in the Revaluation Reserve	1,979	-	-	-	1	-	1,980
Deprecation written out to the Surplus/Deficit on the Provision of Services	882	-	-	-	-	-	882
Disposals / Derecognition	35	689	24	-	-	-	748
At 31 March 2022	**(554)**	**(5,051)**	**(2,965)**	**-**	**-**	**-**	**(8,570)**
Net Book Value at 31 March 2022	**127,683**	**3,652**	**4,656**	**5,946**	**17,636**	**16,660**	**176,233**
Net Book Value at 31 March 2021	**118,663**	**4,131**	**4,687**	**5,946**	**11,527**	**8,711**	**153,665**

Comparative Movements 2020/21

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	(879)	-	-	-	(2,100)	-	(2,979)
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 REFCUS	8,251	-	102	-	4,079	(12,588)	(156)
At 31 March 2021	**119,261**	**9,142**	**7,369**	**5,946**	**11,527**	**8,711**	**161,956**
Accumulated Depreciation & Impairment							
At 1 April 2020	(1,436)	(5,107)	(2,394)	-	-	-	(8,937)
Historic Cost Adjustment	-	(77)	-	-	-	-	(77)
Depreciation charge	(2,596)	(768)	(291)	-	(1)	-	(3,656)
Depreciation recognised in the Revaluation Reserve	2,156	-	-	-	1	-	2,157
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	**118,663**	**4,131**	**4,687**	**5,946**	**11,527**	**8,711**	**153,665**
Net Book Value at 31 March 2020	**109,457**	**4,165**	**4,592**	**5,946**	**8,238**	**16,130**	**148,528**

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

Movements in 2021/22	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**
At 1 April 2021	8,062	-	8,062
Assets transferred out of the Joint Service	(4)		(4)
Additions	283		283
Reclassifications between asset classes, including transfers to intangible assets	-		-
De-recognition	(444)		(444)
			-
At 31 March 2022	**7,897**	**-**	**7,897**
Accumulated Depreciation			
At 1 April 2021	(4,312)	-	(4,312)
Depreciation charge	(671)		(671)
Derecognition - Other	391		391
At 31 March 2022	**(4,592)**	**-**	**(4,592)**
Net Book Value at 31 March 2022	**3,305**	**-**	**3,305**
Net Book Value at 31 March 2021	**3,750**	**110**	**3,750**

Comparative Movements 2020/21

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**

Depreciation

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

- Other Land and Buildings: 6 – 60 years
- Vehicles, Plant, Furniture and Equipment: 1 – 25 years
- Infrastructure: 5 - 50 years

Capital Commitments

At 31st March 2022 the council had entered into 3 significant contracts for the acquisition and enhancement of assets, these contracts are estimated to cost £22.7m. The significant commitments at 31st March 2021 were £3.1m.

The significant commitments at 31st March 2022 were:

Worthing Integrated Care Centre: £21,998,855

Portland House Refurbishment Works: £554,423

Teville Gate Groundworks: £161,316

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations were carried out by External Valuers Wilks, Head and Eve. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6th Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets and for vehicles, plant and equipment. Assets under construction are valued at cost.
The significant assumptions applied in estimating the current values are:

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

	Other Land and Buildings	**Vehicles, Furniture and Equipment**	**Infra-structure Assets**	**Comm-unity Assets**	**Surplus Assets**	**Assets Under Const-ruction**	TOTAL
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at historical cost		3,652	4,656	5,946	3	16,660	30,917
Valued at current value as at:							
31st March 2022	13,143				17,633		30,776
31st March 2021	47,837						47,837
31st March 2021	24,306						24,306
31st March 2019	19,276						19,276
31st March 2018	23,121						23,121
Total Cost or Valuation	**127,683**	**3,652**	**4,656**	**5,946**	**17,636**	**16,660**	**176,233**

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 2022 and 31st March 2021 are as follows:

Recurring fair value measurements as at 31st March 2022 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 2022
	£'000	**£'000**	**£'000**	**£'000**
Community Asset		113		113
Land		17,246		17,246
Office		180		180
Residential		7		7
Sub Stations		90		90
TOTAL	**-**	**17,636**	**-**	**17,636**

Recurring fair value measurements as at 31st March 2021 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	-	11,392	-	11,392
Office	-	42	-	42
Residential	-	7	-	7
Sub Stations	-	86	-	86
TOTAL	**-**	**11,527**	**-**	**11,527**

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 council 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 council'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 council'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 council 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 council 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 council'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 council'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 council's Heritage Assets are as follows:

Movements in 2021/22	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 2021	491	3,978	4,210	1,688	1,917	707	12,991
Donated Assets	-	1	-	-	-	-	1
Revaluations	-	80	84	34	38	14	250
At 31 March 2022	**491**	**4,059**	**4,294**	**1,722**	**1,955**	**721**	**13,242**
Net Book Value at 31 March 2021	**491**	**3,978**	**4,210**	**1,688**	**1,917**	**707**	**12,991**

COMPARATIVE MOVEMENTS 2020/21

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**

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 council'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.

	2021/22	2020/21
	£'000	**£'000**
Rental income	(4,572)	(4,292)
Direct operating expenses	136	361
Net (gain)/loss	**(4,436)**	**(3,931)**

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.

	2021/22	2020/21
	£'000	£'000
Balance at start of the year 1st April	74,307	74,450
Additions:	-	1
Net gains/(losses) from fair value adjustments:	1,520	(144)
Balance at end of the year	**75,827**	**74,307**

Fair Value Measurement of Investment Property

Details of the Authority’s investment properties and information about the fair value hierarchy as at 31st March 2022 and 31st March 2021 are as follows:

Recurring fair value measurements at 31st March 2022 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 2022
	£'000	£'000	£'000	£'000
Community Facility	-	42	-	42
Office	-	45,619	-	45,619
Retail	-	17,582	-	17,582
Residential	-	2,460	-	2,460
Industrial	-	10,124	-	10,124
TOTAL	-	75,827	-	75,827

Recurring fair value measurements at 31st March 2021 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
Community Facility	-	42	-	42
Office	-	45,578	-	45,578
Retail	-	15,494	-	15,494
Residential	-	2,613	-	2,613
Industrial	-	10,580	-	10,580
TOTAL	-	74,307	-	74,307

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 council'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 council'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 council's investment property is measured annually on 31st March each year. 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 council's Estates Department and finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

NOTE 15: INTANGIBLE ASSETS

	2021/22	2020/21
	£'000	£'000
Balance at start of the year 1st April		
Gross carrying amounts	969	648
Accumulated amortisation	(252)	(236)
Net carrying amount at start of year	**717**	**412**
Additions:		
Purchases	664	392
Disposals:	(57)	(71)
Amortisation for the period:	(91)	(79)
Amortisation written off on disposal:	58	63
Net carrying amount at end of year	**1,291**	**717**
Comprising		
Gross carrying amounts	1,576	969
Accumulated amortisation	(285)	(252)
	1,291	**717**

NOTE 16: FINANCIAL INSTRUMENTS

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar2 2 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000
Fair Value through Profit and Loss	1,592	1,354		-		-		-	**1,592**
Amortised Cost - Investments and debtors	-	2,500	14,739	15,009	24,220	10	2,191	5,988	**41,150**
Amortised Cost - accrued interest		-		-	30	19		-	**30**
Cash and Cash Equivalents		-		-	9,407	7,298		-	**9,407**
Fair Value through other comprehensive income - designated equity instruments	50	50		-		-		-	**50**
Total Financial Assets	**1,642**	**3,904**	**14,739**	**15,009**	**33,657**	**7,327**	**2,191**	**5,988**	**52,229**
Assets not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**18,128**	23,938	**18,128**
Total	**1,642**	**3,904**	**14,739**	**15,009**	**33,657**	**7,327**	**20,319**	**29,926**	**70,357**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar22 £000	31Mar21 £000	31Mar2 2 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000
Amortised Cost - Principal	(130,698)	(118,376)		-	(23,052)	(19,349)	(5,154)	(3,884)	**(158,904)**
Amortised Cost - accrued interest		-		-	(737)	(686)		-	**(737)**
Total Financial Liabilities	**(130,698)**	**(118,376)**	**-**	**-**	**(23,789)**	**(20,035)**	**(5,154)**	**(3,884)**	**(159,641)**
Liabilities not defined as financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**(24,502)**	**(21,074)**	**(24,502)**
Total	**(130,698)**	**(118,376)**	**-**	**-**	**(23,789)**	**(20,035)**	**(29,656)**	**(24,958)**	**(184,143)**

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 the balance of 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 2022 of £1.592m 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 2022, 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 Boom Credit Union holding is 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:

	2021/22	2021/22	2020/21	2020/21
	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)	(237)		10	-
Financial assets measured at amortised cost	49		178	-
Total net (gains)/losses	**(188)**	**-**	**188**	**-**
Interest revenue:				
Financial assets measured at amortised cost	(587)		(571)	-
Other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(53)		(59)	-
Total interest revenue	**(640)**	**-**	**(630)**	**-**
Interest expense	**2,391**	-	**2,379**	-
Fee income on financial assets that are not at fair value through profit or loss	**-**	-	**-**	-
Fee expense on financial liabilities that are not at fair value through profit or loss	**35**	**-**	**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 Interest

In 2021/22 the Council capitalised £89k of interest relating to borrowing for the development of the Worthing Integrated Care Centre that has 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 2022 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-22**		**31-Mar-21**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
PWLB Debt	(114,958)	(111,165)	(109,273)	(112,505)
Non-PWLB Debt	(39,529)	(38,391)	(29,138)	(29,196)
Total Borrowing	(154,487)	(149,556)	(138,411)	(141,701)
Short Term Creditors	(5,154)	(5,154)	(3,884)	(3,884)
Total Liabilities	**(159,641)**	**(154,710)**	**(142,295)**	**(145,585)**

The fair value of the liabilities is lower than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2022) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £111.17m 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 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 £162.13m, 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-22		31-Mar-21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	24,250	24,243	29	29
Long Term investments	-	-	2,500	2,527
Cash and cash equivalents	9,407	9,407	7,298	7,298
Short term debtors	2,191	2,191	5,988	5,988
Long term debtors	14,739	14,739	15,009	15,009
Total	**50,587**	**50,580**	**30,824**	**30,851**

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 2022 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 the balance of 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 & Annual Investment Strategy 2022-23 to 2024-25

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 2021/22 was approved by the Council on 23rd February 2021 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 £10.045m in banks, building societies and local authorities, £11.7m in the government's Debt Management Office and £8.5m in 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 2022 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 31/03/2022	Estimated Maximum Exposure to Loss at 31/03/2022	Estimated Maximum Exposure to Loss at 31/03/2021
	£'000	£'000	£'000
Lease debtors	210	80	73
Sundry debtors	1,981	432	390

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 2022 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 17.

Credit Risk Exposure

At 31st March 2022 the Council held £11.7m with the government's Debt Management Office for short term liquidity, £3m of bank investments at credit rating A+, £5m of bank investments at credit rating A, £1m of bank investments at credit rating AA- (and £5k which is in a call account so is classified as Cash and Cash Equivalents), £1m with a building society with a credit rating of A-, £30k 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. £8.5m 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 has received large Covid Business Support Grants from the Government. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. 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 2022**	**Actual 31 March 2022**	**Actual 31 March 2021**	**Actual 31 March 2021**
				£'000s		**£'000s**
Maturing within one year	0%	35%	15%	(23,789)	14%	(20,035)
Maturing in 1-2 years	0%	35%	12%	(18,456)	16%	(21,953)
Maturing in 2-5 years	0%	75%	15%	(22,771)	9%	(11,838)
Maturing in 5-10 years	0%	75%	27%	(40,984)	33%	(45,594)
Maturing in 10-20 years	0%	75%	14%	(22,012)	15%	(20,421)
Maturing in 20-30 years	0%	75%	4%	(6,125)	0%	(200)
Maturing in 30-40 years	0%	75%	9%	(14,200)	10%	(14,200)
Maturing over 40 years	0%	75%	4%	(6,150)	3%	(4,170)
TOTAL			**100%**	**(154,487)**	**100%**	**(138,411)**

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 2022, 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	87
Decrease in fair value of fixed rate investment assets - Impact on Other Comprehensive Income and Expenditure	32
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)	11,013

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 held £1.592m in the Local Authorities' Property Fund as valued at 31 March 2022 and the value varies based on the value of the underlying assets. 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 17: DEBTORS

	31-Mar-22	31-Mar-21
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies *	5,063	11,048
Other Local Authorities *	10,886	6,379
NHS Bodies	382	50
Other Entities and Individuals **	3,988	12,449
TOTAL	**20,319**	**29,926**

* 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, 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.

** 2020/21 Includes £4.3m capital grants due at 31st March.

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

Overall Aged Debt Analysis	31-Mar-22	31-Mar-21
	£'000	£'000
Less than 1 Year	20,073	29,260
1-2 Years	130	526
2-3 years	21	27
Over 3 years	95	113
	20,319	**29,926**

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-22	31-Mar-21
	£'000s	£'000s
Council house purchase	-	7
Legal Charges	2	2
Worthing Homes Loan	10,000	10,000
GB Met Loan	4,737	5,000
TOTAL	**14,739**	**15,009**

NOTE 18: CASH AND CASH EQUIVALENTS

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

	31-Mar-22	31-Mar-21
	£'000s	£'000s
The balance is made up of the following elements:		
Cash held by the Council	16	16
Bank Current Accounts	866	1,282
Call Accounts and Money Market Funds	8,525	6,000
Total Cash & Cash Equivalents	**9,407**	**7,298**

NOTE 19: CREDITORS

	31-Mar-22	31-Mar-21
	£'000s	£'000s
Central Government Bodies *	(19,711)	(17,443)
Other Local Authorities	(4,452)	(3,302)
Other Entities and Individuals	(5,493)	(4,213)
TOTAL	**(29,656)**	**(24,958)**

* 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.

NOTE 20: 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-21	Additional Provisions made in 2021/22	Amounts used in 2021/22	Unused amounts reversed in 2021/22	Balance at 31-Mar-22
	£'000	£'000	£'000	£'000	£'000
Mesothelioma Claim	(140)		97		(43)
Land Charges - Personal Search Fees	(13)				(13)
Leisure Contract Claim	(14)				(14)
Business Rate appeals	(665)			431	(234)
	(832)	**-**	**97**	**431**	**(304)**

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 council 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 21: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

NOTE 22: UNUSABLE RESERVES

Unusable Reserves	31-Mar-22	31-Mar-21
	£'000s	£'000s
Revaluation Reserve	(54,560)	(51,143)
Financial Instrument Revaluation Reserve	(42)	195
Capital Adjustment Account	(72,264)	(70,004)
Deferred Capital Receipts Reserve	-	(7)
Pension Reserve	9,178	14,953
Collection Fund Adjustment Account	3,610	7,966
TOTAL UNUSABLE RESERVES	**(114,078)**	**(98,040)**

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	2021/22	2020/21
	£'000	£'000
Balance at 1 April	(51,143)	(51,995)
Upward revaluation of assets	(6,510)	(5,548)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,525	5,870
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	**(3,985)**	**322**
Difference between fair value depreciation and historical cost depreciation	568	517
Accumulated gains on assets sold or scrapped	-	13
Amount written off to the Capital Adjustment Account	**568**	**530**
Balance at 31 March	**(54,560)**	**(51,143)**

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 2021/22 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	2021/22	2020/21
Balance at 1 April	**(70,004)**	**(70,198)**
Charges for depreciation and impairment of non-current assets	3,891	3,656
Revaluation gains and losses on Property, Plant and Equipment	(1,563)	4,522
Amortisation of intangible assets	91	79
Revenue expenditure funded from capital under statute Prior Years	-	156
Revenue expenditure funded from capital under statute	2,129	2,325
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,706	742
Net written out amount of the cost of non-current assets consumed in the year	**7,254**	**11,480**
Adjusting amounts written out of the Revaluation Reserve	(568)	(530)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(535)	(1,211)
Use of the Capital Receipts Reserve to write down historic PWLB borrowing	(263)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,736)	(6,263)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,332)	(1,065)
Statutory provision for the financing of capital investment charged against the General Fund	(1,536)	(2,210)
Capital expenditure charged against the General Fund	(287)	(151)
	(8,257)	**(11,430)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,520)	144
Write Down in Long Term Debtors	263	-
	(1,257)	**144**
Balance at 31 March	**(72,264)**	**(70,004)**

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	2021/22	2020/21
	£'000	**£'000**
Balance at 1 April	14,953	13,293
Remeasurements of the net defined benefit liability / (asset)	(7,709)	1,960
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	6,096	3,923
Employer's pension contributions and direct payments to pensioners payable in the year	(4,162)	(4,223)
Balance at 31 March	**9,178**	**14,953**

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	2021/22	2020/21
	£'000	**£'000**
Balance at 1 April	7,966	390
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	16	120
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 *	(4,372)	7,456
Balance at 31 March	**3,610**	**7,966**

* 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 23: CASH FLOW OPERATING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	**£'000**
The cash flows for operating activities include the following items:		
Interest received	629	635
Interest paid	(2,375)	(2,365)
Dividends received	54	62
Total	**(1,692)**	**(1,668)**

	Net 2021/22	Net 2020/21
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**6,572**	**1,510**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,891	3,656
Impairment and downward valuations	(1,563)	5,636
Amortisation	91	79
Increase/(Decrease) in Creditors	10,875	15,791
(Increase)/Decrease in Impairment for Bad Debts		
(Increase)/Decrease in Debtors	387	(3,369)
(Increase)/Decrease in Inventories	(5)	13
Movement in Pension Liability	1,934	(300)
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	2,706	742
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,284)	(313)
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**16,032**	**21,935**
Capital Grants credited to surplus or deficit on the provision of services	(12,239)	(8,554)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(568)	(913)
	(12,807)	**(9,467)**
Net Cash Flows from Operating Activities	**9,797**	**13,978**

NOTE 24: CASH FLOW INVESTING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(24,851)	(15,047)
Purchase of short-term and long-term investments	(188,640)	(128,800)
Other payments for investing activities		-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	574	913
Proceeds from short-term and long-term investments	166,930	129,790
Other receipts from investing activities	14,402	5,037
Net cash flows from investing activities	**(31,585)**	**(8,107)**

NOTE 25: CASH FLOW FINANCING ACTIVITIES

	Net 2021/22	Net 2020/21
	£'000	£'000
Cash receipts of short- and long-term borrowing	35,375	20,000
Repayments of short- and long-term borrowing	(19,349)	(10,346)
Other payments for financing activities	7,871	(14,184)
Net cash flows from financing activities	**23,897**	**(4,530)**

NOTE 26: TRADING OPERATION

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

	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Income	2020/21 Net Income
	£'000	£'000	£'000	£'000
Trade Refuse	1,248	(1,494)	(246)	(250)
	1,248	**(1,494)**	**(246)**	**(250)**

The trading account has been consolidated within the Comprehensive Income and Expenditure Statement under other operating expenditure. Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The charges are set at a commercial rate. Surpluses are shared and credited back to the Council.

NOTE 27: AGENCY SERVICES

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough. In 2021/22 income collected was £1.533m (£2.262m 2020/21) and expenditure was £1.012m (£1.191m 2020/21). The surplus of £0.521m (£1.071m 2020/21) is paid to West Sussex County Council.

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

NOTE 28: MEMBERS' ALLOWANCES

Total allowances paid to Members were as follows:

2021/22	2020/21
£	£
276,045	278,489

NOTE 29: OFFICERS' REMUNERATION

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

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

	Number of Employees	
Remuneration Bands	**2021/22**	**2020/21**
£50,000 to £54,999	13	23
£55,000 to £59,999	15	5
£60,000 to £64,999*	5	1
£65,000 to £69,999	4	6
£70,000 to £74,999	3	4
£75,000 to £79,999	2	2
£80,000 to £84,999	3	4
£85,000 to £89,999	2	1
£100,000 to £104,999	2	2
£120,000 to £124,999	1	-
£125,000 to £129,999*	-	2
	50	**50**

* These include redundancy, efficiency of service and settlement payments relating to 2020/21. Please see note 30 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 2021/22 and in 2020/21.

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 2021/22 or 2020/21

Remuneration Disclosures for Senior Officers						
	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 Council**
Chief Executive						
2021/22	128,987	128,987	24,636	153,623	76,812	76,811
2020/21	125,406	125,406	25,207	150,613	75,307	75,306
Director for Communities						
2021/22	94,276	94,276	18,007	112,283	67,370	44,913
2020/21	78,795	78,795	15,499	94,294	56,577	37,717
Director for Digital & Resources						
2021/22	103,868	103,868	19,839	123,707	74,224	49,483
2020/21	102,333	102,333	20,569	122,902	73,741	49,161
Director for the Economy						
2021/22	101,831	101,831	19,450	121,281	73,981	47,300
2020/21	100,326	100,326	20,166	120,492	73,500	46,992
Head of Finance (S151 Officer)						
2021/22	82,380	82,380	15,702	98,082	49,041	49,041
2020/21	80,794	80,794	16,240	97,034	48,517	48,517
Head of Legal (Monitoring Officer)						
2021/22*	64,032	64,032	12,230	76,262	40,503	35,759
2020/21	57,301	57,301	11,517	68,818	36,549	32,269
Head of Planning & Development (Strategic Planning)						
2021/22	74,955	74,955	14,316	89,271	45,528	43,743
2020/21	73,666	73,666	14,807	88,473	45,121	43,352
Head of Housing (Strategic Housing)						
2021/22	82,208	82,208	15,702	97,910	33,290	64,620
2020/21	78,516	78,516	15,782	94,298	32,062	62,236

* from January 2022 the duties of the Head of Legal have been met by an interim locum whilst the Council undergoes a process to recruit

NOTE 30: 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
							£	£
£0 - £20,000	-	1	2	3	2	4	19,626	20,335
£20,000 - £40,000	1	-	2	1	3	1	92,763	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	1	4	5	5	6	112,389	87,906
Total cost included in CIES	1	1	4	5	5	6	112,389	87,906

* These redundancy costs are shared between Worthing and Adur Councils in proportion to the service allocation. The total cost of **£112,389** in the table above includes **£62,269** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£'000s
Redundancy costs	62,269
Enhanced Pension Benefits	47,309
Total termination benefit 2021/22	109,578
Termination benefits 2020/21	115,687

A total £62,269 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £47,309 is the 2021/22 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 31: EXTERNAL AUDIT COSTS

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

	2021/22	2020/21
	£'000s	**£'000s**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	61	43
Fees payable to external auditors for the certification of grant claims and returns for the year	16	36
	77	**79**

NOTE 32: GRANT INCOME

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

	2021/22	2020/21
Credited to Taxation and Non specific Grant Income:	**£'000s**	**£'000s**
General Fund Grants & Donations		
New Homes Bonus Scheme	(408)	(961)
Section 31 Grant	(3,710)	(8,031)
Lower Tier Services Grant	(203)	-
DLUHC Sales, Fees and Charges	(396)	(2,096)
DLUHC New Burdens	(846)	(1,754)
DLUHC Tax Guarantee compensation grant	164	(703)
Other	(6)	(6)
	(5,405)	**(13,551)**
Capital Grants & Donations		
S106 Developer Contributions: Affordable Housing	(2,116)	(40)
S106 Developer Contributions: Open Space / Transport / Air Quality	(447)	-
Adur District Council	(364)	(35)
Broadwater Community Centre	(13)	-
Community Infrastructure Levy	(1,062)	(702)
CLG Pocket Parks Community Grant	(24)	
Department for Business, Energy and Industrial Strategy	(4,207)	(485)
Football Foundation	(564)	-
Homes England	(1,215)	-
Heritage Lottery Fund	(16)	(481)
National Health Service	(235)	-
Rampion InShore Windfarm	-	(20)
Local Enterprise Partnership	-	(4,617)
	(10,263)	**(6,380)**

DLUHC Tax Guarantee compensation grant in 2021/22 includes an adjustment for the over provision of grant due in 2020/21.

Credited to Services:	2021/22 £'000s	2020/21 £'000s
General Fund Grants		
Department for Levelling Up, Housing and Communities	(1,597)	(2,050)
Cabinet Office	(30)	(8)
Department of Health & Social Care	(142)	-
Department for Work and Pensions	(310)	(129)
Department for Environment, Food & Rural Affairs	(4)	-
West Sussex County Council	(1,552)	(307)
Sussex Police and Crime Commissioner	(86)	-
Environment Agency	(27)	-
Business,Energy and Industrial Strategy	(280)	(155)
Heritage Lottery Fund	(99)	-
Historic England	(25)	-
South East Energy Hub	(34)	-
English Sports Council	(214)	-
Arun District Council - LEAP funding	-	(77)
Chichester District Council - Retail Traing Programme	-	(50)
Horsham District Council - Journey to Work	-	(89)
National Heritage - Cutting Edge	-	(15)
Other Grants and Donations	(12)	(34)
Grants recognised in Joint Committee	-	(792)
	(4,412)	**(3,706)**
Capital Grants & Donations - Specific		
West Sussex County Council	(583)	-
Local Enterprise Partnership	(6)	-
DEFRA/Environment Agency - Coast Protection	(19)	(18)
DLUHC Better Care Fund - Disabled Facilities Grant	(1,368)	(1,373)
	(1,976)	**(1,391)**

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:

	2021/22 £'000s	2020/21 £'000s
Revenue Grants Receipts in Advance		
Department for Levelling Up, Housing & Communities (DLUHC)	-	(1)
Housing / Rough Sleeping protect and vaccinate	(212)	(154)
Council Tax Energy Rebate	(6,376)	-
Test and Trace	(17)	-
Cyber Grant	(100)	-
West Sussex County Council -	-	-
Covid 19 / Contain Outbreak Management Fund	(281)	(150)
Arun District Council - LEAP funding	(75)	(4)
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	(23)	(25)
Grants recognised in the Joint Committee	(23)	(62)
TOTAL	**(7,107)**	**(731)**

NOTE 33: RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31st March 2022 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 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 2021/22 one Worthing member sat 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 2021/22.

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 Council

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 2020/21 and 2021/22.

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 £1,477,900 was paid by Worthing Borough Council to the Trust to cover the period 1 April 2021 to 31 March 2022. The value of the contract receipt is material to WTM Trust.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2021/22	2020/21
	£'000	**£'000**
Opening Capital Financing Requirement	**135,632**	**128,788**
Capital Investment		
Property, Plant and Equipment	23,868	15,026
Intangible Assets	667	392
Revenue Expenditure Funded from Capital Under Statute	2,129	2,325
Investment Properties	-	1
Sources of Finance		
Capital receipts	(535)	(1,211)
Capital receipts write down of historic PWLB borrowing	(263)	-
Government grants and other contributions	(5,068)	(7,328)
Sums set aside from revenue:		
Direct revenue contributions	(133)	(60)
MRP/loans fund principal	(1,536)	(2,210)
Revenue funding	(154)	(91)
Closing Capital Financing Requirement	**154,607**	**135,632**
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	18,975	6,844
Increase/(decrease) in Capital Financing Requirement	**18,975**	**6,844**

NOTE 35: LEASES

Operating Leases - Lessee

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

Operating Leases – Lessor

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses;
- 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-22	31-Mar-21
	£'000	£'000
Not later than one year	5,248	5,243
Later than one year and not later than five years	20,158	19,051
Later than five years	37,584	40,853
	62,990	**65,147**

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-22	31-Mar-21
	£'000s	£'000s
Commuted Sums	(157)	(161)
Pension Reserve Liability (see note 37)	(9,178)	(14,953)
TOTAL	**(9,335)**	**(15,114)**

NOTE 37: DEFINED BENEFIT PENSION PLAN

Participation in Pension Plans

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that 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 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
			£'000s	£'000s
Cost of services				
Current service cost	234	5,464	5,698	3,623
Past service cost		87	87	-
(gain)/loss from settlements			-	-
Financing & Investment Income & Expenditure				
Net Interest cost	216	95	311	300
Total post employment benefit charged to the surplus or deficit on the provision of services	450	5,646	6,096	3,923
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)	1,369	2,166	3,535	(29,652)
Actuarial gains and losses arising on changes in demographic assumptions	(444)	(574)	(1,018)	254
Actuarial gains and losses arising on changes in financial assumptions	(2,639)	(7,815)	(10,454)	32,735
Other (if applicable)	25	203	228	(1,377)
Total remeasurements recognised in other comprehensive income	(1,689)	(6,020)	(7,709)	1,960
Total post-employment benefits charged to the CI&E statement	**(1,239)**	**(374)**	**(1,613)**	**5,883**

	Worthing 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
	£'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	(450)	(5,646)	(6,096)	(3,923)
Actual amounts charged against the General Fund balance for pensions in the year:			-	-
Employer's contributions payable to the scheme	1,741	2,215	3,956	3,998
Retirement benefits payable to pensioners	206	-	206	225
Total charged against General Fund balance	1,947	2,215	4,162	4,223

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(69,322)	(94,401)	(163,723)	(74,597)	(95,312)	(169,909)
Fair value of plan assets	60,526	94,019	154,545	62,615	92,341	154,956
Net liability arising from defined benefit obligation	**(8,796)**	**(382)**	**(9,178)**	**(11,982)**	**(2,971)**	**(14,953)**

Pension Assets and Liabilities

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	62,615	92,341	154,956	51,244	71,285	122,529
Interest income	1,202	1,912	3,114	1,155	1,660	2,815
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	(1,369)	(2,166)	(3,535)	12,181	17,471	29,652
Contributions from employer	1,947	2,215	4,162	2,008	2,215	4,223
Contributions from employees into the scheme	25	781	806	22	739	761
Benefits paid	(3,894)	(1,064)	(4,958)	(3,996)	(1,029)	(5,025)
Rounding adjustment between scheme assets and liabilities			-	1	-	1
Closing fair value of scheme assets	**60,526**	**94,019**	**154,545**	**62,615**	**92,341**	**154,956**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1 April	(74,597)	(95,312)	(169,909)	(67,852)	(67,970)	(135,822)
Current service cost	(234)	(5,464)	(5,698)	(129)	(3,494)	(3,623)
Interest cost	(1,418)	(2,007)	(3,425)	(1,516)	(1,599)	(3,115)
Contributions from scheme members	(25)	(781)	(806)	(22)	(739)	(761)
Remeasurement (gains) and losses:			-			
Actuarial gains / losses arising from changes in demographic assumptions	444	574	1,018	(127)	(127)	(254)
Actuarial gains / losses arising from changes in financial assumptions	2,639	7,815	10,454	(9,704)	(23,031)	(32,735)
Other experience	(25)	(203)	(228)	758	619	1,377
Past service cost		(87)	(87)	-	-	-
Benefits paid	3,894	1,064	4,958	3,996	1,029	5,025
Rounding adjustment between scheme assets and liabilities			-	(1)	-	(1)
Closing balance at 31 March	**(69,322)**	**(94,401)**	**(163,723)**	**(74,597)**	**(95,312)**	**(169,909)**

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					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	218.4	339.0	557.4	2,776.1	4,094.0	6,870.1
Equity instruments:						
Consumer	0.0	0.0	0.0	6,504.9	9,593.1	16,098.0
Manufacturing	0.0	0.0	0.0	3,655.2	5,390.6	9,045.8
Energy and Utilities	0.0	0.0	0.0	959.1	1,414.4	2,373.5
Financial Institutions	0.0	0.0	0.0	5,672.9	8,366.2	14,039.1
Health and Care	0.0	0.0	0.0	4,187.4	6,175.4	10,362.8
Information Technology	0.0	0.0	0.0	8,689.7	12,815.2	21,504.9
Other	0.0	0.0	0.0	2,075.0	3,060.1	5,135.1
Sub-total equity	**0.0**	**0.0**	**0.0**	**31,744.2**	**46,815.0**	**78,559.2**
Debt Securities:						
UK Government	0.0	0.0	0.0	795.2	1,172.6	1,967.8
Investment Funds and Unit Trusts:						
Bonds	20,921.2	32,498.6	53,419.8	21,070.8	31,074.4	52,145.2
Equities	28,321.9	43,994.8	72,316.7	0.0	0.0	0.0
Other investment funds	0.0	0.0	0.0	982.2	1,448.0	2,430.2
Total assets in active markets	**49,461.5**	**76,832.4**	**126,293.9**	**57,368.5**	**84,604.0**	**141,972.5**
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	1,236.8	1,921.1	3,157.9	997.6	1,471.3	2,468.9
Real Estate:						
UK Property	5,906.8	9,175.5	15,082.3	4,248.9	6,266.0	10,514.9
Investment Funds and Unit Trusts						
Infrastructure	2,601.8	4,041.6	6,643.4	-	-	-
Other	1,319.1	2,049.1	3,368.2	-	-	-
Total assets - not in active markets	**11,064.5**	**17,187.3**	**28,251.8**	**5,246.5**	**7,737.3**	**12,983.8**
Total assets	**60,526.0**	**94,019.7**	**154,545.7**	**62,615.0**	**92,341.3**	**154,956.3**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2020/21
Mortality assumptions:		
Current pensioners:		
Male	21.9 years	22.1 years
Female	24.2 years	24.4 years
Future pensioners:		
Male	22.8 years	23.1 years
Female	25.9 years	26.1 years
Rate of increase in salaries	3.80%	3.35%
Rate of increase in pensions	3.30%	2.85%
Rate for discounting scheme liabilities	2.70%	1.95%

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 practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Code	1%	846
1 year increase in member life expectancy	4%	2,773
0.1% increase in Salary Increase Rate	0%	7
0.1% increase in the Pension Increase Rate	1%	833

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 £1.688m contributions to the Worthing scheme in 2022/2023, and approximately £2.048m contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 38: 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 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

The following assets are not reported in the Balance Sheet because information on the cost or value of these assets is not available due to the lack of comparative information and the unique nature of these assets; the cost of obtaining a valuation would not be commensurate with the benefits to the users of the financial statements.

Highdown Gardens

This is a public garden that is on English Heritage's Register of Historic Parks and Gardens Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection. The cultural significance of this asset cannot be valued.

Memorials Monuments

War Memorial Monument - is situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

Pigeon Memorial Monument - is situated in 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 40: TRUST FUNDS

The Council acts as the trustee for the following funds:

	2021/22 Capital Value of Fund	2020/21 Capital Value of Fund
	£'000	**£'000**
Dr Chester's Charity	31	31
TOTAL	**31**	**31**

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 41: 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 2021/22	Gross Income 2021/22	Net Expenditure 2021/22
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	23,493	(4,457)	**19,036**
Holding Accounts	11,042	(667)	**10,375**
NET COST OF SERVICES	**34,535**	**(5,124)**	**29,411**
Financing Investment and expenditure			
Funded by:			617
Adur District Council			(9,893)
Worthing Borough Council			(14,416)
(Surplus) or Deficit on Provision of Services			**5,719**
Remeasurements of the net defined pension benefit liability			(10,034)
Other Comprehensive Income & Expenditure			**(10,034)**
Total Comprehensive Income and Expenditure			**(4,315)**

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st March 2022

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						
	2021/22			**2020/21**		
	Business Rates	**Council Tax**	**TOTAL**	**Business Rates**	**Council Tax**	**TOTAL**
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	77,579	77,579	-	73,555	73,555
Business Rates Receivable	25,683	-	25,683	13,847	-	13,847
Transitional; Protection Payments Receivable	23	-	23	25	-	25
TOTAL INCOME (C) = (A+B)	**25,706**	**77,579**	**103,285**	**13,872**	**73,555**	**87,427**
EXPENDITURE (D)						
Payment From Previous Year Surplus/ Contribution to Deficit (-)						
Central Government	(8,417)	-	(8,417)	(47)	-	(47)
Worthing Borough Council	(6,734)	9	(6,725)	(38)	(31)	(69)
West Sussex County Council	(2,538)	53	(2,485)	115	(180)	(65)
Sussex Police and Crime Commissioner	-	8	8	-	(25)	(25)
	(17,689)	**70**	**(17,619)**	**30**	**(236)**	**(206)**
Precepts, Demands and Shares (E)						
Central Government	16,166	-	16,166	15,601	-	15,601
Worthing Borough Council	12,933	9,681	22,614	12,482	9,525	22,007
West Sussex County Council	3,233	59,110	62,343	3,120	56,499	59,619
Sussex Police and Crime Commissioner	-	8,410	8,410	-	7,850	7,850
	32,332	**77,201**	**109,533**	**31,203**	**73,874**	**105,077**
Charges to Collection Fund (F)						
Less: write offs of uncollectable amounts	168	157	325	284	151	435
Less: Incr. / Decr. (-) in Bad Debt Provision	66	285	351	124	730	854
Less: Incr. / Decr. (-) in Provision for Appeals	(1,077)	-	(1,077)	873	-	873
Less: Cost of Collection	122	-	122	125	-	125
	(721)	**442**	**(279)**	**1,406**	**881**	**2,287**
TOTAL EXPENDITURE (G) = (D+E+F)	**13,922**	**77,713**	**91,635**	**32,639**	**74,519**	**107,158**
Surpl. / Def. (-) arising during the yr (C-G)	**11,784**	**(134)**	**11,650**	**(18,767)**	**(964)**	**(19,731)**
Surplus / Deficit (-) b/fwd. 1st April	**(20,445)**	**(1,038)**	**(21,483)**	**(1,678)**	**(74)**	**(1,752)**
Surplus / Deficit (-) c/fwd. 31st March	**(8,661)**	**(1,172)**	**(9,833)**	**(20,445)**	**(1,038)**	**(21,483)**

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 2021/22 was 39,131.00 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	59,109,723	÷	39,131.0	=	1,510.56
Sussex Police & Crime Commissioner	8,409,643	÷	39,131.0	=	214.91
Worthing Borough Council	9,681,400	÷	39,131.0	=	247.41

NOTE 2: BUSINESS RATES

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 2021/22 (49.9p in 2020/21). The overall rateable value for Worthing Borough Council as at 31st March 2022 was £80.0m (£81.1m as at 31st March 2021).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £3.6m and £1.6m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2021/22 in line with Worthing Borough Council's accounting policy for maintaining the provision. This is a movement on the 2020/21 provisions of £3.2m for Council Tax and £1.5m for Business Rates.

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 2022/23	**76.52%**	**11.06%**	**12.41%**	**99.99%**
Council Tax arrears	5,440,941	786,662	862,369	**7,089,972**
Provision for bad debts	(2,730,996)	(394,817)	(442,996)	**(3,568,809)**
Receipt in advance	(1,025,998)	(148,328)	(166,427)	**(1,340,753)**
(Surplus)/Deficit	897,207	129,708	145,536	**1,172,451**
Balance as on 31st March, 2022	**2,581,154**	**373,225**	**398,482**	**3,352,861**

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 DLUHC 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	705,111	141,016	564,065	**1,410,192**
Provision for Bad Debts	(802,539)	(160,508)	(642,031)	**(1,605,078)**
Provision for Appeals	(1,506,964)	(336,286)	(1,205,572)	**(3,048,822)**
RV List Amendments	1,213,468	277,586	970,775	**2,461,829**
Receipt in Advance	(566,794)	(113,358)	(453,435)	**(1,133,587)**
(Surplus)/Deficit	4,330,190	866,038	3,464,155	**8,660,383**
Balance as at 31st March 2022	**3,372,472**	**674,488**	**2,697,957**	**6,744,917**

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 2022 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

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

Decision making

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

Risk Management

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

Scrutiny and Review

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

Corporate Leadership Team

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

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the new Framework during 2021/22.

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 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.

A new strategy will be developed during 2022.

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 OPERATION OF THE GOVERNANCE FRAMEWORK

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

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

Recruitment and induction

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

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance development and review

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

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

Effective scrutiny

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by it's own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the 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 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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 2021/22 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 2022 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 31th May 2022.

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

Annual accounts

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

REVIEW OF EFFECTIVENESS

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, and the Joint Overview and Scrutiny Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The current detailed plan to address any weakness and improve the Council's governance was approved on the 31st May 2022 at the Joint Governance Committee in the report titled 'Annual Governance Statements 2021/22'. 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 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) ICT Disaster Recovery Plans

The Council has an ICT Disaster Recovery Plan in place, a recent audit has revealed issues with how this plan is being implemented. These audit findings coupled with the recent significant IT outage within the data centre has led to inclusion of this issue within the Annual Governance Report.

Following the IT outage, planned replacement of key infrastructure is being accelerated to protect the Council's digital provision.

There is also a series of audit recommendations in place which the Digital team are now working to address. Progress will be monitored via the regular reporting by the Head of Internal Audit.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2018 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: ________________________

Rebecca Cooper
Leader of the Council
Worthing Borough Council

Dated: ________________________

Signed: ________________________

Catherine Howe
Chief Executive of
Adur & Worthing Councils

Dated: ________________________

Annual Governance Statement Report:

https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020_21.pdf

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 2021/22 which means the year commencing 1st April 2021 and ending 31st March 2022. 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.

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Joint Audit and Governance Committee
23 March 2023

ADUR & WORTHING
COUNCILS

Key Decision No
Ward(s) Affected: All

Adur Homes Compliance with Housing Regulator Standards

Report by the Director for Communities and the Monitoring Officer

Officer Contact Details
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Executive Summary

Purpose

1.1 The purpose of the report is to inform members that the Director for Communities has undertaken a diagnostic review of the Council's housing stock (Adur Homes) and its compliance with the Regulator of Social Housing's standards. A number of gaps in compliance have been identified and the council has as a result referred itself to the Regulator.

1.2 The report identifies the areas that require improvement and sets out the process Adur District Council will undertake, in partnership with the Regulator, to improve performance and meet the required standards.

1.3 The report also identifies other audit issues related to Adur Homes including slow progress against internal audit actions and problems with the way in which we are responding to complaints and Freedom of Information Act requests.

1.4 This report also fulfils the Monitoring Officer's duty to report to Members under section 5 and section 5A of the Local Government and Housing Act 1989.

1.5 Members are asked to support the proposed changes to the Adur Homes Management Board membership, a new set of interim policies and procedures for Adur Homes for comment and agreement, and details concerning the development of an improvement plan to address the identified issues.

Recommendations

In relation to Adur Homes compliance issues, Members are asked to:

2.1 Note areas of non compliance with social housing standards and endorse the decision to refer Adur Homes to the Regulator of Social Housing.

2.2 To also note the slow progress being made against internal audit actions and problems with the way in which we are responding to complaints and Freedom of Information Act requests.

2.3 Approve the timescales for bringing an improvement plan to the Joint Audit and Governance Committee and require further updates on progress from the Director for Communities.

2.4 Provide comment on the interim operational policies and procedures for Adur Homes attached in Appendix 1 and to refer any comments in relation to those policies to the Adur Homes Management Board.

2.5 Approve changes to the Adur Homes Management Board membership and require the Board to provide progress updates to the Joint Audit and Governance Committee on a quarterly basis.

2.6 To note the matters referred to the Committee by the Monitoring Officer at paragraph 4.4, 4.5 and 4.6.

3. Context

3.1 In April 2015 the Regulator of Social Housing published seven Housing Standards against which housing organisations are required to ensure compliance. These standards are:

The Economic Standards

- Governance and Financial Viability Standard
- Value for Money Standard
- Rent Standard

The Consumer Standards:

- The **Home Standard** sets expectations for registered providers of social housing to provide tenants with quality accommodation. Key elements include the provision of decent homes and cost-effective repairs and maintenance.
- The **Tenancy Standard** sets expectations for registered providers of social housing to let their homes to tenants in a fair, transparent and efficient way.
- The **Neighbourhood and Community Standard** sets expectations for registered providers of social housing to keep the neighbourhood and communal areas associated with the homes they own clean and safe, co-operate with relevant partners to promote the wellbeing of the local area and help prevent and tackle antisocial behaviour.
- The **Tenant Involvement and Empowerment Standard** sets expectations for registered providers of social housing to provide choices, information and communication that is appropriate to the diverse needs of their tenants, a clear approach to complaints and a wide range of opportunities for them to have influence and be involved.

Two of these standards, the Governance and Financial Viability and Value for Money Standard relate only to Registered Providers/Housing Associations and do not relate to local authority landlords.

Self referral to the Regulator of Social Housing

3.2 The Regulator, in a letter dated 22 November 2022 to all registered providers following the tragic death of Awaab Ishak in Rochdale, stated that “Should you identify that your homes do not meet the relevant standards, you should self-refer immediately”.

Though the letter from the Regulator was prompted by the damp and mould issue, the presence of or failure to deal with damp and mould itself is not a reason to refer to the Regulator. As stated in the RSH’s letter, self-referral should be made if the landlord identifies that their homes do not meet the relevant standards, even if it is only a part of their homes that do not meet any of the the consumer standards.

3.3 In coming to post, the new Director for Communities has undertaken a diagnostic review of compliance within Adur Homes housing stock and brought in experienced external individuals to assist the Council with this. Despite the work undertaken as part of the Housing Strategy and

Transformation Plan, this diagnostic process has identified a number of areas where Adur Homes is not compliant with the required standards.

3.4 The Council takes residents' safety and statutory and regulatory responsibilities very seriously and therefore on becoming aware of the outcome of the compliance diagnostic, in consultation with the Leader of the Council and the Cabinet Member for Adur Homes and Customer Services, Adur District Council self-referred to the Regulator on 24th February 2023.

Under what standards has the Council been referred to the Regulator?

3.5 We recognise the need to provide good homes and a strong service for our tenants and leaseholders. Adur Homes is highlighting concerns with the Regulator in relation to the Decent Homes Standard and the following specific standards:

- **The Home Standard**
- **Tenant Involvement and Empowerment Standard**
- **Tenancy Standard**

What are the specific issues of non compliance?

3.6 The referral is being made with regard to the following specific areas of concern:

- **Decent Homes:** - Currently the Council does not have sufficient evidence to identify the number of homes it manages which meet the government's Decent Homes Standard.
- **Home Standard, Cost-effective repairs and maintenance:** - Adur Homes does not currently have a cost-effective repairs service. There are significant issues around performance, customer experience and cost efficiency.
- **Home Standard, Meets all Health and Safety Requirements:** - Currently the authority cannot be confident that all work is undertaken in a timely manner and therefore actions may remain outstanding for longer than prescribed.
- **Home Standard, Electrical Installation Condition Reports (EICRs):** - The Council is not assured that all its homes have been EICR tested within the last 5 years and there are delays with emergency light testing.

- **Home Standard, Fire Safety:** - Currently not all areas of fire safety have been addressed and further assurance work is required around the completion of risk assessments and the timely implementation of necessary works.
- **Tenancy Standard:** - Our policies and processes require updating and we need to ensure that they meet our tenancy standards.
- **Tenancy Involvement and Empowerment Standard**: - The number of tenants engaged with the service is very low and a cross-section of tenants are not being engaged by the service to seek their views on ‘housing management’ activities. In addition, Adur Homes does not currently meet the standards required for complaints handling.

Issues for Consideration

4. Regulator of Social Housing

4.1 The Regulator has been sent our referral and has responded with the requirements for further and more detailed information. The Council is preparing this information which will be used to agree an improvement plan (see below) to support Adur Homes returning to compliance against the above housing standards.

Improvement Plans

4.2 A comprehensive and robust improvement plan is currently being compiled by Adur District Council. External support has been sought from a local authority that has been through the referral process to help ensure maximum effectiveness of the approach proposed.

A new internal Adur Homes Asset and Compliance Board has also been established, chaired by the Director for Communities and including senior officers to drive forward an improvement plan. Following consultation with the Regulator it is anticipated that a draft headline plan will be presented to the Joint Audit and Governance Committee in June 2023.

4.3 This draft plan will set out a clear set of actions that will be developed for the coming year for the service with a clear set of performance indicators that will be used to monitor progress and enable scrutiny of this work.

Internal Audit, Maladministration and Freedom of Information Request

4.4 **Outstanding Internal Audit Actions** - The Director for Communities is meeting with the Internal Auditor to review progress against 30 overdue actions identified between 2017/18 to 2020/21 for Housing Services (3) and Adur Homes (27). Whilst work against these actions is underway progress needs to be accelerated and the Director for Communities is prioritising the timely competition of these actions. Many of these outstanding actions are linked to housing standards and will therefore be reviewed and, where appropriate, integrated into the improvement plan work described above with the Regulator.

4.5 **Housing Ombudsman Maladministration -** In December 2022 the Housing Ombudsman (HO) wrote to Adur District Council regarding its annual complaints performance report and highlighted a high maladministration rate of 66% for the Council during 2021- 22. This maladministration rate is higher than the average for the sector with the Ombudsman upholding at least one part of the complaint in cases reviewed. However the number of cases in which the HO made a determination was only 2 and the details of which are set out below. A report is only created if there have been more than 5 cases.

Case 1
Tenant was unhappy with the Council's response to her reports of damp and mould at her address and the handling of her complaint. The HO found fault with the Council in its handling of the reported complaint about condensation and mould at the property. £100 compensation was awarded for this and a further £75 for the handling of the complaint. The Council was also ordered to, if not done already, carry out the rendering and plastering needed to make good around the windows that was identified as required; to install a humidistat fan in the bathroom and to inspect the guttering and downpipe during rainfall.

Remedy: Apology, financial redress of £175 for the service failures identified and works to be completed.

Case 2
Tenant was unhappy with the Council's handling of her reports concerning antisocial behaviour, the installation of soundproofing and the handling of the complaint.

Remedy: The Council is to pay Ms C £50 for the delay in progressing the complaint and the failure to keep her reasonably updated with regards to its progress.

The Council is being proactive in addressing the maladministration and all complaints through two main approaches:

- **Reducing the number of complaints** - In addressing problems with Housing Standards and as part of this, the quality and responsiveness of the repairs and maintenance service, the number of complaints should reduce in number. This process of improvement however may take time as the Council will need to prioritise, in the first instance, health and safety-related issues.

- **Improving the way we handle and respond to complaints** - The Director for Communities is actively reviewing our complaints handling arrangements and identifying with staff and tenants how the service can be best improved. For example when Adur Homes receives a complaint the Council is now working on the development of a new approach which aims to understand the nature of the tenant enquiry to better understand their concerns, the situation and organise the right response first time. The new Complaints Policy and Procedure appended to this report supports and informs the overall improvement work. Note that this process review is underway and additional resources to support this work are being sought. Whilst these changes are underway it should be recognized that demand is high and therefore there are ongoing delays to responding to complaints. This will improve.

4.6 **Outstanding Freedom of Information Act Requests in Housing**

Under the Freedom of Information Act 2000 there is a statutory process for dealing with Freedom of Information Act requests within a statutory timeframe, which is 20 working days from receipt of the request. In relation to Housing, the Council currently has 32 requests outstanding, ranging from 1-day overdue to 630 days overdue.

There are 11 requests which are up to a month overdue, 18 requests between one month and up to a year old and 3 requests which are between one year and two years old.

Whilst progress is being made to respond to outstanding requests, we are unable to respond to some of these requests, for example, because the contact details are now out of date. There is no legal ability to write-off an historic Freedom of Information Act request and it is proposed that the Council's Information Governance and Data Protection Officer writes to the Information Commissioner for advice on guidance on how to deal with the historic requests which have gone into abeyance.

Policy Framework

4.7 As part of the improvement plan preparations, a set of revised interim and operational policies and procedures were presented to the Joint Strategic Sub-Committee on 7th March, as set out in Appendix 1. These policies will be further refined and updated in the coming months through engagement with the Adur Homes Management Board (and tenants). The Joint Audit and Governance Committee is asked to review the Policies and refer any comments on those Policies to the Board for revision and review.

Adur Homes Management Board

4.8 The Adur Homes Management Board is made up of:

- Director for Communities (Chair)
- Cabinet Member for Adur Homes and Customer Services
- The chairperson of the Adur Homes General Housing Tenants Representative Group
- The chairperson of the Sheltered Housing Tenants Residents Representative Group
- The chairperson of the Leaseholders Representative Group
- Young persons' group
- Chief Financial Officer
- Head of Housing

4.9 The purpose and objectives of the Adur Homes Management Board are set out in Adur District Counci's Constitution and are summarised as follows:

- Operate collectively and concentrate on advising on strategic and operational issues affecting performance;
- Scrutinise and challenge policies and procedures with a view to the long-term health and success of the business;
- Direct, supervise and make recommendations on the operations of Adur Homes on behalf of the tenants, stakeholders, employees and community at large.

4.10 Currently tenant and leaseholder representation, the work programme and member representation require review and improvement if the Board is to effectively support the required improvements in Adur Homes. To adequately improve representation, oversight and accelerate improvement against the required housing standards the following actions are recommended:

- Work is undertaken as a priority to improve adequate tenant and leaseholder representation on the Adur Homes Housing Board.
- Oversight on the improvement plan is strengthened by increasing representatives on the Housing Board from both the Joint Overview and Scrutiny Committee and the Joint Audit and Governance Committee.
- The Housing Board provides progress updates on work with the Regulator to the Joint Audit and Governance Committee on a quarterly basis. Additional updates to be provided every six months to the Adur Joint Strategic Sub Committee.

Additional Support from Cabinet

4.11 To further increase support for the improvement work required, the Leader of the Council has asked the Cabinet Member for Communities and Wellbeing, who is also a member of the Joint Audit and Governance Committee, to lead the improvement works with the Regulator. This additional support will enable the Cabinet for Adur Homes and Customer Service to continue their focus on day to day service delivery of Adur Homes. As part of these arrangements it is proposed the Cabinet Member for Communities and Wellbeing will attend future Adur Homes Housing Board meetings and will work with the Director for Communities on matters relating to the forthcoming Improvement plan and regulatory notice.

The Director for Communities shall consult with the Cabinet Member for Communities and Wellbeing when preparing the updating reports on progress with the referral process for the Joint Audit and Governance Committee.

A Challenging Financial Context

4.12 It should be noted that this work takes place in the context of a challenging Housing Revenue Account (HRA) budget (as reported to Cabinet in February 2023) and unprecedented housing demands.

Members will be aware that the rent limitation measure announced by the Chancellor in 2015 had a profound impact on the HRA and still continues to impact on the HRA's future financial sustainability. Over the period of the reduction, the Council has lost and continues to lose a substantial amount of annual rental income of around £2m per year. This lost income has compromised the financial stability of the HRA, and more importantly, affected the amount that can be invested both in existing homes and in the development of new homes. Our impaired ability to invest in the current stock has significant implications for the Council's ability to meet condition surveys and health and safety requirements.

Rent setting for the HRA is now governed by the Regulator of Social Housing and the Council has the ability to increase rents by CPI (Sept) + 1% under normal circumstances. The Government has made the commitment for Councils to retain the flexibility for at least 5 years. For 2023/24 the government has capped this increase at 7% for the majority of tenants due to the cost of living crisis which sees the September 2022 inflation rate at 10.1%. Looking ahead to 2023/24, the overall position will gradually improve as rental levels continue to increase faster than other inflationary pressures.

Over the longer term, the HRA remains in a financially viable position, able to invest in its stock to address backlog maintenance and to maintain a development programme. However, caution will need to be exercised over the coming years as the financial position will be difficult for at least another 3 years until the HRA has become financially sustainable with an adequate level of reserves to manage future risks.

New Charter for Social Housing and Revised Consumer Standards

4.13 The housing standards that Adur Homes are required to meet are in the process of being reviewed, changed and improved. The Government published 'The Charter for Social Housing Residents' white paper in November 2020 and this paper seeks to improve housing standards for those who rent, leaseholders and shared owners in social housing. It sets out a new charter outlining what every social housing resident should expect from their landlord:

- **To be safe in your home:** Landlords will be required to ensure every home is safe and secure.
- **To know how your landlord is performing:** Landlords will be held to account regarding repairs, complaints, safety, and how they spend their money.
- **To have your complaints dealt with promptly and fairly**: The Ombudsman will be strengthened giving swift and fair redress when needed.
- **To be treated with respect**: The Regulator of Social Housing will be strengthened and there will be improved consumer standards.
- **To have your voice heard by your landlord**: Tenant voice will be increased for example through regular meetings, scrutiny panels or being on housing boards.
- **To have a good quality home and neighbourhood to live**: Landlords will be required to keep homes in good repair and the Decent Homes Standard will be reviewed.
- **To be supported to take your first step to ownership**: Increasing the supply of good quality social homes, and working to give as many residents as possible the right to purchase their own home.

4.14 Many of these changes will be implemented by the Regulator of Social Housing but most of these changes can only be made when parliament has passed legislation to change the Regulator's objectives and legal powers. The Government has said that it will introduce the legislation needed to implement the white paper as soon as practicable. While this means new consumer standards cannot be implemented yet, boards and councillors responsible for social housing are advised not to wait for new consumer regulation to look at how they can improve their services and engagement with tenants.

The improvement plan and the housing strategy updates described in this paper will need to take into account these forthcoming changes and will assist the Council in its readiness to respond to these changes once they become legislation.

5 Engagement and Communication

5.1 In undertaking this referral the Director for Communities has briefed the Adur Homes Management Board, which is made up of members, officers and tenant representatives as set out above.

5.2 A communication and engagement plan is being developed and tenants and leaseholders have been contacted to update them on the decision to refer to the Regulator, the reasons for this referral and an outline of the next steps.

5.3 We are also recruiting a new Tenant Participation Officer and we will, when appointed, undertake the work necessary to improve our communication and engagement with tenants and leaseholders. Improvements in this area are required and will be undertaken as part of the improvement plan. This work will be supported by the Council's wider commitments and investment around the Corporate Plan's (Our Plan) principle of participation.

6. Financial Implications

6.1 The resources to ensure compliance with the Regulator's Standards must be found within the Adur HRA which is a ring-fenced account. Overall, the HRA has a significant budget available to it (£14.8m) and every endeavour will be made regarding best use of this existing resource to deliver the improvement plan.

6.2 However, to improve financial capacity to deliver any additional requirements arising which cannot be accommodated with the existing revenue budget, a capitalisation direction will be sought to enable the council to access the Major Repairs Allowance which stood at £9.4m as at 31/3/2022. This reserve can currently only be used to fund capital expenditure and the repayment of any debt under legislation. Members are reminded that there is no guarantee that a direction will be given and that there will be revenue consequences in utilising this reserve as it was planned to be used to finance the capital programme. Any resources used to support the revenue budget would need to be replaced by borrowing at an estimated revenue impact of £45,000 per £1m additional borrowing in a full year.

6.3 A review of the Housing Revenue Account Business Plan will be undertaken shortly to enable the service to track the management of resources to deliver against the government's Decent Homes Standard and to ensure compliance in all other service areas.

Finance Officer: Sarah Gobey Date: 14th March 2023

7. Legal Implications

7.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

7.2 s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation

7.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

7.4 Section 8 of the Housing Act 1985 continues to place a duty on every local housing authority to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation.

7.5 There is a statutory duty on a Monitoring Officer under s5 and s5A of the Local Government and Housing Act 1989, to report to the Authority on any threatened or actual breaches of law and/or maladministration.

Legal Officer: Joanne Lee Date: 14/03/2023

Background Papers

- Regulatory Standards
- Decent Homes Standards
- Our Plan
- Housing Strategy: Enabling communities to thrive in their own home” 2020-2023;
- Temporary Accommodation Placement and Procurement Policy, and
- Community Homelessness Strategy 2017-2022
- Housing Revenue Account 2023/24 Budget
- The Charter for Social Housing Residents - Social Housing White Paper
- Adur District Council Constitution

Interim Policies and Procedures that will be updated and adjusted as required through review and the Regulator’s recommendations.

Leasehold Management Policy

Major works payment policy

H&S policy

Damp and mould policy and procedures

Asbestos Management Plan

Electrical safety policy

Gas policy

Lift equipment maintenance and servicing Policy

Water Safety and Hygiene (Legionella).

Complaints

Compensation Policy

All these policies can be viewed here

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Sustainability & Risk Assessment

1. Economic

1.1 Thriving Economy is one of the four Missions identified in Our Plan and will therefore become one of the key documents informing the direction and prioritisation of the council's work with regard to Adur Homes.

1.2 Providing a decent home that is secure, affordable, warm and modern, supports the wellbeing of our residents, enabling those who are able to work to enter and sustain employment and contribute to economic activity.

2. Social

2.1 Social Value

2.1.1 Residents and communities are central to Our Plan and 'Thriving People' is one of the four Missions identified in Our Plan. This mission aims to ensure people are healthy, resilient and resourceful, that they can access the right help when they need it and everyone has a safe, secure and sustainable home.

2.1.2 One of the three overarching Principles in Our Plan is Participative, which is based on the explicit intention to work more closely with citizens to involve them in deeper and more meaningful conversations about service design and delivery. Our work to meet decent homes and the other housing standards linked to tenant participation therefore forms a central part of the council's commitments.

2.2 Equality Issues

2.2.1 The council is subject to the general equality duty set out in section 149 of the Equality Act 2010. This duty covers the following protected characteristics: age, gender, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation.

2.2.2 In delivering housing services the council must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity between different groups
- Foster good relations between different groups

2.2.3 The participative principle in Our Plan describes the council's commitment to providing truly inclusive services by listening to underrepresented voices, creating equal access and meeting our equality duties.

2.2.4 The council's legal duties (Equality Act 2010) will inform the

Development and delivery of the improvement plan, in relation to eliminating discrimination, advancing equality of opportunity and fostering good relations.

2.2.5 Decisions, actions and areas of investment relating to implementation of the improvement plan, may require Equality Impact Assessments.

2.3 Community Safety Issues (Section 17)

2.3.1 The council is committed to the promotion of communities as safe places. Our Plan seeks to progress delivery of the councils' community safety commitments by strengthening working partnerships with the Police, communities, businesses and multidisciplinary teams across the council.

2.3.2 As part of our ongoing work to meet the Neighbourhood and Community Housing Standard will see to keep the neighbourhood and communal areas associated with the Adur Homes clean and safe, co-operate with relevant partners to promote the wellbeing and help prevent and tackle anti-social behaviour.

2.4 Human Rights Issues

2.4.1 The actions set out in the report will enable the council to identify solutions that will enable our residents, communities and neighbourhoods to flourish.

3. Environmental

3.1 Thriving Environment is one of the four Missions identified in Our Plan and key actions include achieving net zero carbon, resilience to climate change and increased biodiversity by restoring natural habitats and minimising waste.

3.2 The improvement plan, as part of the wider work plan for Adur Homes, will as part of these commitments actively contribute to carbon reduction, waste minimisation and biodiversity improvement objectives.

4. Governance

4.1 In line with the constitution this report is being taken to the Joint Audit and Governance Committee to note and comment. Additional engagement has been undertaken with the Adur Joint Strategic Sub Committee and the Adur Homes Management Board.

4.2 Further updates, including the improvement plan will be brought to the Joint Audit and Governance Committee on a quarterly basis.

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Joint Governance Committee
23 March 2023

ADUR & WORTHING
COUNCILS

Ward(s) Affected: All

Strategic Property Investment Fund
Annual Commercial Property Investment Strategy 2023/24

Report by the Director for the Economy

Executive Summary

Statutory guidance places a duty on Local Authorities to prepare an annual investment strategy to be approved by the full Council or equivalent, in advance of forthcoming financial years.

This report provides an update on the recent investment activities and current position of the Strategic Property Investment Fund as of January 2023. This covers:

- The current overall fund structures and completions within the current financial year to date.
- Review of lasting impact due to the Covid-19 Pandemic, economic situation and changes to the Public Works Loan Board (PWLB) funding criteria.
- Review and update of processes to support the ongoing structured and measured approach to property income generations and pro-active risk management inherent in any property investment.
- Update mechanisms to support the ongoing development of a balanced portfolio with a move from initial income generation to total return approach as the fund matures, with a focus on strategic asset management and long term capital preservation and growth.
- Outline the future strategy to re-focus investment within the Councils' geographic areas including seeking more acquisitions where the Council can add commercial and social value to assets through repositioning, repurposing or redevelopment and for social housing, emergency and temporary homes.

The primary objective of the Commercial Property Investment Strategy (CPIS) is to build a balanced portfolio generating consistent revenue for the Councils' delivery of services for the benefit of Adur and Worthing.

It is recommended that both of these reports be approved by the respective Councils as the Commercial Property Investment Strategy for 2023/2024.

1. Purpose

1.1 To update and confirm the Councils' CPIS to support the Councils' medium term financial strategy.

1.2 To meet the Councils' statutory obligation to prepare an annual investment strategy to be approved in advance of the relevant financial year by Full Council (or equivalent).

1.3 The report will support the Councils' medium term financial strategy and seeks to renew and refresh the current investment strategy in relation to the investment funds providing details on:

- Robust parameters to guide and support the development of an income generating property portfolio that seeks to manage and provide a financially resilient income stream for the Councils.
- Update governance criteria to ensure diligent analysis and transparency to support the transparent decision making process, particularly where investments have a value add opportunity.

2. Recommendations

2.1. It is recommended that the Joint Governance Committee considers the contents of this report, providing feedback and/or comments to the Joint Strategic Committee (JSC).

2.2. It is recommended that the Joint Strategic Committee:

i. Agree the suggested delivery and governance model as set out in the report which will be approved by full Council as part of the overall CPIS.

ii. Note that at the end of the 2023-2024 financial year an annual asset review will be undertaken by an external consultancy for the Strategic Property Investment Fund (SPIF), with officer input, to detail specific performance of assets and potential future risks and opportunities, and updated asset plans for each individual asset moving forward. This will be reported to the JSC at its September meeting.

iii. Approves that the average lot size be adjusted from £10m - £20m to £2m - £20m.

iv. Recommends to Adur District Council and Worthing Borough Council to adopt the Commercial Property Investment Strategy for 2023-2024.

v. Approves that the budget for future years may be brought forward with the approval of the relevant Executive Members for Resources, following their consideration of a business case.

vi. Approves that value add and opportunistic investments, as per section 4.3.9, 4.4.9 and 4.6.3, can be acquired and approved under the CPIS in consultation with the Executive Member for Resources considering a robust outline business and financial case.

vii. Approves that assets which were purchased for operational, local economy and regeneration purposes, will be separated in future SPIF reporting to those purchased for investment purposes.

3. Report Context

3.1. Due to continued reductions in Central Government grant funding, Local Authorities are increasingly reliant upon income generating models to support the delivery of Council services.

3.2. Direct investment in commercial properties is one of the ways that Councils across the country have sought to increase their income growth in support of delivering Council services.

3.3. Direct property investment is commonly undertaken by Local authorities who have acquired assets both within their administrative boundaries and nationally (47.9% out of area).

3.4. Typically these investments have been funded through Public Works Loan Board (PWLB) long term lending. Historically, this lending has been on preferential terms to the market enabling authorities to utilise this to generate income over and above borrowing costs. This surplus is used to contribute towards the funding of services and mitigating the impact of cuts to services whilst also protecting services that would otherwise be at risk of closure.

3.5. Members will be aware that in 2022 the PWLB increased borrowing rates but nevertheless the rates still represented good value.

3.6. The most recent change to PWLB funding arrangements announced during the November 2021 spending review, resulted in increased scrutiny on borrowing, preventing the use of this loan facility to fund investments primarily for yield. In parallel to this restriction, the PWLB rate was reduced by 1% for qualifying investments.

3.7. Adur District and Worthing Borough Councils already have an established Strategic Property Investment Fund (SPIF) following a report to JSC in July 2015. Since this time, subsequent reports (the most recent being March 2021) have built upon and developed this workstream following the introduction of the Strategic Property Investment Fund and have increased the current fund size (capital spend) to £125m per Council.

3.8. The approval of the 2020 CPIS provided mechanisms to grow the portfolio and monitor performance through improved asset management, continued annual reviews and monitoring. This report reinforces the continued need to monitor performance given the wider economic impact of the Covid-19 Pandemic but moves to take a longer term “total return” approach and analysis of the portfolios. The investment strategy as part of this year’s report follows the same format as previously.

3.9. This investment strategy was significantly curtailed by the global Covid-19 Pandemic, with officers re-focusing their efforts on rent collection and tenant engagement, seeking to preserve the Councils investment value and revenue position in these unprecedented times. Very little of the planned allocation for the year was spent by either authority reflecting the prudent and cautious management approach that has underpinned the development and management of the fund since its inception.

3.10. As a result, rent collection data (% of all rents collected in advance) for the last financial year for all occupied property was 100% across each quarter with no bad debts.

3.11. The above figures take into account all rent collection data for all assets currently managed under the SPIF.

3.12. Against the backdrop of the Covid-19 Pandemic, the portfolios have performed very positively during the 2021-22 financial year. The success in rent collection is in part due to the relationships developed with our tenants, but also through the careful evaluation and governance process that has been applied to purchases. Where recoverable, officers will continue to work with tenants with arrears in a proactive and supportive manner to improve the rent collection for the financial period.

3.13. The quality of the assets and their locations reflects a great deal of forethought on the part of the Councils' acquisition team, but this is not taken for granted and periodic reinvestment will be required to keep the estate relevant to the market conditions and tenant needs at the time.

3.14. This year's investment strategy reflects on the changes in the market over the last 12 months as a result of the profound impact arising from both changes to the PWLB lending criteria and the fundamental changes in the commercial property market as a result of the Covid-19 Pandemic, global and national economic factors. This strategy looks ahead to the future providing context for considering and changing the approach to include opportunistic and value add opportunities within the Councils' areas to better support our local economies whilst retaining the context of Council revenue requirements and general market regulations on this activity.

4. Points for Consideration

4.1. Financial Position

4.1.1. Please note that the total spend below per Council is based upon gross purchase price including purchaser's costs and includes all purchases made under the SPIF, including those purchased for operational, local economy and regeneration purposes, specifically for the Worthing fund.

	Number of purchases	Total Gross Spend
Adur	7	£81.5m
Worthing	17	£124.57m

4.1.2. For the Worthing fund, the number of purchases reduces to nine, and the total gross spend reduces to circa £97m, when those assets and additional funding acquired for local economy and regeneration purposes are excluded.

4.2. New Acquisitions

4.2.1. During the current financial year, the Councils have not been active as in previous years, but have taken a reactive approach to opportunities as they have presented themselves.

4.2.2. One purchase was made by Worthing Borough Council at a total of £21.27m.

4.2.3. Adur District Council made no acquisitions during the 2021/22 financial year.

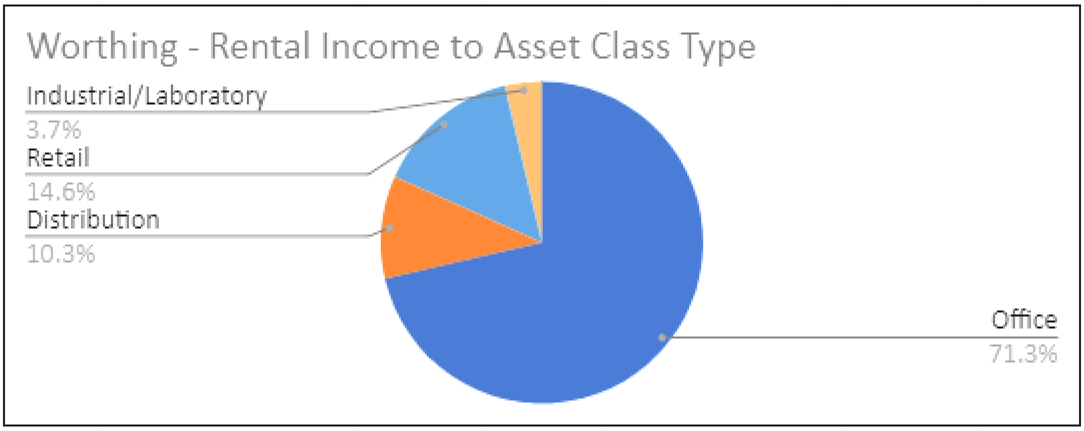
4.3. **Current Fund Structure**

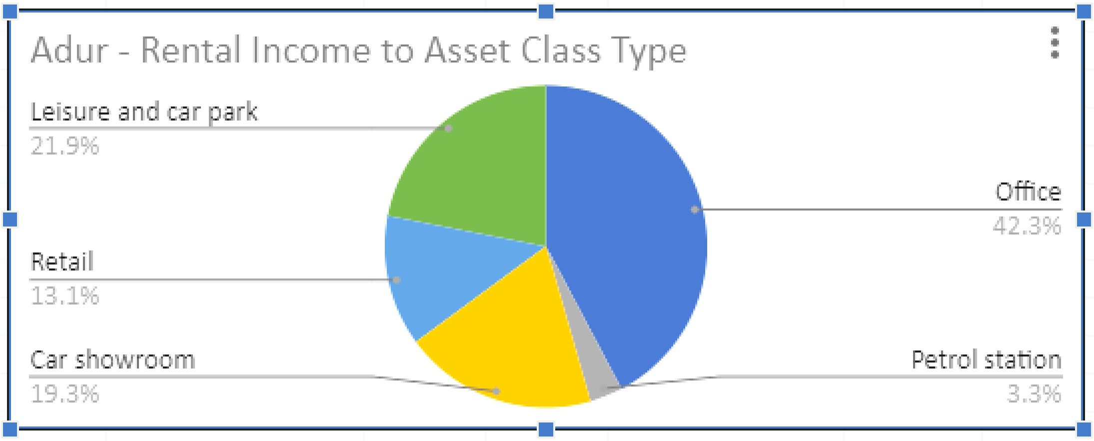
4.3.1. The Council has an established Strategic Property Investment Fund following a report to JSC in July 2015. The overall fund objective is to invest in commercial property in the UK so as to obtain a high level of secure income and long term capital growth to support the Councils in delivering local services following reductions in Central Government grant funding.

4.3.2. As a result of this the Councils have sought to acquire assets that present a minimum hurdle average net return of at least 1% over the assumed hold period after all costs and expenses including principal and interest debt payments.

4.3.3. The acquisitions have still sought to minimise risk exposure, seeking strong underpinning factors with the investment but with the objective to obtain stable income and long term capital appreciation. The portfolio is under constant review and where asset returns diminish to an unacceptable level, disinvestment will be considered.

4.3.4. The funds have maintained a balanced spread between asset classes and geographical locations. The pie charts below detail the current weighting of the funds considering all purchases to date:





4.3.5. The above pie charts do not include any purchases made which have been acquired for either operational purposes or regeneration and local economy purposes.

4.3.6. The above charts show that the latest financial year still leaves both Councils weighted highly towards office investments as this has been driven by a combination of historic market opportunities and strong fundamentals within this sector (location of properties, strong demand from the UK's service lead economy, high quality of construction and low maintenance).

4.3.7. The office sector makes up a significant proportion of the commercial real estate value in the UK in terms of value. The office sector has experienced challenges following the Pandemic, in that office usage rates have fallen owing to a combination of hybrid working, reluctance in some quarters to return to the workplace full time and an acceleration of digitisation. This acceleration and enablement of improved remote working has changed the requirements of office tenants.

4.3.8. Our portfolios are not immune to these factors and discussions with our tenants shows that some are not using their space fully, some are downsizing space needs, and others are relatively unchanged. The latter cases are largely as a result of business expansion which has re absorbed otherwise vacant space.

4.3.9. The balanced diversification within the portfolios, and an asset allocation focused on strong underpinning fundamentals, has resulted in a resilient performance overall given the pressure of the Covid-19 Pandemic. The funds low exposure to traditional retail and greater allocation to food retailing, and industrial and logistic sectors, has been helpful to the funds performance. These specific sectors saw significant investor demand and yield compression since the start of the Covid-19 Pandemic. Since the Pandemic, economic pressure have weighed in and the increase in base rates has affected capital values.

4.3.10. As income driven investors, the Councils are (relative to the market) not entirely agnostic as to absolute capital value, but focus on strength and consistency of income, as well as total return, across the economic cycle. The funds will monitor rent collections and tenant viability with a view to diversification.

4.3.11. It is important to note that this diversification will continue as the funds mature and seek a total return approach rather than immediate short term income. This may mean that assets present challenges as well as opportunities from an asset management perspective and through asset management plans for the individual assets, potentially investment, re-gearing of leases. Disposal for reinvestment to reduce exposure may further be required where appropriate returns have not been achieved or if future performance prospects of an asset diminish to an unacceptable level.

4.3.12. Purchases will now solely focus on the borough and district area of the Councils, specifically targeting opportunities where there is significant regeneration or social value to build a portfolio for a longer term position, balanced with the need to secure long term revenue income for the Councils.

4.3.13. The key considerations underpinning the recent local acquisitions have been around supporting our local economy and employment opportunities and value add opportunities within area however, a market commentary and a key update is provided below on the main high level commercial property asset classes:

Offices
Office markets remain subdued due to the impact of the Covid-19 Pandemic, and the shift to home working, which have overlapped with inflation, economic uncertainty and fluctuating interest rates. This led to a reduction in investment volumes with market liquidity focused around the life science and biotech sector assets or traditional office assets with long dated income from secured investment grade tenants. There are opportunities more regionally for office demand, although demand remains thin for the time being. Investment yields have moved out in non-core offices and volumes are lower than previous years but may be recovering. Offices have typically been considered to be the least volatile commercial property asset class and it is not unexpected that both Councils remain heavily weighted towards the offices within the portfolios. The reality is that people will always want somewhere to work collectively, and most of our office assets would present well in any occupier's search for space.

Looking to 2024 office occupier markets are likely to continue to perform well for high quality stock however there remains some uncertainty around structural changes in this sector as occupiers are examining how they use their office space with a move to more flexible working. It is likely that this will result in an acceleration of secondary office stock being repurposed where they face economic and physical obsolescence.

Retail
The decline in 'bricks and mortar' retail was exacerbated by the pandemic which has in effect accelerated the move to digital trading. Although it is anticipated that this decline will continue, those town centres that have something to offer as destinations in their own right will perform ahead of the market. Some retail property has halved in value across this cycle, but arguably from over inflated values. Many former shop units are being re used as quasi retail space, housing 'internet-proof' end users whose service is a destination for customers or where personal attendance is necessary.

Retail properties will continue to present high volatility rates until a sustainable model for traditional retail is established. Other than food store retail, or where the Councils see a regeneration opportunity, it is recommended that unless there are compelling reasons for an acquisition, that this asset class continues to be avoided.

It is anticipated that there will be continued and accelerated structural change in UK retail in 2023.

Industrial
Industrial and logistics investments remain highly sought after, both prime and secondary stock, with net yields until last year, often reflected at sub 5%, now having moved out to 5.75%. The Councils have invested into this asset class and will look to increase its allocation to this sector where pricing permits.

It is expected that rental and capital growth will continue although at a lower rate than we have seen recently. Industrial investments will remain highly priced due to continued investor demand for industrial stock particularly in relation to last mile distribution. The Councils will remain alert to opportunities, although due to competition, opportunities remain limited. Within areas there is little new stock due to come on stream, other than 'Decoy Farm' which when delivered will increase much needed supply.

Alternatives
The Councils have sought to add alternatives such as hotels, car parking and laboratory investments to the funds, acquiring long index linked income to strong investment grade covenants. These sectors are showing recovery, and subject to detailed risk management, will continue to present as attractive investment opportunities.

The Councils should seek further alternative sector investments to diversify risk across the funds, supported by alternative long term opportunities at these sites within Adur District and Worthing Borough and the functional economic areas.. The Councils should also look to partnering and forward funding opportunities to deliver both regeneration, social, and economic return and there may be opportunities such as Teville Gate and Union Place amongst others to meet a mixture of these aims.

4.4. **Fund Size**

4.4.1. The overall fund size of £125m per Council is relatively small within the context of wider commercial property investment funds, however due to the risks presented by smaller funds officers have sought to proactively ensure a diverse portfolio composition and balanced approach. This has proven resilient against increased volatility in the market and has reduced the Council's exposure by spreading risk across a number of assets, lot sizes, sectors and geographical locations.

4.4.2. There are currently no proposals to increase this fund size beyond £250m but that the Councils should move to the overall fund being determined with assets comprising not more than £125m of debt per authority.

4.4.3. Due to the impact of changes to the PWLB lending criteria, it is recommended that, following a review of typical transactional opportunities within the functional economic area, the average lot size be amended to £2m - £20m. This also gives a broader scope to catch opportunities not just for the SPIFs, but for sites that can deliver other uses for the Councils' objectives.

4.4.4. This will enable the Councils to operate in a window of opportunity below that of typical institutional investors (pension funds and private equity) in order for the Council to remain competitive in the market.

4.4.5. It is also anticipated that opportunities below this size are not cost efficient from a transactional and resourcing perspective and there will be limited opportunities above this level in the boroughs.

4.4.6. This target average lot size should not restrict the Council from seeking opportunities higher or lower than this subject to the usual due diligence procedures.

4.4.7. Proposals to alter the average lot size will not change the Council's acquisition and risk management process other than for redevelopment opportunities.

4.4.8. Where an acquisition presents as a value add and opportunistic opportunity, where there is a repositioning, repurposing and redevelopment opportunity, it is recommended that the acquisition process have an additional requirement to produce a detailed outline business case for the redevelopment prior to acquisition, and that a full business case be required in order to release the funds for development.

4.4.9. This will enable the Councils to proactively seek more opportunities in a restricted search area

4.4.10. Officers will continue to evaluate opportunities both higher and lower than the average lot size as well as assets across the evaluation criteria to ensure that opportunities of interest and benefit to the Councils are not unduly ruled out.

4.5. **Resources and Capacity**

4.5.1. During 2022-23 the Property and Investment Team has comprised a team to lead on both acquisitions and management of this portfolio to support the delivery of the CPIS.

4.5.2. Officers are supported on rent collection and service charge management by Savills who continue to undertake the day-to-day property management of the portfolio. The Councils' have procured Savills, a FTSE250 RICS regulated property firm with over 130 offices across the UK and 39,000 employees globally.

4.5.3. The Property and Investment team was expanded in 2020 with the recruitment of a Principal Surveyor but that staff member has left and a support officer has been assigned elsewhere within the Council. Now there are two Principal Surveyor vacancies and some temporary shortfall in support capability. The SPIFs are being asset-managed by the Property and Investment Manager who has the appropriate experience and qualifications.

4.5.4. The Property and Investment Team will continue to engage specialist consultants where required and appropriate and subscriptions maintained for specialist property software/data to ensure the Councils are well informed in delivery of the CPIS.

4.5.5. The Property and Investment team will also continue to maintain relevant CPD requirements for the RICS, consider undertaking an Investment Management Certificate qualification, seeking to develop trainees and apprentices through their Assessment of Professional Competence, and for more senior officers to develop specialist skills to supplement the service delivery.

4.6. **Future Fund Direction and Update to Commercial Property Investment Strategy**

4.6.1. The current weighting of the portfolio into the varying asset classes has improved in diversification from previous years as the funds have started to mature with a larger number of assets within each fund. It is anticipated that this will continue although until the fund is full it is to be expected to have periods of imbalance whilst further properties are acquired or repositioned.

4.6.2. It is recommended that through the production of the annual individual asset plans, that officers continually review opportunities within the existing portfolio to re-shape this accordingly in order to manage risk. This will be reviewed against the individual asset performance and ensure that the portfolio has a balanced asset mix representative of the core aims of the SPIF.

4.6.3. Due to the restrictions on PWLB funding, officers will be seeking investments within the functional economic areas of the Council's where there are opportunities to enhance economic regeneration prospects, or maintain and support economic recovery. This may mean the investment and delivery of new employment space, or opportunities where Councils can add value to existing assets through the Council covenant, perhaps by way of under-writing new developments through forward funding or head leases.

4.6.4. The Councils should consider expanding its investment into alternative asset classes, including the purpose built residential sector i.e. student housing / build-to-rent and temporary accommodation, healthcare, renewables and educational investments.

4.6.5. Due to the specialist nature of some of the above investments, the Councils should continue to review the need for alternative corporate delivery structures, such as wholly owned companies, to ensure it is well placed to manage localised risks with the above asset classes and the changing market.

4.6.6. Owing to market uncertainties and the accelerated decline of retail assets, it is unlikely that the funds will seek to meet their target percentage of retail stock. It is recommended that the SPIF does not alter its current investment mix as a target percentage but should remain flexible in a fluid and fluctuating market until the wider structural impact of Covid-19 Pandemic is known. This will enable the Councils to remain competitive and agile particularly when exploring investments that present strategic opportunities.

4.6.7. The Councils should also remain reactive to opportunities that present themselves for additional Council benefit such as where there is the option for site assembly with adjoining properties, longer term regeneration opportunities or other potential windfall acquisitions.

4.6.8. Acquisitions should also be considered for portfolio acquisitions where the investment opportunity meets the Council's KPI to invest but the fund would need to acquire a number of assets. This can potentially mean acquiring a number of units as part of a single transaction, which may be considered to exceed the average lot size for a single purchase, however individual lots are likely to meet the average size requirements. This is a means to deploy capital in a potentially more efficient manner that generates greater return and opportunities for the Councils.

4.6.9. Councils continue to seek a mixture of ‘Core’, ‘Added Value’ and ‘Opportunistic’ acquisitions.

4.6.10. To undertake the whole portfolio review on an asset by asset basis and bring a further report back to members with the findings and with individual property recommendations to September JSC.

4.7. **Statutory Guidance**

4.7.1. When investing in property, local authorities must comply with statutory guidance. This includes two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), in addition to, the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, “Statutory Guidance on Local Authority Investment Activity”. Copies of this guidance are attached to the CPIS 2019/20, for which there is a link under background documents at the end of this report.

4.7.2. This statutory guidance on investment strategy includes requirements for Councils to:

- Prepare an annual Investment Strategy which must be approved before the start of the forthcoming financial year by full Council, or its closest equivalent.
- Ideally present the strategy prior to the start of the financial year.
- Ensure the strategy is publicly available on a local authority’s website.
- Disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority.
- Include quantitative indicators within the strategy, that allow Councillors and the public to assess a local authority’s total risk exposure as a result

of its investment decisions. This should include how investments are funded and the rate of return.

4.7.3. The investment strategy must include:

- Details of the processes used to ensure effective due diligence, defining the authority's risk appetite, including proportionality in respect of overall resources.

- Qualify independent and expert advice and scrutiny arrangements.

- Disclose the contribution that investments make "towards the service delivery objectives and/or place making role of the local authority".

- Propose indicators that enable councillors and the public to assess the authority's investments and the decisions taken.

4.7.4. The investment guidance is clear that Councils may not "borrow in advance of need" to profit from the investment of the sums borrowed. The definition of investment has recently been extended to include investment in property and the granting of loans to third parties.

4.7.5. In recognition of the importance of commercial income to Councils at a time when Central Government funding is steeply declining, a Council can choose to disregard the Prudential Code and this part of the guidance. In this case, its investment strategy should set out why this is the case and what the Council's relevant policies are.

4.7.6. The implications of the guidance are that the Councils will need to have at least one Investment Strategy ("the Strategy") that meets all the disclosures and reporting requirements specified in the statutory guidance.

4.7.7. For Adur District and Worthing Borough Councils, there will be two separate elements to the strategy:

- Annual treasury management investment strategy which covers all cash investments.

- Annual SPIF and CPIS covers the Councils' approach to commercial property investment.

4.7.8. The annual Treasury Management Investment Strategy has already been approved by the Councils in February. This Treasury Management Investment Strategy and the Commercial Property Investment Strategy 2021/22, which is attached as Appendix 1, provide evaluation criteria for the assessment of investment opportunities, risk profiling, evaluation, resourcing and monitoring, accounting for the statutory guidance.

4.8. **Investment Evaluation Process**

4.8.1. Prospective investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institution of Chartered Surveyors) professionals, in a risk matrix as Appendix 2. This risk matrix provides analysis of a set of key investment criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as macro/micro location economics, tenant covenant strength, lease length, building quality and alternative uses in a transparent and consistent format, to support clear scrutiny and decisions.

4.8.2. The risk matrix provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the wider portfolio. A minimum score threshold is set, below which it is not recommended to proceed unless there are significant factors that require consideration, to include additional regeneration opportunities for the Council, land assembly opportunities or other circumstances that can be suitably justified from a social and environmental perspective.

4.8.3. The score threshold is not an absolute, but set to guide decisions, reflecting the fund structure objectives, as detailed in the CPIS (Appendix 1), which assumes a low risk profile. The process is further supported by the inclusion of a Strength, Weakness, Opportunities, and Threats analysis (SWOT).

4.8.4. To ensure arms-length objectivity and scrutiny, external agents and consultants provide professional market analysis, specialist data and advice, to support the evaluation and internal reporting process. The risk matrix and SWOT analysis is undertaken by the Councils retained external agent and consultants, with officer input and scrutiny.

4.8.5. Tenant default is a significant threat to performance. This risk has previously been reviewed through undertaking in-house reports such as CreditSafe and/or Dun and Bradstreet, with further internal scrutiny from the in-house financial team. Where proportionate, it is recommended that this process is furthered to include third party advice from an accountant to provide an in-depth analysis of a tenants financial health, business operations and future performance.

4.8.6. Where value-add or opportunistic acquisitions are identified, an additional outline business and financial case will be prepared and shared at Stage 2 below and shared in Stage 4 as part of the relevant consultation process.

4.8.7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms with relevant market specialism and RICS regulated.

4.8.8. To ensure independent and expert advice and scrutiny, all pre-sale technical due diligence is undertaken by arms-length external professional advisors, including as required:

- A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by the RICS as part of their commitment to promoting and supporting high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.

- A Building Survey report, as part of the proposed purchase for investment purposes, including preparation of a Reinstatement Cost Assessment for insurance purposes.

- Environmental, services and any further surveys/technical due diligence required to qualify the investment.

- Specialist investment market advice, including, as required, occupational market context and financial modelling to qualify and forecast prospective investment performance.

4.8.9. The above is reviewed by the Property and Investment Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Investment and Major Projects, on whether to proceed.

4.8.10. The professional team including the Head of Major Projects and Investment receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process. In addition, it is also recommended that all members and officers involved in the decision process are provided with annual updates on the commercial investment market, including occupier activity and trends and maintain up to date qualifications and continuing professional development.

4.8.11. A separate paper will be presented at an appropriate date, detailing a proposal for a disposals strategy if required, as part of the whole fund annual review after the year end.

4.8.12. This will present opportunities for capital generation for projects but also to reduce the debt levels across the investment portfolio as the Councils seek to include equity into the investment process, leading to better overall returns.

4.9. **Property Investment Governance**

4.9.1. Clear, robust and transparent governance is critical to the strategy, meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly and competitively, to investment opportunities in the market and avoid missing opportunities through delay.

4.9.2. The current Scheme of Delegations provides that the authority to acquire or dispose of land, is vested in the Head of Major Projects and Investment, and where the asset is purchased through the SPIF, the delegation is only exercisable in consultation with the relevant Leader, Executive Member for Resources and the Chief Financial Officer.

4.9.3. It is proposed that a formalised staged governance approach is adopted in relation to SPIF purchases, as follows:

Stage 1

Officers identify suitable opportunities in the market, having undertaken appropriate investigative and due diligence assessment, in accordance with the above “Investment Evaluation Process”.

Stage 2

The opportunity is reported in writing, with all supporting information as detailed in the “Investment Evaluation Process”, to the Head of Major Projects and Investment, in consultation with the Chief Financial Officer/s151 officer, notifying the Head of Legal Services, Director for the Economy and Chief Executive.

The report will include:

- A risk matrix and SWOT analysis
- A financial appraisal
- An outline business case where the opportunity is a 'value add' or 'opportunistic' and likely to require additional capital expenditure
- A summary of the investment, including a request for authority to bind the Council to a range of terms and indicating an acceptable price point for the acquisition.
- A consideration of any tenant, use or asset from an Environmental, Social and Governance perspective

If the proposal is supported, the potential acquisition will progress to Stage 3.

Stage 3

The Property and Investment Team will progress negotiations, with the retained external agent, seeking to formally agree Heads of Terms with the vendor, including price and basis/terms of acquisition. If negotiations lead to the agreement of acceptable terms, final approval to proceed will be sought in accordance with Stage 4.

Stage 4

A recommendation will be reported in writing to the Head of Major Projects and Investment. In making any decision to purchase, the Head of Major Projects and Investment will carry out a consultation, as provided for in the Scheme of Officer Delegations, with the relevant Council Leader, Executive Member for Resources and Chief Financial Officer.

The relevant Council for any acquisition will be determined, applying the principles in the Investment Strategy (Appendix 1) in relation to financial resilience and risk diversification requirements, to support the development of balanced portfolios.

Subject to approval, written authority to proceed, will be provided by the Head of Major Projects and Investment to the Property and Investment Manager, who will then seek to acquire the asset, which will be subject to an external Red Book valuation, building and other necessary surveys and legal reports and conveyancing, providing satisfactory pre-acquisition due diligence.

A decision notice will be completed and published in accordance with the Officer Decision Making Protocol, and such decisions will be subject to the call-in provisions.

Stage 5

Completed purchases will be reported as part of the Annual Review, or through the following year's Commercial Property Investment Strategy to JSC.

4.10. **Risk Management**

4.10.1. Property investment will necessitate exposure to risk. Risk is in effect two fold - specific risks, arising from the nature of particular assets, or systemic risks - risk that are fundamental to the investment market and reliance upon property investments for commercial returns.

4.10.2. Financial risk is notably evident whereby the total invested can exceed the current Market Value. Prices are prone to fluctuation, particularly due to changes in the locality, the general economic outlook, or asset specific risks, such as tenant failure. Furthermore, property investment is relatively illiquid, requiring a longer term approach. In the event of a market crash, property is much less liquid than other assets and can be hard to sell and may present risk to income and servicing of debt requirements.

4.10.3. The Councils' exposure to risk equates to the total amount of capital invested, plus financing costs (such as interest due on loans), property operational running costs (management, vacant business rates, service charges, professional fees etc.) and legislative compliance. The Councils' risk quantum will be defined as this total exposure, less the value of held assets.

4.10.4. Whilst risk is a natural, necessary, part of investment that cannot be eliminated, it can be proactively managed.

4.10.5. Larger investment funds have greater overall exposure but tend to be better insulated to market fluctuations where they comprise a diverse mix of strong performing assets.

4.10.6. The SPIF is built upon a series of conventional measures to manage risk, reflecting the key objective:

"To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent to investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services."

4.10.7. The CPIS (Appendix 1) objectives and fund policy build upon this key objective, providing a series of controls to direct the investment strategy towards a prudent low risk fund with a cautious perspective on investment, limiting exposure to unnecessary capital risk, whilst generating a return.

4.10.8. In reviewing this strategy, the investment direction has been expanded to include value add and opportunistic investments, where within the functional economic area, additional value can be quantified through social, economic or environmental benefit to the Councils' objectives.

4.10.9. Financing property investments has typically been based upon utilising reserves, capital receipts and borrowing. Borrowing is currently available with fixed interest for the duration of any loan, (albeit subject to much more stringent criteria than previous) via the PWLB funding, mitigating the risk associated with exposure to interest rate fluctuations.

4.10.10. The Minimum Revenue Provision Policy (part of the treasury management strategy statement) details the Council's position and deals with the Minimum Revenue Provision (MRP) that must be made to mitigate that risk. The MRP is the amount the Councils must set aside each year from the annual revenue budget for the repayment of debt.

4.10.11. The CPIS (Appendix 1) details a series of measures to guide decisions, based around spreading capital across a variety of asset classes, locations and sectors. This diversification reduces the risks of exposure to a single asset, tenant, or sector failure.

4.10.12. Funds that are excessively concentrated in one particular sector or region increase risk, whilst a good spread of properties across asset classes, diversify systematic risk and varying the locality, reduces local market risk.

4.10.13. As a result of re-focusing investment within the functional economic area, the Council's risk profile to local market risk will be increased due to the reduction in geographical spread of investments and higher allocation to our functional economic area. However, where investments are local, the Council is able to take a longer term view with regards to future growth and opportunities, specifically where an assets current use is facing economic, physical or functional obsolescence and requires regeneration, economic support and placemaking more generally.

4.10.14. The average property size was typically a measure to ensure the fund does not only hold a very small number of large properties, which increases risk, such as a single large tenant failing whilst maintaining an efficiency of management. Whilst the funds have historically moved to increase the fund size, targeting larger lot sizes in order to maintain the same level of net return to the Council, officers feel that due to the locational restrictions on lending and typical lot size for prospective assets within our economic functional area, the average lot size should be adjusted to between £2m - £10m.

4.10.15. Investments should still focus on a diverse mix of single and multi let tenanted properties to spread the income security.

4.10.16. The Council's exposure to investment risk can also be profiled by defining the acceptable parameters. The CPIS (Appendix 1) Fund Structure details a series of different segments that provide a basis for dividing commercial property investments, based upon their position at differing points on the risk versus return spectrum.

4.10.17. The ability to vary the distribution of purchases between each of the above three categories, is a common portfolio investment tool. This provides flexibility to respond fluidly to opportunities and changes in the economy, market climate and differing performance across asset classes, as the fund evolves. Such agility is key to maximising operational efficiencies and opportunities will continue to be evaluated on a case by case basis.

4.10.18. This portfolio profile has favoured acquiring premises leased to strong covenant tenants in established markets, which are typically more attractive to investors, thus easier to sell if required, when compared to higher risk investments which attract a different type of investor. As the portfolio expands into the value add and opportunistic spheres, investments will become less liquid so a greater level of scrutiny is required through the business cases for individual opportunities to ensure proposals are financially robust and can be delivered within an appropriate timeframe. This is why officers are recommending an update to the acquisition process and further reporting to ensure that a robust risk management process is in place.

4.10.19. Officers have sought to ensure the Councils' robust risk management procedures are fit for purpose, in particular as a result of the 'stress test' applied to the portfolio as a result of the Covid-19 Pandemic. Whilst it is clear that the impact of the pandemic will continue to be felt and markets will flex and change to meet this, it is important that the Councils continue to adjust their risk management procedures in order to respond to this.

4.11. **Annual Performance Monitoring**

4.11.1. Active management of the portfolio is key to proactively maintain the buildings to maximise value, monitor occupiers and capitalise in favourable market conditions which maximise capital receipts. Tenant covenant strength, compliance with lease obligations, such as repair and maintenance, management of the payment of rent and service charge needs to be actively managed. External managing agents (Savills) have been appointed and the portfolio is cliented by the Councils' in-house surveyor, a MRICS qualified professional with experience in institutional level commercial property investments.

4.11.2. Additional recommendations within this report is to expand the investment management fund reporting to include total return outputs which will measure the income and capital return from portfolio at inception to each future financial year showing accumulative and annual performance. These outputs will be further benchmarked against a comparator index. This will enhance the performance reporting mechanisms and enable officers to recommend asset management initiatives in the future, either investment, repositioning and disinvestment. This further includes new updated asset plans for each asset, and a portfolio composition review. This work is being scoped currently, and will be procured in due course.

4.11.3. The cost of this additional reporting and recommendations will be met from the budget already allocated from the Asset Portfolio Manager post.

4.11.4. This additional third party reporting is in addition to ongoing monitoring, the CPIS (Appendix 1) which details a series of measures to undertake a comprehensive annual re-evaluation, including detailed assessment of key performance indicators, to quantify, monitor and benchmark the portfolio performance and strategic direction that are undertaken internally and in consultation with relevant officers and members.

4.12. **Corporate Implications**

4.13. If the Councils had not taken the decision to invest, this would have led to an overall reduction in the capacity of the Councils to deliver, with cuts in services, particularly those we are not under a statutory duty to deliver.

4.14. The capital value and income from the funds assets will go down as well as up. There is no guarantee that the fund will achieve its objectives and Council returns less than originally invested.

4.15. The additional income delivered from SPIF investments, has contributed to the delivery of a more robust and sustainable Revenue Budget for 2021/22 and the delivery of the budget strategy, helping to manage pressures arising in year due to unforeseen circumstances, including the Covid-19 Pandemic.

4.16. As part of this initiative, the Councils will inevitably be taking on more risk. Consequently, a robust risk management strategy has been adopted to cover both acquiring property and managing the portfolio for the future, to ensure that there is sufficient revenue income, to repay the debts the Councils are acquiring and to continue to contribute to the Councils' financial health.

5. Engagement and Communication

5.1. This report builds upon the previous CPIS 2020-21, taken to JSC in March 2020.

5.2. Consultations have taken place with legal and finance and their comments are contained within.

6. Financial Implications

6.1. The Councils have over the past few years addressed significant budget shortfalls. The investment in commercial property has enabled the Councils to protect front line services, address falling income from Central Government grant funding, and increase the level of spend in areas such as Housing need through generating net additional income. Below is a breakdown of the contribution to balancing the budgets made by the acquisitions since the introduction of the initiative in 2017:

	Adur	Worthing
Level of savings required to balance the budget 2017/18 - 2021/2022	£5.119m	£8.521m
Net new income from the investment in commercial property	£1.043m	£1.270m
% of savings from commercial property income	20.43%	14.90%

6.2. Looking ahead, this investment continues to be an important strand of the budget strategy, helping balance the budget as the Councils continue to address significant financial challenges.

6.3. The Councils have already approved an overall investment of £125m per Council which was has been spent or allocated as follows:

	Adur	Worthing
	£'000	£'000
2016/17 Actual	0	3,222
2017/18 Actual	11,579	9,464
2018/19 Actual	26,366	26,973
2019/20 Actual	43,507	51,549
2020/21 Actual	0	4,799
2021/22 Actual	0	0
2022/2023 Actual	0	21,270
- Allocated to projects	80	4,272
- Unallocated	43,468	24,721
Total investments	125,000	146,000

6.4. The Executive Member for Resources can approve an accelerated spend in any given year subject to the provision of a business case to justify a higher level of spend.

6.5. It is recommended where possible the Councils continue to seek to retain an average of 20% of the rental income towards future expenditure on repairs, refurbishment, lettings incentives, and void periods. To achieve this the Council will take three measures:

i) A regular contribution to earmarked reserves is to be created over the next 5 years to equate to 10 - 20% of annual rental income;

ii) Any over-achievement against the commercial income budget set will be placed into earmarked reserves at the year end;

iii) Where commercial properties are disposed of, all the surplus income in excess of any associated debt and the original purchase price, will be placed into a specific reserve for future capital investment requirements. In the short term, this reflects the need to build reserves to support the management of risks associated with the portfolios. In the medium term, it is envisaged these funds could also be released for reinvestment into the portfolios.

6.6. Currently the annual provision for the management of voids and future maintenance is £200k for Adur and £250k for Worthing, and it is intended to increase this provision by at least £100k per annum until the 20% annual set aside has been reached. For 2021-21 the annual provision will be:

- Adur £550,000
- Worthing £350,000

In 2020-21 this provision was used to offset all losses within the property portfolio due to the impact of the Covid-19 Pandemic.

7. Legal Implications

7.1. S.111 Local Government Act 1972 provides Councils with the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.”

7.2. Section 120 (1) Local Government Act 1972 provides the Council with the power to aquire land, whether inside their area or not, for the benefit, improvement or development of their area. Section 1 Local Government Act 2003 enables the Councils to borrow money for the purpose of the prudent management of its financial affairs. Section 12 Local Government Act 2003 empowers the Councils to invest for the purposes of the prudent management of its financial affairs.

7.3. s.1 of the Localism Act 2011 provides the Councils with the general power of competence to do anything that an individual may do.

7.4. The Scheme of Officer Delegations includes the following delegation to the Head of Major Projects and Investment at paragraph 3.13.2: “To acquire land in connection with the Council’s functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council’s functions. (Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer).

7.5. The Officer Decision Making Protocol in each Council’s Constitution provides a procedure for giving notice of key decisions, Officer Decision making, the publication of Decision Notices, and the procedure for Call-In of such decisions.

7.6. Any decisions made to acquire under the Strategic Investment Strategy are subject to scrutiny by the Council’s Joint Overview and Scrutiny Committee in accordance with the Joint Overview and Scrutiny Procedure Rules in each Council’s Constitutions.

Background Papers

- March 2020 JSC report
    - Strategic Property investment Fund 2020 (SPIF)
    - The Commercial Property Investment Strategy (CPIS 2020-2021)
- Platforms for our places
- Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- The Prudential Code for Capital Finances In Local Authorities
- The Chartered Institute of Public Finance and Accountancy: Prudential Property Investment
- National Audit Office: Ministry of Housing, Communities & Local Government Local authority investment in commercial property
- Costar Insight - Local Authority Investment

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Sustainability & Risk Assessment

1. Economic

- This proposal continues the implementation of the Council's capital and Medium Term Financial Strategy to generate additional revenue for the funding of Council services.

2. Social

2.1 Social Value

- Matter Considered, no issues identified.

2.2 Equality Issues

- Matter Considered, no issues identified.

2.3 Community Safety Issues (Section 17)

- Matter Considered, no issues identified.

2.4 Human Rights Issues

- Matter Considered, no issues identified.

3. Environmental

- Matter Considered, no issues identified.

4. Governance

- This aligns with the Council's capital strategy. Investment in good quality commercial property to produce additional revenue is part of a combined strategy in the Councils' approved budget strategy.

Appendix 1

Commercial Property Investment Strategy:

THE COMMERCIAL PROPERTY INVESTMENT STRATEGY 2023-2024

Contents

1. Objectives
2. Fund Policy
3. Financial Resilience
4. Fund Structure
5. Purchase Guidelines
6. Reviews
7. Asset Management Functions

The Property Investment Strategy

1. Objectives

The key objective:-

> ***"To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent to investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services."***

This key objective will be delivered through the application of the following principles: -

- To invest in commercial or other property to generate a sustainable income, or capital receipt, with clear margins exceeding the cost of capital and borrowing.

- To build financial resilience through the creation of a diverse portfolio to balance risk and return.

- To acquire established commercial properties within the Boroughs generating an immediate stable income and preserve capital (notwithstanding market changes).

- Supporting economic growth within Worthing and Adur, where suitable opportunities arise, provided the return covers the costs of an associated financing but lower returns or greater risk can be justified.

- Re-evaluate the existing property portfolio to maximise the financial benefit.

- Retain the existing properties, as appropriate to maximise long term revenue generation.

2. Fund Policy

- Retain existing assets as appropriate, to generate income, investing to enhance returns.

- Review the possibility of alternative uses for in Borough property where alternative user need is identified.

- Review the benefits of an investment vehicle, such as a holding company, to retain acquired assets.

- Capital receipts from the sale of Strategic Property Investment Fund (SPIF), or other Council properties, to be considered for:
  - Reinvestment in SPIF, to sustain income generation and maximise opportunities.
  - Repayment of capital borrowing to improve the return on existing assets.

- Allocation of new purchases or disinvestment between the Adur and Worthing portfolios, to be recommended in consideration of fund diversification risk management.

- We will not engage with occupiers who may present a significant unmitigated reputational risk.

3. Financial Resilience

We will always undertake thorough due diligence to ensure risks associated with any proposed acquisition are understood and mitigated.

The following table details a series of guiding principles, employing conventional measures that are intended to assist decisions to create a balanced portfolio, by providing a basis to manage risk through diversification.

Risk Diversification		
Geographical Diversification	Maximum of 30% of the Target Fund size is invested in any single town, except for in borough investments with a social, economic or environmental benefit.	The initial funds, were concentrated on outer London and the wider South East area, but restrictions to PWLB funding mean that this investment is now within The Functional Economic Area or in Boroughs only.
Asset Class/Sector Mix	Industrial/Warehouses 25% Offices 35% Retail 15% Alternatives 25% (e.g. car parking, leisure, quasi retail spaces)	To ensure a spread of risks, acquisition across sectors shown. As the fund grows, the portfolios will be heavily weighted into certain sectors and classes, driven by opportunities and market performance. It is expected weightings will progress towards targets as the portfolio matures in the medium term. The fund has avoided large scale retail, but where food retail opportunities or those with value add or opportunistic opportunities, this level has been retained.
Average Property Size	Guide Size c.£2-20m	This provides flexibility for the Councils to operate in an optimal place in the market, tailored to the extent of competition and likely asset availability within the functional economic area/boroughs. Acquisitions outside the guide sizes will be considered where they offer a good return, support diversity and do not create over exposure to a large single tenant/asset but also facilitate larger multi-let properties or strategic purchases.
Leases Expiring within 5 years	Maximum 30%	Spread and diversity sought in future lease expiries across acquisitions to protect revenue streams unless value add or opportunistic acquisitions.

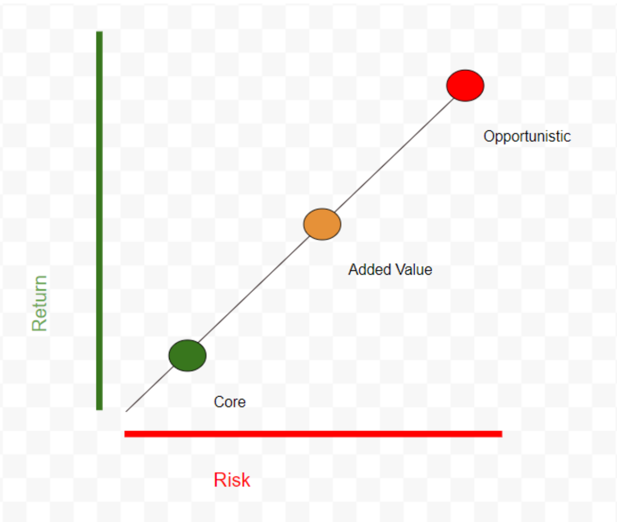
Target Return	A return exceeding the cost of borrowing	Initial return exceeding the cost of borrowing, preferably by 2%. Lower returns considered if there is a viable business case/portfolio fit or for lower risk investments but not lower than 1%.
Target Fund Size	£250M	In order to make a meaningful contribution to the financial challenge, the Councils has agreed to build a portfolio that will generate an initial yield of at least 5%.
Capital Expenditure Allowance	20% of the rental income	Held in a fund to support future management and capital expenditure for the portfolio, such as voids, maintenance and/or refurbishment. Surplus income will be set aside into a revenue account and capacity within the annual revenue budget to support this will be built over the next 3 financial years, notwithstanding unforeseen stress tests such as Covid-19

It is important to acknowledge that the above principles are ongoing long term objectives and attaining balance will progress as the fund matures.

The Property Investment Strategy

4. Fund Structure

Commercial property investments can be divided into different segments, based upon their position at differing points on the risk v return spectrum.



These segments can be defined as follows: -

Core investments: - comprise the bedrock of a diversified portfolio and present minimum risk, being the least risky investment segment. Typically they comprise fully leased, secure investments to strong covenant tenants, in urban locations/markets that tend towards strong demand.

Attractive for the lower level of risk they provide compared to other investment types, which is reflected in the lower yield when compared to riskier property investments.

Typical property characteristics: -

- subject to long leases to strong covenant tenants on fully repairing terms.
- buildings are typically modern, in good repair and condition.
- the buildings have reduced depreciation and obsolescence, providing a stable relatively predictable income.

This type of investment suits investors who seek capital preservation and long hold periods. This type of investment is typically the most liquid, on the basis they are generally attractive, marketable assets when compared to the following segments.

Added Value: - More risky investments reflected in the potential for higher return by increasing property value.

Typical Property Characteristics: -

- single let, or multi let, with varying tenant covenants
- Opportunities to improve buildings.
- Fairly liquid in a stable market.
- Potentially vacant, partially vacant, or close to lease expiries, creating opportunities to make improvements.

- Opportunities to increase value could include physical improvements, such as refurbishment, or re-development, letting vacant space to stronger covenant tenants on more investor attractive terms, lowering operating expenses.

These properties carry more risk due to the property not operating to its full potential when acquired, commonly with less secure income. If the business plan to increase value does not succeed, a tenant fails, or vacates, there is potential for reduced return, or losses.

<u>Opportunistic</u>: - similar approach to value add, with additional risk due to property typically requiring substantive work to increase value.

Typical property characteristics: -

- Part or fully vacant when acquired.
- No income when acquired, with ongoing vacant running costs.
- Typically distressed property, requiring substantial investment.
- These properties are considered high risk, with failure of a business plan typically resulting in financial losses.

The following guideline Fund Structure is the basis of investment, adopting a prudent, income focused, strategy: -

	%	
Core	65% (+/- 10%)	Modern, or extensively refurbished buildings, fully let on long leases to good covenant tenants in major core markets.
Value Add	Max 25% (+/- 10%)	Single or multi-let buildings, with various lease lengths and tenant covenants. Opportunity to add value.
Opportunistic	Max 10%	an be repurposed to generate income.

The Property Investment Strategy

5. Purchase Guidelines

- Target area Adur and Worthing municipal and functional economic areas.
- Commercial real estate.
- Freehold, or long leasehold nominal rent purchases. Forward funding, income strips and other financial models considered subject to individual business cases.
- Income producing properties, leased on conventional terms, secured against good covenant tenants.
- Value Add and Opportunistic acquisitions to have an outline business case and clearly identify economic social or environmental value added if returns do not meet the benchmarks above.

Property Investment Strategy – Property Investment Portfolio Management

6. Reviews

To monitor performance and ensure proactive risk and opportunity management, a Quarterly review will consider:

- An update of quarterly rent performance, service charge, voids and insurance collection and arrears position.
- A review of retain, sale, repurpose or re-gear of each asset following on from the individual asset plan.
- Bi-annual valuations of the assets to look at portfolio total return.
- Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re- gearing opportunities.
- Upcoming cash flow issues and reactive asset management requirements, risk reporting from these.
- Tenant compliance with lease terms and any default, or issue.

An Annual review will consider:

- Market update on activity and forecasts to identify any re-purposing of any asset(s).
- Ongoing review of the current investment strategy.
- An external market valuation of the portfolio to monitor and benchmark performance, meeting financial requirements.
- An updated three -year cash flow forecast and capital expenditure forecast.
- An update or review of individual asset plans.

- A review of retain, sale, repurpose or re-gear of each asset.
- Review of the previous year’s performance incl. any (Key Performance Indicators) KPIs.
- Review of the underlying lifecycle of the asset, holding period and refurbishment expectations.
- Rent collection rates, arrears and service charge reconciliation.
- Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re- gearing opportunities.
- Dilapidations, health and safety and insurance claims.
- Capital expenditure over the preceding 12-month period.
- Tenant covenant strength monitoring report.
- Tenant compliance with lease terms and any default, or issue.

7. Asset Management Functions

- Rent collection rates, arrears and service charge reconciliation.
- Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re- gearing opportunities.
- Driving asset management initiatives and delivering on asset management plans.
- Dilapidations, health and safety and insurance claims.
- Void and re-letting management.
- Capital expenditure over the preceding 12-month period.
- Tenant covenant strength monitoring report.
- Tenant compliance with lease terms and any default, or issue.

Appendix 2

Risk Matrix and SWOT example:

Property Name/Location:	
Vendor:	
Tenure:	
Category:	
Price:	
Rent per annum:	
Rent Free:	
Initial Yield:	
VAT Election:	
EPC:	
Net Return After Borrowing	

	Criteria	Criteria Description	Comments	Weighting	Weighted Property Score	Excellent	Good	Acceptable	Marginal	Poor
LOCATION	Location: Macro	Quality of the location (town, city, area) with regard to the property use		3	0					
	Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use		3	0					
	Building Quality	Quality of the building compared to the Industry standard Grade A for the property type		3	0					
OCCUPANCY	Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant		3	0					
	Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations		2	0					
	Lease Term	Length of the secured income.		3	0					
	Lease Structure	Tenant repairing obligations, rent review mechanisms		3	0					
	Rental Growth Prospects	Opportunity / Likelihood to increase passing rent/ ERV		3	0					
	Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate		3	0					

STRATEGY	Management Intensity	Complexity and cost of managing the property		2	0						
	Liquidity/Exit Strategy	The degree to which the property can be quickly sold in the market without affecting the price. Please provide specific commentary on exit strategy.		2	0						
	Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required		2	0						
	Asset Management Opportunities	Opportunities to add value to the property		1	0						
	Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector with a focus upon income v capital values at lease expiry		4	0						
	Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio		3	0						

Weighted Score		A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered.	0	

Investment Decision Guide for filling in matrix

example considerations

Criteria	Criteria Description	Maximum Weighted Score	Excellent	Good	Acceptable	Marginal	Poor

Scoring numerically between 1 and 5 as detailed in this guide

SCORE TO APPLY TO EACH COLUMN	5	4	3	2	1

Shading denotes client to fill in

SCORING GUIDE

SCORING CONTROLS

Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio	15	Under-represented sector				Sector already heavily represented
Location: Macro	Quality of the location (town, city, area) with regard to the property use	15	Major Prime	Prime	Major Secondary	Micro Secondary	Tertiary
Location: Micro	Quality of the individual situation of the property within the macro location, with	15	Excellent transport / footfall				cation with limited benefit

	regard to the property use						
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant	15	Excellent financial covenant	Strong financial covenant	Good financial covenant	Poor but improving covenant	Poor financial covenant
Building Quality	Quality of the building compared to the Industry standard Grade A for the property type	15	New, modern or recently refurbished	Good quality- no spend required for 20 years+	Good quality but spend required in 10 years	Spend required in 5 years	Tired / Significant spend CapEx likely
Lease Term	Length of the secured income.	15	reater than 15 years	Between 10 and 15 years	Between 6 and 10 years	Between 2 and 5 years	Under 2 years / vacant
Lease Structure	Tenant repairing obligations, rent review mechanisms	15	Full repairing and insuring	Full repairing and insuring- partially recoverable	Internal repairing	Internal repairing- partially recoverable	Landlord responsible
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent	15	Fixed uplifts at frequent intervals				Significantly over-rented (tenant paying above the
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate	15	In demand from many tenants		Reasonable prospect of securing new tenants		Niche with limited demand
Management Intensity	Complexity and cost of managing the property	10	Single Tenant				Multiple Tenants
Liquidity	The degree to which the property can be quickly sold in the market without affecting the price	10	Lot size & sector attractive to investors				Attractive to niche purchasers only
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required	10	Favourable location / planning				No opportunity to change use
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations	10	Freehold	Long Leasehold 125 years + / peppercorn ground rent	Lease between 100 and 125 years / peppercorn ground rent	Lease between 50 and 100 years	Less than 50 years and/or high ground rent (10%+)
Asset Management Opportunities	Opportunities to add value to the property	5	Significant opportunity to add value				No opportunity
Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector.	20	Return higher than expected for sector / the risk profile				Return lower than expected for sector / risk profile

Weighted Score	20 0	A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered within or to the county.

Strengths	**Weaknesses**
Opportunities	**Threats**

ADUR & WORTHING
COUNCILS

Joint Audit and Governance Committee
23 March 2023

Key Decision [Yes/No]

Ward(s) Affected:

The Councils' Surveillance Powers, Policy and Procedures

Executive Summary

1. Purpose

1.1. This Report provides an update on the usage and activity of RIPA requests during 2022/23.

1.2. Advises Members of the Monitoring Officer's review of the Councils' Surveillance Policy and Procedure.

2. Recommendations

2.1. To note the statistical information relating to the use of RIPA for the period 2022/23.

2.2. To note that the Councils' Joint Surveillance Policy and Procedure of September 2017 has been reviewed but no revisions are recommended.

3. Context

3.1. The Regulation of Investigatory Powers Act 2000 (RIPA), and the Protection of Freedoms Act 2012, legislates for the use of local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authority’s core functions.

3.2. On 1 September 2017, The Office of Surveillance Commissioners, The Intelligence Services Commissioner’s Office and The Interception of Communications Commissioner's Office were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner's Office (IPCO) is now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.

4. Issues for consideration

4.1. RIPA Activity

4.1.1. There was no Adur or Worthing RIPA surveillance authorisation processed during 2022/23.

4.2. Review of Policy

4.2.1. The Monitoring Officer has reviewed the existing Surveillance Policy and Procedure adopted in September 2017. This Policy was previously reviewed in July 2019 and again in December 2021, when a minor amendment was made to correct a typographical error concerning terminology, resulting in “collateral damage” being changed to “collateral intrusion” at paragraph 27. There have been no changes to the legislation since the policy was last reviewed.

4.2.2. A copy of the current Surveillance Policy and Procedure is annexed to this report at Appendix A and the Monitoring Officer is confident that it remains up to date and fit for purpose and has no revisions to recommend to the Committee.

5. Engagement and Communication

5.1. The RIPA SPOC has consulted with the relevant departments to obtain the data set out in this report.

6. Financial Implications

6.1. There are no direct financial implications arising from this report.

7. Legal Implications

7.1. There are no legal implications directly related to this report.

Background Papers
None

Appendices to the report
Appendix A – RIPA Policy

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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
Matter considered and no issues identified.

Appendix A

ADUR & WORTHING
COUNCILS

ADUR DISTRICT COUNCIL

AND

WORTHING BOROUGH COUNCIL

SURVEILLANCE POLICY AND PROCEDURE

Adopted: 27 September 2017
Reviewed: 30 July 2019
Reviewed: December 2021

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PART 1 : POLICY

1 INTRODUCTION

1.1 The Councils are each responsible for the enforcement of a wide range of legislation affecting their areas. Such enforcement may have an impact upon individuals, as the Councils gather evidence and decide what action to take in relation to suspected offences. There may be some effect upon the private lives of individuals who may be the subject of surveillance which is unknown to them.

1.2 It is important that such surveillance of individuals and gathering of evidence is carried out in accordance with established legal rules. Also, that it is undertaken only when it is necessary and that the effect on the individuals concerned is taken into account before it goes ahead.

1.3 Failing this, there is a risk that evidence obtained by the Councils may be inadmissible in legal proceedings and/or the Councils may face civil or criminal action for breach of statutory or common law rules relating to the privacy of individuals.

1.4 The Regulation of Investigatory Powers Act 2000 provides a legal framework under which surveillance of individuals for evidence–gathering purposes can be authorised by the Councils. This document sets out a policy for such authorisation (Part I) and associated procedures (Part 2), together with further information on Covert Human Intelligence Sources (Part 3) and a specific section relating to the use of social media in investigations (Part 4).

1.5 The Councils have appointed the Director for Digital and Resources as the Senior Responsible Officer (SRO) for matters relating to the Regulation of Investigatory Powers Act 2000. In accordance with paragraph 3.34 of the Home Office Code of Practice, the Senior Responsible Officer must be a member of the Corporate Leadership Team and is responsible for ensuring that all Authorising Officers are of an appropriate standard in light of any recommendations in the inspection reports prepared by the Office of the Surveillance Commissioner. Where an inspection report highlights concerns about the standards of Authorising Officers, this individual will be responsible for ensuring the concerns are addressed. The Senior Responsible Officer is not an Authorising Officer under RIPA as it is unlikely that he could be regarded as objective if he oversaw his own authorisations.

1.6 The Councils have appointed the Solicitor to the Councils and Monitoring Officer as the RIPA Co-ordinator. The RIPA Co-ordinator shall maintain a central register of all authorisations which will be retained by the Councils for a period of three years from the ending of any authorisation.

1.7 In accordance with paragraph 3.35 of the Home Office Code of Practice, Elected Members of the Council should review the Authority's use of RIPA and set the Council's Policy, at least once a year. They should also consider internal reports on the use of RIPA on a regular basis, to ensure that it is being used consistently with the Council's Policy and that the Policy remains fit for purpose. The Councils' Joint Governance Committee will consider such matters on an annual basis.

2 WHAT IS DIRECTED SURVEILLANCE?

2.1 Surveillance is

(a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communications,
(b) Recording anything monitored, observed or listened to in the course of surveillance, and
(c) Surveillance by or with the assistance of a surveillance device.

2.2 To be covert surveillance, the surveillance must be carried out in a manner that is calculated to ensure that the persons who are subject to the surveillance are unaware that it is or may be taking place. For example, use of CCTV systems may be overt in many cases, and the public may be made aware of their use. This would be distinct from a case in which CCTV is used covertly for a particular operation and may require authorisation.

2.3 Private information includes any information relating to an individual's private or family life.

2.4 "Directed Surveillance" is surveillance which is:

2.4.1 covert (but not intrusive; see paragraph 3),

2.4.2 conducted for the purposes of a specific investigation or operation, and

2.4.3 is conducted in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation).

The planned covert surveillance of a specific person, where not intrusive, would constitute Directed Surveillance if such surveillance is likely to result in the obtaining of private information about that, or any other, person.

For example, if a Council Officer wanted to drive past a café for the purposes of obtaining a photograph of the exterior, no private information about any person is likely to be obtained or recorded and therefore this is unlikely to amount to Directed Surveillance nor require authorisation. However, if the Council wished to conduct 'drive bys', to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a Directed Surveillance authorisation should be considered.

2.5 Directed Surveillance does not extend to those cases where an immediate response is necessary to an occurrence and it would not be reasonably practicable to obtain an authorisation (e.g. due to the time involved in obtaining an authorisation).

2.6 General observations undertaken and not linked to any specific investigation would fall outside the definition of Directed Surveillance. Such observations may involve the use of equipment to merely reinforce normal sensory perception, such as the use of binoculars or cameras when this does not involve the systematic surveillance of individuals. For example, routine patrols and observation at trouble 'hotspots' would not constitute Directed Surveillance and would not require authorisation.

2.7 Occasionally, the Councils may authorise the gathering of information by the use of Covert Human Intelligence Sources (CHIS). This is where a person covertly uses an existing or newly-established relationship with an individual in order to provide information to the Council. The purpose behind the relationship is not known by the individual who is being reported on. More information on the use of such sources is set out in Part 3.

2.8 Social Media can be a useful tool when investigating alleged offences but its use can, in some circumstances, amount to covert direct surveillance. More information on the use of Social Media in investigations is set out in Part 4.

3 SURVEILLANCE OF RESIDENTIAL PREMISES AND PRIVATE VEHICLES

3.1 There is a form of surveillance known as "intrusive surveillance" which is

3.1.1 carried out in relation to anything taking place on any residential premises or in any private vehicles; and

3.1.2 involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

3.2 A surveillance device is one which consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

3.3 The Council cannot authorise Intrusive Surveillance.

4 WHEN WILL DIRECTED SURVEILLANCE BE AUTHORISED?

4.1 The Councils may only grant an authorisation for Directed Surveillance if it is necessary for the purpose of preventing or detecting conduct which:

a) constitutes:

i) one or more criminal offence; or
ii) is, or corresponds to, any conduct which, if it all took place in England and Wales would constitute one or more criminal offences; and

b) is an offence which:

i) is punishable on summary conviction, or indictment, by a maximum term of at least 6 months imprisonment; or
ii) is an offence under S.146 of the Licensing Act 2003; or
iii) is an offence under S.147 of the Licensing Act 2003; or
iv) is an offence under S.147A of the Licensing Act 2003; or
v) is an offence under S.7 of the Children and Young Peoples Act 1933.

For example, Directed Surveillance is not an option for the Councils when investigating minor offences such as dog fouling and littering, nor for tackling anti-social behaviour (unless the behaviour constitutes a criminal offence carrying a maximum sentence of 6 months or more), but may still be authorised for investigations into underage sales of alcohol and tobacco.

This provision does not apply to the Councils use of a Covert Human Intelligence Source (see part 3).

4.2 There is a formal application process for authorisation referred to in Part 2 of this document.

4.3 The person granting the authorisation must consider whether its effect would be proportionate to what is sought to be achieved by the surveillance. This involves balancing the intrusive effect on the person under investigation and others who might be affected (referred to as collateral intrusion) against the need for the surveillance. The surveillance will not be authorised if it is excessive in the circumstances of the case or if the information could be obtained by less intrusive means.

4.4 In considering the grant of the authorisation and in carrying out any subsequent surveillance the risk of intrusion upon the privacy of persons not being investigated must be taken into account. Measures must be taken wherever possible to avoid or minimise such intrusion.

4.5 It is the responsibility of the Council Officer applying for the authorisation to justify the use of it and set this out fully on the relevant documentation referred to in Part 2.

4.6 Any authorisation granted by the Council must be submitted to a Justice of the Peace for consideration. The Justice of the Peace may either confirm or quash the authorisation. The authorisation cannot take effect until such time as an Order has been obtained approving the grant.

4.7 During the course of an investigation the type and seriousness of offences may change. If during the investigation it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold, the use of Directed Surveillance should stop and if a Directed Surveillance authorisation is already in force, it should be cancelled.

5 CONFIDENTIAL INFORMATION

5.1 Some information is likely to be particularly confidential or sensitive, including:

5.1.1 communications with a legal adviser;

5.1.2 information relating to the physical or mental health of an individual;

5.1.3 information relating to the spiritual counselling of an individual by a Minister of Religion;

5.1.4 confidential journalistic material.

Where such information is likely to be obtained, the authorisation should only be granted in exceptional and compelling circumstances (see paragraph 10.1).

6 VULNERABLE AND JUVENILE SOURCES

6.1 An authorisation for a Covert Human Intelligence Source (CHIS) who is in need of community care services by reason of mental or other disability, age or illness should only be granted in exceptional circumstances.

6.2 An authorisation for a Covert Human Intelligence Source (CHIS) who is under 18 years should only be granted after taking advice from the Solicitor to the Council and Monitoring Officer as to the effect of the

Regulation of Investigatory Powers (Juveniles) Order 2000 including the necessity for relevant risk assessments.

6.3 The use must not be authorised for a person under 16 years to provide information against his/her parents or any person who has parental responsibility for him/her.

7 LAWFULNESS

7.1 Surveillance will be lawful for all purposes if:

a) an authorisation, which has been confirmed by a Justice of the Peace, confers an entitlement to engage in the surveillance on the person(s) who carried it out; and

b) the surveillance is in accordance with the authorisation.

8 COMPLAINTS

8.1 The Investigatory Powers Tribunal ("IPT") is an independent body made up of senior members of the judiciary and the legal profession. It is independent of the Government.

8.2 An individual who is affected by surveillance undertaken by the Council may complain to the Tribunal at:

The Investigatory Powers Tribunal
PO Box 33220
London
SW1H 9ZQ

Tel: 0207 273 4514

8.3 More information about the IPT can be found at http://www.ipt-uk.com

8.4 The Councils also have an internal process for dealing with complaints. Any complaint recorded relating to surveillance should be referred to the Solicitor to the Council and Monitoring Officer at:

Adur and Worthing Councils
Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

PART 2 : PROCEDURE

9 APPLICATIONS

9.1 Authorisations may be applied for by any Officer of the Council who is carrying out, or is planning to carry out, an investigation in relation to suspected crime or disorder.

9.2 Authorisations are applied for on the forms set out in the Appendix, and have to be authorised, in writing, by an Authorising Officer.

9.3 Authorising Officers should usually avoid authorising their own activities. If this is unavoidable, then the authorisation record should be transparent by highlighting this.

9.4 Authorising Officers are to complete the authorisation or rejection in handwriting, and not typed script, so that if it is challenged they can identify their own writing and it can be clear that there has not been a "cut and paste" decision.

9.5 Following the granting of an authorisation by the Authorising Officer the authorisation must be submitted to a Justice of the Peace for consideration.

9.6 The Justice of the Peace may either confirm or quash the authorisation.

10 WHO ARE THE AUTHORISING OFFICERS AT THE COUNCILS?

10.1 When knowledge of confidential information is likely to be acquired (paragraph 5 above) or when a vulnerable individual or juvenile is to be used as a CHIS (paragraph 6) then only the Chief Executive or in his absence, his nominated Deputy, who shall be a Director, who has undertaken the appropriate training and is not the Senior Responsible Officer, can consider and grant the application, subject to judicial approval.

10.2 In all other cases, applications may be considered and granted, subject to Judicial approval, by:

a) the Chief Executive; or
b) a Director, who has undertaken the appropriate training on RIPA, other than the Senior Responsible Officer.

11 DURATION OF AUTHORISATIONS

11.1 Directed Surveillance

A written authorisation will cease to have effect (unless renewed) at the end of a period of three calendar months beginning with the day on which it took effect. An authorisation is to be cancelled at that time, but it can be renewed for a further three months, subject to Judicial approval. (See paragraph 14 below).

11.2 Covert Human Intelligence Source

A written authorisation will cease to have effect (unless renewed) at the end of a period of twelve calendar months beginning with the day on which it took effect. An authorisation is to be cancelled at that time. Subject to Judicial approval, an authorisation can be renewed for twelve months. (See paragraph 14 below).

An authorisation in respect of a juvenile is limited to one month's duration.

12 APPLICATION FOR JUDICIAL APPROVAL

12.1 Once the application, whether for Directed Surveillance or for the use of a CHIS, has been authorised by the Councils' Authorising Officer the Authorising Officer shall contact the Sussex Magistrates Administration Centre on:

ss-sussexadmin@hmcts.gsi.gov.uk

01273-670888

The best Officer to make the application for judicial approval is the Authorising Officer as only he/she can answer questions about his reasoning on necessity, proportionality, collateral intrusion and risk.

12.2 A straightforward application will be listed before a presiding Magistrate.

12.3 Complicated applications are to be listed before District Judge Crabtree when sitting at Worthing Magistrates' Court.

12.4 The authorisation, whether for Directed Surveillance or for the use of a CHIS, cannot take effect until an Order has been obtained from a Justice of the Peace approving the renewal or grant of an authorisation. If the Justice of the Peace is satisfied that the statutory tests have been met and that the use of the technique is necessary and proportionate, they will issue an order approving the grant or renewal for the use of the technique as described in the application.

13 REVIEWS

13.1 Directed Surveillance

The Authorising Officer must, in relation to each authorisation determine how often the authorisation is to be reviewed, taking into account the nature and purpose of the surveillance authorised. Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. The results of a review should be recorded on the central record of authorisations. Particular attention is drawn to the need to review authorisations frequently when the surveillance provides access to confidential information or involves collateral intrusion.

The forms in the Appendix are to be used.

13.2 Covert Human Intelligence Source

Regular reviews of authorisations should be taken to assess the need for the use of a source to continue. The review should include the use made of the source during the period authorised, the tasks given to the source and the information obtained from the source. The results of the review should be recorded on the authorisation record. Particular attention is drawn to the need to review authorisations frequently where the use of a source provides access to confidential information or involves collateral intrusion.

The forms in the Appendix are to be used.

14 RENEWALS

14.1 Directed Surveillance

14.1.1 If, at any time before an authorisation would cease to have affect the Authorising Officer considers it necessary for the authorisation to continue for the purposes for which it was given, he/she may renew it, in writing, for a further period of three months, subject to further Judicial approval.

14.1.2 Applications for renewal shall be in writing on the form set out in the Appendix.

14.1.3 Following the granting of a renewed authorisation by the Authorising Officer the authorisation must be submitted to a Justice of the Peace for consideration.

14.1.4 The Justice of the Peace may either confirm or quash the authorisation.

14.1.5 Authorisations may be renewed more than once, if necessary, and the renewal should be kept/recorded as part of the central record of authorisations.

14.2 **Covert Human Intelligence Source**

14.2.1 If, at any time before an authorisation would cease to have effect the Authorising Officer considers it necessary for the authorisation to continue for the purposes for which it was given, he may renew it, in writing, for a further period of twelve months, subject to further Judicial approval.

14.2.2 Applications for renewal shall be in writing on the form set out in the Appendix.

14.2.3 Before an Authorising Officer renews an authorisation he/she must be satisfied that a review has been carried out of the use of the source.

14.2.4 Following the granting of an authorisation by the Authorising Officer the authorisation must be submitted to a Justice of the Peace for consideration.

14.2.5 The Justice of the Peace may either confirm or quash the application.

14.2.6 Authorisations may be renewed more than once, if necessary, and the renewal should be kept/recorded as part of the central record of authorisation.

15 CANCELLATION

15.1 The Authorising Officer who granted, or last renewed, the authorisation must cancel it if he/she is satisfied:-

15.1.1 that the Directed Surveillance or use of the source no longer meets the criteria upon which it was authorised, or

15.1.2 that satisfactory arrangements for the source used no longer exist.

Where the Authorising Officer is no long available, this duty will fall to the person who has taken over the role of Authorising Officer, or the person who is acting as Authorising Officer.

The forms in the Appendix are to be used.

15.2 As soon as the decision is taken that Directed Surveillance or use of a source should be discontinued, the instruction must be given to those involved to stop all surveillance of the subject(s). The date and time when such an instruction was given should be recorded in the central record of authorisations and the notification of cancellation where relevant.

The forms in the Appendix are to be used.

16 HANDLING, STORAGE, USE AND DESTRUCTION OF MATERIAL AS EVIDENCE

16.1 All materials or records of information obtained as a result of Directed Surveillance, or the use of a source, must be stored for no longer than is necessary. Authorising Officers must ensure compliance with appropriate Data Protection requirements and any relevant guidance produced by the Councils relating to the handling and storage of material.

16.2 The product of surveillance described in this Policy must be retained until a decision is made whether or not to take proceedings. If proceedings are instituted, material must be retained until the matter is disposed of. If the subject of the surveillance is prosecuted in criminal proceedings and is convicted the material must be retained until:

16.2.1 the completion of any appeal process;

16.2.2 if sentenced to custody or a hospital Order, until his/her release, if more than 6 months after conviction;

16.2.3 in other cases, 6 months after any Order made is discharged or expires by effluxion of time.

16.3 There is a duty to disclose in criminal proceedings information which has been gathered as part of the investigation and may be relevant to it.

16.4 If civil proceedings are taken, then material is to be kept until 6 months after any Order made is discharged or expires by effluxion of time.

17 CENTRAL RECORD OF ALL AUTHORISATIONS

17.1 The Solicitor to the Council and Monitoring Officer, the RIPA Co-ordinator, shall maintain a central register of all authorisations, which is regularly updated whenever an authorisation is granted, renewed or cancelled. The entry in the register shall be retained for a period of three years from the ending of the authorisation.

17.2 The central register shall contain the information listed in the Appendix.

17.3 Within 24 hours of taking any action in relation to an authorisation that is to be recorded in the register the Authorising Officer shall provide sufficient details of that action, in writing, to the Solicitor to the Council and Monitoring Officer.

18 RECORD KEEPING

18.1 Directed Surveillance

The Authorising Officer shall maintain the following documentation, which shall be cross-referenced with the central register by use of a unique reference number:-

18.1.1 a copy of the application and a copy of the authorisation, together with any supplementary documentation and notification of the approval given by the Authorising Officer;

18.1.2 a record of the period over which the surveillance has taken place;

18.1.3 the frequency of reviews prescribed by the Authorising Officer;

18.1.4 a record of the result of each review of the authorisation;

18.1.5 a copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested.

18.1.6 the date and time when any instruction was given by the Authorising Officer.

18.2 Covert Human Intelligence Sources

The Authorising Officer shall maintain the following documentation, which shall be cross-referenced with the central register by use of a unique reference number:-

18.2.1 a copy of the application and the authorisation, together with any supplementary documentation and notification of the approval given by the Authorising Officer;

18.2.2 a copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;

18.2.3 the reason why the person renewing the authorisation considered it necessary to do so;

18.2.4 any authorisation which was granted or renewed orally (in an urgent case) and the reason why the case was considered urgent;

18.2.5 any risk assessment made in relation to the source;

18.2.6 the circumstances in which tasks were given to the source;

18.2.7 the value of the source to the investigating authority;

18.2.8 a record of the results of any reviews of the authorisation;

18.2.9 the reasons, if any, for not renewing the authorisation;

18.2.10 the reason for cancelling an authorisation;

18.2.11 the date and time when any instructions were given by the Authorising Officer to cease using a source.

The records kept should:

a. Hold the name of the source and the information in different places.

b. The information file should only identify the source by way of a unique reference number.

c. The file identifying the source must be retained in secure storage and be held by the relevant Authorising Officer.

d. With each source the relevant Authorising Officer shall direct which Head of Service shall have responsibility for maintaining a record of the use made of the source.

PART 3 : USE OF COVERT HUMAN INTELLIGENCE SOURCES

19 DEFINITION

19.1 A person is a Covert Human Intelligence Source if:-

19.1.1 he/she establishes or maintains a personal or other relationship with a person for the covert purposes of facilitating the doing of anything falling within paragraphs 19.1.2 or 19.1.3 below.

19.1.2 he/she covertly uses such a relationship to obtain information or to provide access to any information relating to any person, or

19.1.3 he/she covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

19.2 A relationship or disclosure is covert if it is conducted in a manner which is calculated to ensure that one party to it is unaware of its use and purpose.

19.3 For a person to come into the category of a CHIS there is no requirement for the Councils to actively engage the person in that role. The question to be asked is whether a person is using a relationship to covertly obtain information which he/she is passing to the Councils.

For example, if Mr. Y volunteers information to the Councils about a work colleague then he is not a CHIS. However, if the Councils go back to Mr. Y and ask him to ascertain information about the work colleague and Mr. Y attempts to ascertain that information then he is a CHIS and an authorisation should be obtained.

Further, if Mr. Y. volunteers information to the Councils about a work colleague, then on the initial passing of information he is not a CHIS. However, if he then continues to gather information covertly and passes it to the Councils, there is a point at which he will become a CHIS and therefore Officers should be aware that if a person is providing information about another person on more than one occasion it is necessary to consider whether or not the person providing the information is exploiting their relationship with the third party to covertly obtain information. If so, then a CHIS authorisation is to be obtained.

20 TASKING AND SUPERVISION

20.1 A Council Officer must be designated to have day-to-day responsibility for:

20.1.1 dealing with the source;

20.1.2 directing his/her day-to-day activities;

20.1.3 recording the information supplied by the source;

20.1.4 monitoring his/her security and welfare.

20.2 A separate Officer, at Head of Service level, must also be given responsibility for the general oversight of the use of the source.

21 SECURITY AND WELFARE

21.1 The Councils must take into account the safety and welfare of the source when carrying out actions in relation to an authorisation or tasking. It should also have regard to any foreseeable consequences to others of the tasking of the source.

21.2 Prior to authorisation, a risk assessment must be carried out to determine the risks to the source of any tasking and the likely consequences should the role of the source become known. The ongoing security and welfare of the source after the end of the authorisation should also be considered at the outset. Records disclosing the identity of the source will not be available to persons unless there is a proven need to disclose them for operational reasons.

21.3 If the Officer having day-to-day responsibility for the source (paragraph 20.1) has any concerns about the personal circumstances of the source in so far as they might effect

- The validity of the risk assessment;
- The conduct of the source;
- The safety and welfare of the source;

he/she shall draw these to the attention of the Supervising Officer (paragraph 20.2). A decision must be made whether to (1) refer these concerns to the Authorising Officer and (2) seek a review of the authorisation.

22 TELEPHONE INTERCEPTION

Where one party to a telephone communication consents to its interception by a third party, it is treated as Directed Surveillance and may be authorised as such.

23 USE OF TECHNICAL EQUIPMENT

23.1 A source may be present on residential premises or in a private vehicle. If he/she is using a surveillance device, no authorisation for intrusive surveillance would be required to record any activity taking place on those premises or in the vehicle <u>if</u> it is in his/her presence. In other circumstances an authorisation for intrusive surveillance would be required and this is outside the powers of the Council.

PART 4: USE OF SOCIAL MEDIA IN INVESTIGATIONS

24 BACKGROUND

24.1 Social Media accumulates a sizable amount of information about a person's life and can provide incredibly detailed information about a person and their activities. Social Media can therefore be a very useful tool when investigating alleged offences.

24.2 Whilst the use of Social Media to investigate is not automatically considered covert surveillance, its misuse when conducting investigations can mean that it crosses over into the realms of covert surveillance even when that misuse is inadvertent. It is therefore crucial that the provisions of RIPA, as it relates to covert and directed surveillance, are followed at all times when using Social Media information in investigations.

24.3 It is possible for the Councils' use of Social Media in investigating potential offences to cross over into becoming unauthorised surveillance, and in so doing, breach a person's right to privacy under Article 8 of the Human Rights Act. Even if surveillance without due authorisation in a particular instance is not illegal, if authorisation is not obtained, the surveillance carried out will not have the protection that RIPA affords and may mean it is rendered inadmissible.

24.4 Council Officers embarking on any form of investigatory action should always do so with RIPA in mind. Whilst RIPA will not always be relevant to every investigation, it is vital that Officers involved in investigative practices against individuals, regularly review their conduct with respect to investigatory actions. Any investigation is capable of evolving from being one that does not require RIPA authorisation, to one that does, at any point.

25 WHAT IS MEANT BY SOCIAL MEDIA?

25.1 Social Media can take many forms but will always be a web-based service that allows individuals and/or businesses to construct a public or semi-public profile. It will often have some, or all, of the following characteristics:

- The ability to show a list of other users with whom they share a connection, often termed 'friends' or 'followers';
- The ability to view and browse their list of connections and those made by others within the system;
- Hosting capabilities allowing users to post audio, photographs and/or wide content that is viewable by others.

The number and type of social media available to the public is fluid but currently includes Facebook, Twitter, Instagram, LinkedIn, Pintrest, Tumblr, Reddit, Flickr and Google+.

26 WHEN WOULD THE USE OF SOCIAL MEDIA REQUIRE AUTHORISATION?

26.1 Privacy settings

26.1.1 The majority of Social Media services will allow its users to decide who can view their activity, and to what degree, through the use of privacy settings. Many users will purposely use Social Media with no privacy settlings applied whatsoever and this information publicly available is known as an individual's public profile. Whilst the content or information shared by individuals on Social Media remains the property of that individual, it is nonetheless considered to be in the public domain.

26.2 Private Profile

26.2.1 By setting a profile to private, a user does not allow everyone to access and use their content, and respect should be shown to that person's right to privacy under Article 8 of the Human Rights Act. If access controls are applied, the individual has a reasonable expectation of privacy. This does not, however, extend to instances where a third party takes it upon themselves to share information which originated on a private profile on their own social media profile.

26.2.2 However, if it is necessary and proportionate for the Councils to covertly breach access controls, the minimum requirement is an authorisation for Directed Surveillance.

26.2.3 An authorisation for the use and conduct of a CHIS is necessary if a relationship is established or maintained by a Council Officer or by a person acting on the Councils' behalf, for example where there is interaction and two way communication rather than merely reading of the social media site's content. Should a Council Officer set up a false identity for a covert purpose with a view to conducting Directed Surveillance to obtain private information, an authorisation would certainly be required. Should a Council Officer adopt the identity of a person known, or likely to be known, to the individual, authorisation would be required, along with the explicit written consent of the person whose identity is being used, and careful thought would need to be given as to how to protect that person.

26.3 Public Profile

26.3.1 Where a person publishes content on a public profile they allow everyone, including those not on that particular Social Media platform, to access and use that information whilst allowing it to be associated with them. In practice, this means that things such as photographs, video content or any other relevant information posted by individuals and businesses to a public profile on any given Social Media platform can be viewed, recorded and ultimately used as evidence against them should the matter end in legal proceedings, subject to the usual rules of evidence.

26.3.2 Where privacy settings are available but not applied the data may be considered open source and RIPA authorisation is not usually required. However a distinction is made between one-off and repeated visits to an individual's Social Media profile. Whilst one-off visits, or otherwise infrequent visits spread over time, cannot be considered to be Directed Surveillance, repeated or frequent visits may cross over into becoming Directed Surveillance requiring RIPA authorisation. A person's Social Media profile should not, therefore, be routinely monitored on a daily or weekly basis in search of updates, as that would, in all likelihood constitute Directed Surveillance and require authorisation.

27 COLLATERAL INTRUSION

27.1 Due to the nature of Social Media, there is a significant risk of collateral intrusion in the form of other, innocent parties' information being inadvertently captured alongside that of the suspected offender's. When capturing evidence from a social media profile, steps should be taken to minimise this collateral intrusion either before capturing the evidence, or subsequently through redaction. This might be particularly prevalent on social media profiles promoting certain events, where users are encouraged to interact with each other by posting messages or on photographs where other users may be making comments.

28 RETENTION AND DESTRUCTION OF INFORMATION

28.1 Due to the nature of Social Media, it is important to remember that when information produced as a hard copy is destroyed in line with this Policy, that all digital copies of that evidence is likewise destroyed.

PART 5 : REFERENCES

a) Regulation of Investigatory Powers Act 2000 (Chapter 2, Part 2).

b) Home Office codes of practice on Directed Surveillance and Covert Human Intelligence Sources.

c) Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2003 SI 2003/3171.

d) Regulation of Investigatory Powers (Juveniles) Order 2000 – SI 2000/2793.

e) Regulation of Investigatory Powers (Extension of Authorisation Provisions: Legal Consultations) Order 2010

f) The Office of the Surveillance Commissioner at www.surveillancecommissioners.gov.uk

g) Protection of Freedoms Act 2012

h) Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, SI 2010/521

i) The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, SI 2012/1500

Appendix

Forms	**Located**
Directed Surveillance	
Application for authorisation	Councils' intranet
Review	Councils' intranet
Renewal	Councils' intranet
Cancellation	Councils' intranet
Covert Human Intelligence Source	
Application for authorisation	Councils' intranet
Review	Councils' intranet
Renewal	Councils' intranet
Cancellation	Councils' intranet
Judicial Application	
Application for judicial approval	Councils' intranet
Draft Judicial Order	Councils' intranet
Register of Authorisations	Held by Solicitor to the Council and Monitoring Officer