ADUR & WORTHING
COUNCILS

22 July 2019

Joint Governance Committee	
Date:	**30 July 2019**
Time:	**6.30 pm**
Venue:	**QEII Room, Shoreham-Centre, Shoreham-by-Sea**

Committee Membership:

Adur District Council: Councillors; Kevin Boram (Adur Chairman), Peter Metcalfe (Adur Vice-Chairman), David Balfe, Andy McGregor, Barry Mear, Ann Bridges, Brian Coomber and Debs Stainforth

Worthing Borough Council: Councillors; Lionel Harman (Worthing Chairman), Louise Murphy (Worthing Vice-Chairman), Tim Wills, Mike Barrett, Steve Waight, Steve Wills, Rebecca Cooper and Bob Smytherman

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 minute of the Joint Governance Committee meeting held on 30 May 2019, copies of which have been previously circulated.

4. Public Question Time

To receive any questions from members of the public.

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

5. Items Raised Under Urgency Provisions

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

6. Statement of Accounts 2018/19 for Adur District Council and Worthing Borough Council (Pages 1 - 272)

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

7. Adur District Council and Worthing Borough Council Audit Results Reports (Pages 273 - 376)

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

8. Self Assessment (Pages 377 - 386)

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

9. Annual Treasury Management Report 2018-19 Adur District Council & Worthing Borough Council and Revised Treasury Management Policy and Practices (Pages 387 - 440)

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

10. Joint Governance Committee Appointments: Parish Councillors (Pages 441 - 446)

To consider a report by the Monitoring Officer, copy attached as item 10.

11. The Councils' Surveillance Powers, Policy and Procedures (Pages 447 - 452)

To consider a report by the Monitoring Officer, copy attached as item 11.

Part B Exempt Reports - Not for Publication

None.

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

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Senior Democratic Servcies Officer 01903 221073 neil.terry@adur-worthing.gov.uk	Susan Sale Solicitor to the Councils and Monitoring Officer 01903 221119 susan.sale@adur-worthing.gov.uk

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

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Joint Governance Committee
30 July 2019
Agenda Item 6

ADUR & WORTHING COUNCILS

Ward(s) Affected: All

Statement of Accounts 2018/19 for Adur District Council and Worthing Borough Council

Report by the Director for Digital and Resources

Executive Summary

1. Purpose

1.1 The audits of Adur District Council's and Worthing Borough Council's 2018/19 Statements of Accounts are complete. The External Auditor's Audit Results Report, elsewhere on the agenda, contains the External Auditor's recommendations and the "Key Message" section of this report summarises the findings arising from their audit. At the time of going to print, there are no qualification issues to report. The 2018/19 financial statements have been adjusted in respect of the External Auditor's findings as at 19th July 2019. This report seeks approval of the two sets of amended Statements of Accounts for the financial year ended 31st March, 2019 and the letters of representation which are attached as appendix 2) are being addressed in this report and what is being proposed?

1.2 The following appendices have been attached to this report:

(i) **Appendix 1** (a) Adur DC Statement of Accounts 2018/19
(b) Worthing BC Statement of Accounts 2018/19

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

2. Recommendations

2.1 The Joint Governance Committee is recommended to:

- Approve the amended Adur District Council and Worthing Borough Council Statement of Accounts for the financial year ended 31st March 2019 in appendix 1; and
- Agree the letters of representation at appendix 2 which will be signed by the Joint Chairmen of the Joint Governance Committee.
- Approve the revised Annual Governance Statements included in the Statement of Accounts.

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 2018/19.

3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the draft accounts be certified by the 31st May 2019.

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 May 2019, the two sets of accounts have been audited. The audit has revealed some disclosure, presentational and other errors, which required correction to ensure that the accounts presented are of a high standard. The changes identified, up to 19th July 2019, have been discussed, agreed and adjusted for, within the sets of accounts circulated to members. Any significant amendments affecting the certification agreed after 19th July 2019 will be amalgamated into the two sets of accounts before publication. All the Auditors findings identified to date are contained in the Auditor's 2018/19 External Auditor's Audit Results Report (ISA 260), elsewhere on this agenda.

4. Agreed Amendments to the 2018/19 Statement of Accounts

4.1 As the External Auditor's Audit Results Report (ISA 260) (elsewhere on this agenda) explains, there are no qualification issues arising from the audit of the two sets of 2018/19 Statement of Accounts to report. No adjustments to the Adur and Worthing accounts have affected the reported outturn position to the Joint Overview and Scrutiny Committee on 9th July 2019.

4.2 The Adur core statements include one restatement adjustment for a correction relating to the prior year 2017/18:

Balance Sheet - an error related to the categorisation of one asset, Highdown House, which had been accounted for as an operational asset rather than an investment property. The impact was a £90,000 understatement of both the Council's long term assets and unusable reserves relating to depreciation. The Comprehensive Income and Expenditure Statement had been overstated by the value.

All the associated notes have been restated for these adjustments.

4.3 It is proposed that Adur District Council and Worthing Borough Council's Statements of Accounts 2018/19, be approved by this Committee.

4.4 Due to the publication timetable requirement for this Committee it may be necessary to issue a final version of the External Auditor's report, if this does occur the Report will be represented to Committee at the next meeting.

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

5. Annual Governance Statement

5.1 The Committee will be aware that approval was given to the draft Annual Governance Statements for 2018/19 at its meeting on the 31st May 2019. Following this approval, the External Auditors have conducted their review of the Statements as part of the annual audit of accounts. The auditor's have recommended that the opinion from the Head of Audit is included within the AGS and a conclusion on the overall governance position is added. These have now been incorporated into the Statement of Accounts prior to publication.

6. Financial Implications

6.1 The two sets of Statements of Accounts reflect the 2018/19 outturn position and the transfers to and from reserves and carry forward of balances as reported in the 'Financial Performance 2018/19 - 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 9th July, 2019. The accounts have been adjusted for by the agreed amendments as noted in section 4 of this report.

6.2 **Reconciliation of 2018/19 Revenue Outturn to 2018/19 Comprehensive Income and Expenditure Accounts**

The difference between the Adur and the Worthing 2018/19 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following:

Adur District Council		**2018/19**
	£'000	£'000
Final Outturn 2018/19		
General Fund		8,621
HRA		308
Final 2018/19 Outturn Net Spend		**8,929**
Income from council tax and NDR	(8,116)	
Government grants and contributions not included in the outturn report	(1,109)	
Net income from taxation	(9,225)	(9,225)
Payments to MHCLG for housing capital receipts pool	384	
Gain/loss on disposal and de-recognition of assets	773	
Parish Council precepts	405	
Other Operating Expenditure not included in Outturn	1,562	1,562
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(1,016)
Net impact of accounting for pensions under IAS19		1,803
Revenue funded from capital under statute		729
Net depreciation, impairment and revaluations		6,241
Transfer to the Major Repairs Allowance		(3,876)
Capital expenditure charged to revenue		(165)
Capital grants credited to revenue		(4148)
Amount by which council tax and NDR income differs between statutory requirements and IFRS basis.		329
Other minor adjustments		(118)
2018/19 Comprehensive Income and Expenditure - Deficit on provision of services		**1,045**

Worthing Borough Council		2018/19
Final 2018/19 Outturn Net Spend		**13,379**
Income from council tax and NDR	(11,079)	
Government grants and contributions not included in the outturn report	(2,989)	
Net income from taxation	(14,068)	(14,068)
Gain/loss on disposal and de-recognition of assets	(77)	
Other Operating Expenditure not included in Outturn	(77)	(77)
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(1,111)
Net impact of accounting for pensions under IAS19		1,911
Revenue funded from capital under statute		4,646
Net depreciation, impairment and revaluations		1,180
Capital expenditure charged to revenue		(195)
Capital grants credited to revenue		(1,902)
Amount by which council tax and NDR income differs between statutory requirements and IFRS basis.		672
Other minor adjustments		(344)
2018/19 Comprehensive Income and Expenditure - Deficit on provision of services		**4,091**

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	**2018/19**	**2017/18**	**Movement**
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(21,020)	(3,435)	(17,585)
(Surplus)/Deficit arising on the revaluation of Available for Sale Financial Assets	0	32	(32)
(Surplus)/Deficit from investments in equity instruments designated at fair value	25	0	25
Re-measurements of the Net DefinedPension Benefit Liability	3,468	(6,989)	10,457
Other	0	(1)	1
Other Comprehensive Income and Expenditure	**(17,527)**	**(10,393)**	**(7,134)**

Worthing Borough Council	**2018/19**	**2017/18**	**Movement**
	£'000	**£'000**	**£'000**
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(11,789)	1,756	(13,545)
(Surplus)/Deficit arising on the revaluation of Available for Sale Financial Assets	0	16	(16)
(Surplus)/Deficit from investments in equity instruments designated at fair value	25	0	25
Re-measurements of the Net DefinedPension Benefit Liability	4,933	(7,810)	12,743
Other Comprehensive Income and Expenditure	**(6,831)**	**(6,038)**	**793**

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

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

7. Legal Implications

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

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

8. Publicity

8.1 Part 5 of the 2015 Regulations deals with the "Inspection and notice procedure". As required Adur District Council and Worthing Borough Council gave notice by advertisement and on the respective websites of the matters set out in paragraph (2), regulation 15 of the 2015 regulations.

9. Conclusion

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

9.2 Members' are asked to approve the amended Adur District Council and Worthing Borough Council 2018/19 Statement of Accounts, as at the date of this meeting and authorise the Chairpersons to approve the final version of the two statements of accounts. Publication will take place when the External Auditors have signed their opinion on the 2018/19 accounts.

Local Government Act 1972

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

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2018/19 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2018/19 Accounts

2018/19 External Auditor's Report to those Charged with Governance (ISA 260)

9th July 2019 Joint Strategic Committee – Financial Performance 2018/19 "Revenue Outturn" and "Capital Projects Outturn"
https://www.adur-worthing.gov.uk/media/media,154334,en.pdf
https://www.adur-worthing.gov.uk/media/media,154335,en.pdf

30th May 2019 Joint Governance Committee – "The Annual Governance Statements 2018/19 – review and approval"
https://www.adur-worthing.gov.uk/media/media,153953,en.pdf

Officer Contact Details:-
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Sustainability & Risk Assessment

1. Economic
Matter considered and no issues identified.

2. Social

2.1 Social Value
Matter considered and no issues identified.

2.2 Equality Issues
Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)
Matter considered and no issues identified.

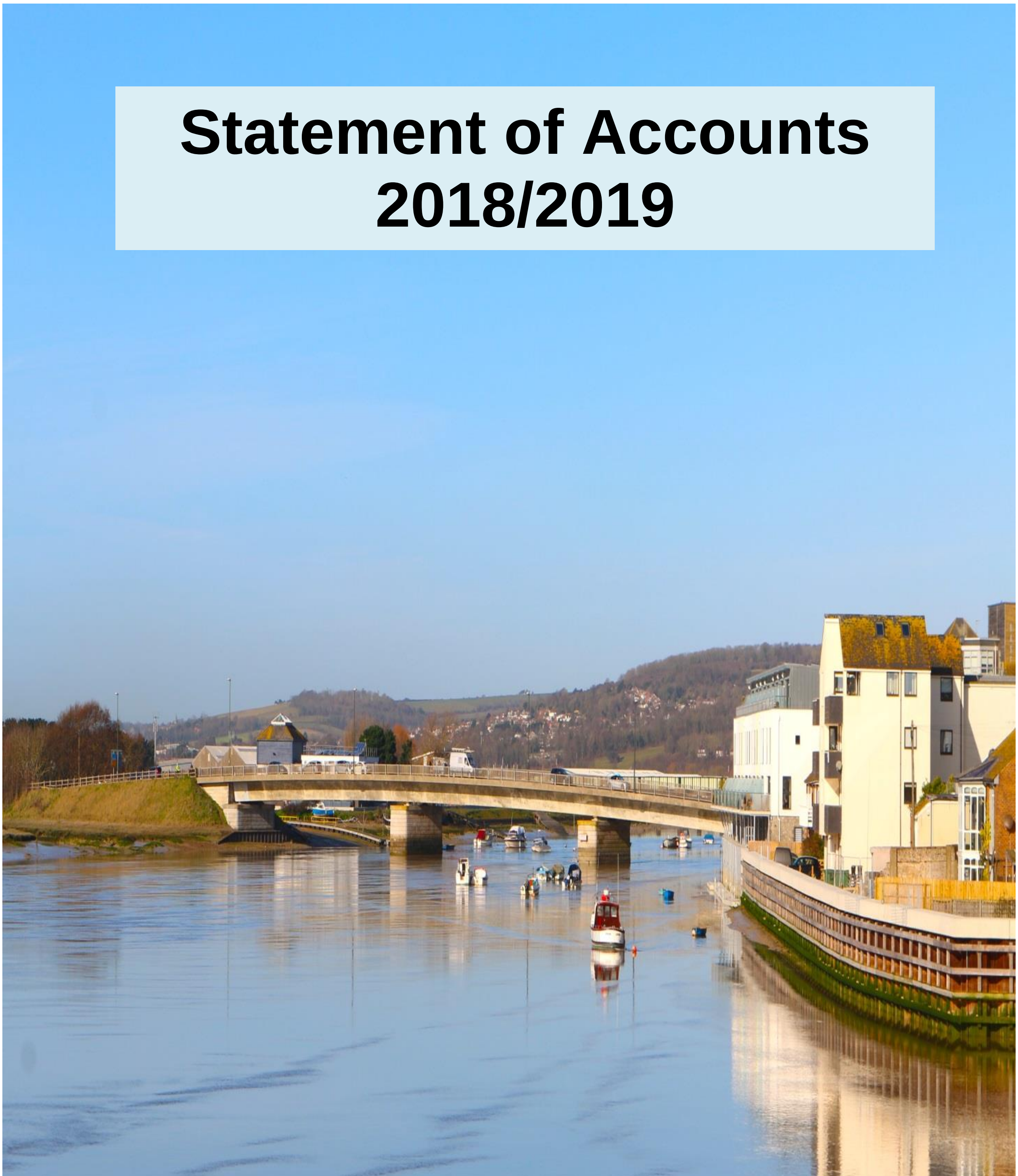
2.4 Human Rights Issues
Matter considered and no issues identified.

3. Environmental
Matter considered and no issues identified.

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

ADUR DISTRICT COUNCIL

Statement of Accounts 2018/2019



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

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2019

C O N T E N T S

NARRATIVE REPORT

INTRODUCTION

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

- Understand the financial position of the Council in 2018/19;
- 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 2019. It provides a summary of the financial position as at 31st March 2019 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 2018/19
- The 2018/19 revenue budget process and medium term financial plan
- Financial Overview of the Council 2018/19
    * Revenue spend in 2018/19
    * Capital Strategy and Capital Programme 2018/19 to 2020/21
- Housing Revenue Account
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO ADUR AS A PLACE

Adur District Council is one of seven Local Authorities in West Sussex. It lies on the South Coast and 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 63,720 according to the Office of National Statistics with an age profile of:

Age range	Adur District Council	Nationally
0 - 15	18.2%	18.9%
16 - 64	58.4%	62.9%
65+	23.4%	18.2%

There are 2,281 businesses within the area. Business rate income was £17.4m in 2018/19. The Council kept £1.7m (9.7%) of income related to Business Rates, 10% of the income is paid to the County Council with the remainder paid to Government.

2. KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL

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

Political Structure in the 2018/19 Municipal Year

Adur has 29 Councillors representing 14 wards. In 2018/19 the political make-up of the Council was:

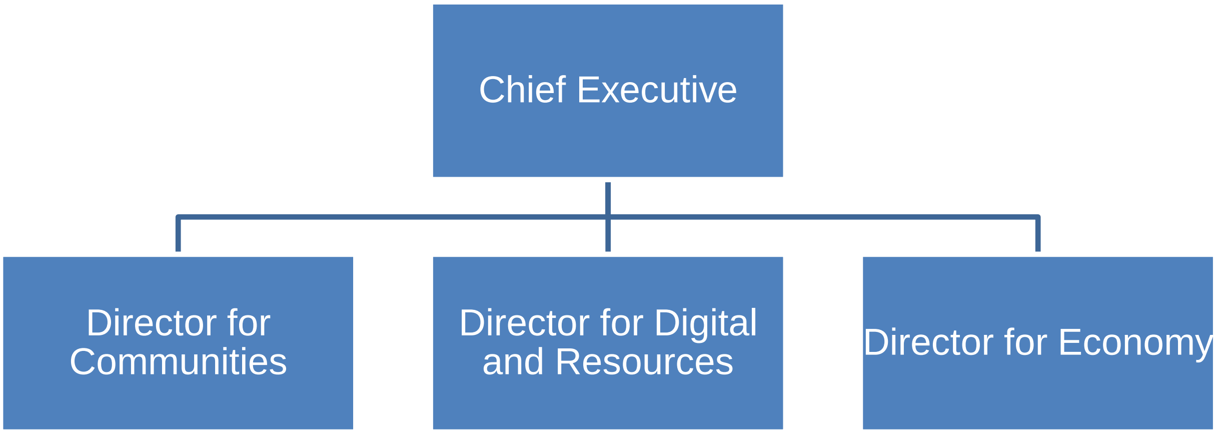
Conservative Party	16 Councillors
Labour	8 Councillors
UK Independence Party	3 Councillors
Independent	2 Councillors

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 for 2018/19, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Neil Parkin.

Management Structure

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



Adur District Council:

- √ Holds £278.6m of assets to support services and provide income to fund service delivery
- √ Generates £26m of income (net of Housing Subsidy and Housing Revenue Account income) to help deliver services and keep council tax down
- √ Has set a balanced budget each year despite allocated funding from revenue support grants and retained business rates falling each year. In 2018/19 government funding (New Homes Bonus) made up 0.5% of total income from Fees & Charges net of Housing Benefit Subsidy and HRA Income.

Working in partnership

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

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net budget of £22.3m for 2018/19. The shared services are managed via a Joint Committee. This Joint Committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:-

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

3. *COUNCIL PLANS AND PERFORMANCE*

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

The Councils priorities are laid out in 'Platforms for our Places' which was agreed early in 2017. The plan details how over the period 2017 – 2020 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities. In July 2018 (18 months into that programme) both Councils adopted a revised set of commitments to reflect the progress that had been made and the issues that had emerged over the first half of the programme.

Five Platforms for our Communities

Platform 1: Our Financial Economies

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

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

Platform 2: Our Social Economies

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

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

Platform 3: Stewarding our natural resources

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

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

Platform 4: Services and solutions for our places

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

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

Platform 5: Leadership of our places

The Platform for leading our places well includes:

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

Achievements in 2018/19

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

Platform 1: Our Financial Economies

- **Significant movement on major sites**: the new 24,000 square feet office development pre-let to a local business (Focus) was under construction and reaching an advanced stage; it was completed in April 2019.
    - The new office block – Before, during and after



Planning permission was secured for the development of 600 new homes and an IKEA store in Lancing. Work commenced on redevelopment of the former Luxor Cinema in Lancing and the Sunbeam residential development scheme in South Street Lancing reached an advanced stage.

- **Investing in our digital future:** Adur & Worthing Councils have successfully led the Gigabit West Sussex project which has secured £4.66 million investment from the Department for Digital, Culture, Media and Sport’s Local Full Fibre Network Fund. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables, which will benefit both local businesses and homes. The first part of the new network was constructed in Adur and Worthing in 2018/19 and the Councils have recently agreed an extension to this network to enable more residents and businesses to benefit from the project.
- **Our visitor and creative economies:** Following a new arrangement with Sussex Film, our places have seen a significant rise in interest for filming. Over the past year, film, TV, and magazine shoots took place on 19 separate occasions across Adur and Worthing.

Platform 2: Our Social Economies

- **Preventing homelessness**: Over the last 6 months we have focused closely on relieving and preventing homelessness. We have positively prevented homelessness for more than 40 of the people/families who have presented to our team. Our need for emergency accommodation (EA) remains high, however the rate at which we are placing people in EA appears to have stabilised as we see the results of our preventative work taking effect.

  We are also continuing to secure suitable, more affordable EA by leasing and purchasing property for this purpose.

- **Developing the Adur homes stock:** The Adur Homes repairs digital tool went live this autumn and we are seeing a gradual increase in the number of repairs being reported this way. Satisfaction levels with the service are improving and this will continue to be an area of focus.

  The planning application to build 44 new homes at Albion Street, all of which will be for Council Housing, was approved.

  Work continues on developing the old Cecil Norris site, with a planning application due to be considered in Summer 2019. 15 new council homes are due to be built on this site.

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

- **Adapting for accessible homes:** We have fully implemented the Interim Discretionary Disabled Facility Grant policy approved by the Councils in December 2017. This has resulted in an increased spend on adaptations of £520,000 during 2018/19.
- **Supporting our communities to commemorate:** For the Centenary of World War 1, we coordinated a significant number of Remembrance Service events and parades across Adur and Worthing, recognising the sacrifice made by many former residents.
- **Social prescribing:** We have secured additional funding for 'Going Local' in Adur (and across our current patch) and to date more than 1,200 people have been supported by the service.
- **Supporting vulnerable members of our community:** We successfully bid for £406,000 funding to increase the domestic violence provision in West Sussex, with our Lead for Early Help and Wellbeing co-ordinating this work. These funds will provide valuable outreach services, outreach in rural areas and a specialist worker to support BME communities.

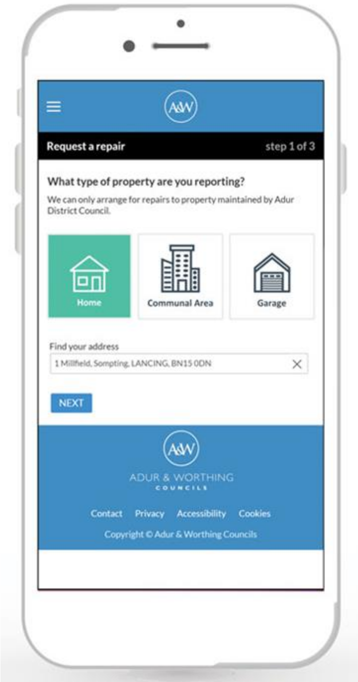
Platform 3: Stewarding our natural resources

- **Leading in sustainability:** Adopted “Sustainable Adur and Worthing” demonstrating Council commitment and leadership on sustainability, including bold commitments on carbon reduction, an area not previously addressed by the Councils. We have also established lunchtime learning sessions for staff to improve professional knowledge and understanding of sustainability issues.
- **Supporting our communities energy efficiency:** Launched a 3 year energy advice programme ‘LEAP’ providing a lifeline for local households in need, providing home visits, advice and efficiency installations.
- **Stewarding our natural assets:** Achieved a further 5 Green Flags in our Adur and Worthing parks, refurbishing another three play areas to create welcoming, safe play spaces for our communities.
- **Reducing waste, increasing recycling**: Initiated a comprehensive waste reduction engagement campaign (achieving more than 80,000 views in a 3 week period) following the Council’s decision to move to alternate weekly refuse collections to increase recycling.
- **Improving air quality:** Active partner in the County wide ‘Breathing Better’ air quality strategy and action plan, and delivered projects to support this strategy, including securing 100% external finance for Adur and Worthing’s first rapid electric vehicle charge point.
- **Regional approaches to energy and water:** Established Council involvement in Greater Brighton Economic Board Energy and Water Plans and ‘South2East’ the Local Enterprise Partnership (LEP) Regional Energy Strategy.

Platform 4: Services and solutions for our places

- **Developing our commercial capacity:** Successful commercial income growth across Environmental Services and in Building Control, e.g. fire risk safety assessments to commercial waste clients. We have developed digital self-service for clinical, bulky, street scene and missed bins with 40% of requests now through the digital channel and a fully automated ordering of clinical waste collections using Amazon Alexa technology. We have also started a commercial modelling and marketing exercise in waste services, with a view to the roll out of learning and methods to other commercial services

- **New approaches to service design:** Delivered specialist “SameRoom” service design support to key projects including preventing homelessness and loneliness, creating strong multi-agency working and delivering real outcomes, and launching a public blog: sameroom.adur-worthing.gov.uk
- **Digital solutions for improved customer services:** Launched an end to end housing repairs app providing tenants with online appointment booking and regular progress updates, with customer satisfaction at 90% satisfied or very satisfied. We have launched online accounts and e-billing in Revenues and Benefits, with further online services planned and Plain English work on letter templates underway. We have also stabilised the telephony system following a switch of managed service provider.



- **Improving our estate management:** Digital asset management systems developed for Estates and Compliance, helping improve management of our property estate.
- **Managing and supporting our people:** We are progressing with a significant HR policy review with further policies on track for change. We have delivered 'Leading Quality Conversations' training to all managers alongside a new 1:1 process to support and develop our staff. A new staff induction handbook has been designed through a working group of managers across the organisation. We are currently trailing a prototype HR data dashboard allowing analysis to support workforce planning and sickness management, and an easy to use annual leave app. Launched Well@Work to support staff wellbeing, providing a range of activities to staff such as pilates, mindfulness and singing.
- **Improving our strategic finance management:** Reviewed our financial services through an LGA Peer Review and developed an improvement action plan.

Platform 5: Leadership of our places

- **Sharing our stories locally and beyond:** the Councils have effectively spread the stories of our places locally and beyond with regular articles in national sector press. Our seven (#ourstoriesyourcouncils) bloggers have a reach of over 104,000, and we have more than 20 front page articles in local, regional and trade press.
- **Reframing local partnership:** Work has begun to reframe how we engage the local strategic partners through the Local Partnerships Forum and the Waves Ahead Conferences in Spring and Autumn. The Autumn Conference saw over 60 attendees designing how we can achieve more active and connected communities. This will feed into the development of the Councils' Activities Strategy.
- **Regional leadership:** The Councils continue to play an active role in working with regional partners within the County and Greater Brighton City Region. Shaping the development of the Greater Brighton Economic Board's five-year vision, the Local Enterprise
- **Developing our elected members:** We have continued to aid the development needs for our Elected Members, with 11 Member Training events being held during this period, on a range of topics from Member Induction to case work and treasury management.

Monitoring commitments

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

The full monitoring reports to JSC in 2018/19 may be viewed at:

Joint Strategic Committee report 10th July 2018 (6 month progress update)

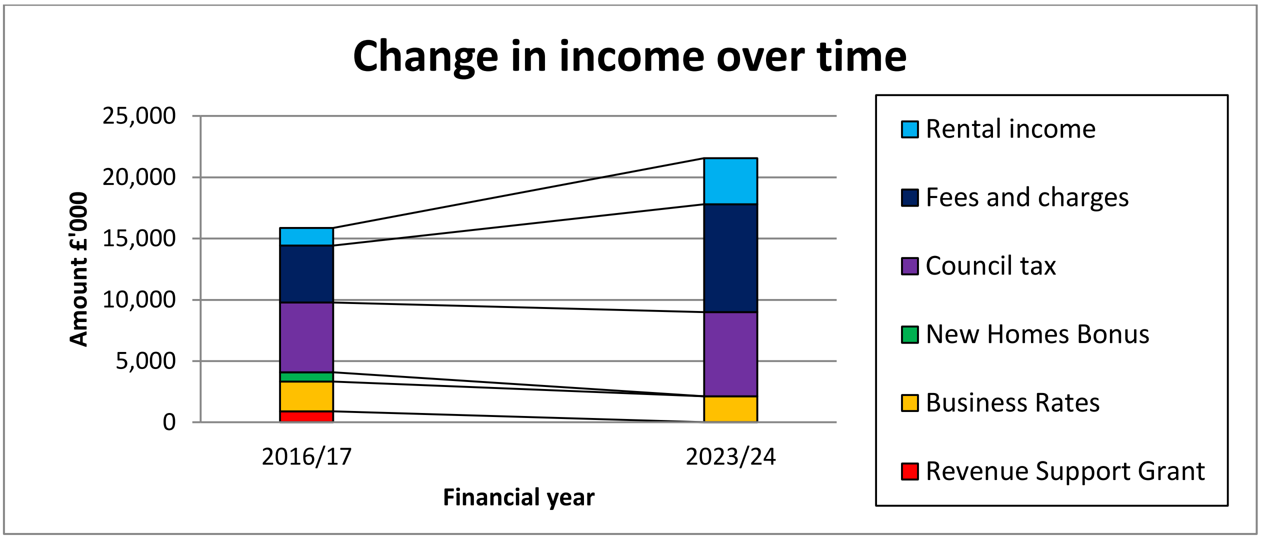
Joint Strategic Committee report 31st January 2019

Platforms for our Places - Adur & Worthing Councils

4. *THE REVENUE BUDGET 2018/19 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2018/19

The budget for 2018/19 was compiled within the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government settlement. The Council has seen a significant decline in recent years in overall government income with increasing amounts being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.



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

- inflation, the largest source of cost pressure
- income generated by the Council which may be affected by lack of demand;
- 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 2018/19 through 3 major work streams – developing commercial income, investing in property, and the delivery of a new customer and digital strategy. In addition the Council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.4m as part of the 2018/19 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2018.

Council Tax

The Council chose to increase Council Tax for 2018/19 by an average of 2.96%

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

Band D Council Tax	2017/18	2018/19	Change
	£	£	%
Adur District Council – Basic Council Tax	269.55	277.74	3.03
West Sussex County Council	1,255.59	1,317.78	4.95
Sussex Police & Crime Commissioner	153.91	165.91	7.80
	1,679.05	1,761.43	4.91
Parish precepts and other adjustments:			
Lancing Parish Council	46.08	51.48	11.72
Sompting Parish Council	30.51	30.15	-1.18
Special Expenses (charged in all areas except Lancing Parish Council)	18.18	18.54	1.98

Council Tax base

The Council Tax base for 2018/19 was 20,923.20 which was an increase of 215.9 on the previous year's number of Band D equivalents. This in part reflects the Council's support for local house building and economic regeneration.

Band D Council Tax	2017/18	2018/19
	£	£
Number of Band D equivalent dwellings	20,707.3	20,923.2

Budget Strategy for 2019/20 to 2023/24

In preparing the budget strategy for 2019/20 to 2023/24, 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 2019/20 budget was approved by Council on 10th July 2018 and it set the strategic direction to address the significant challenges not only for 2019/20 but onwards.

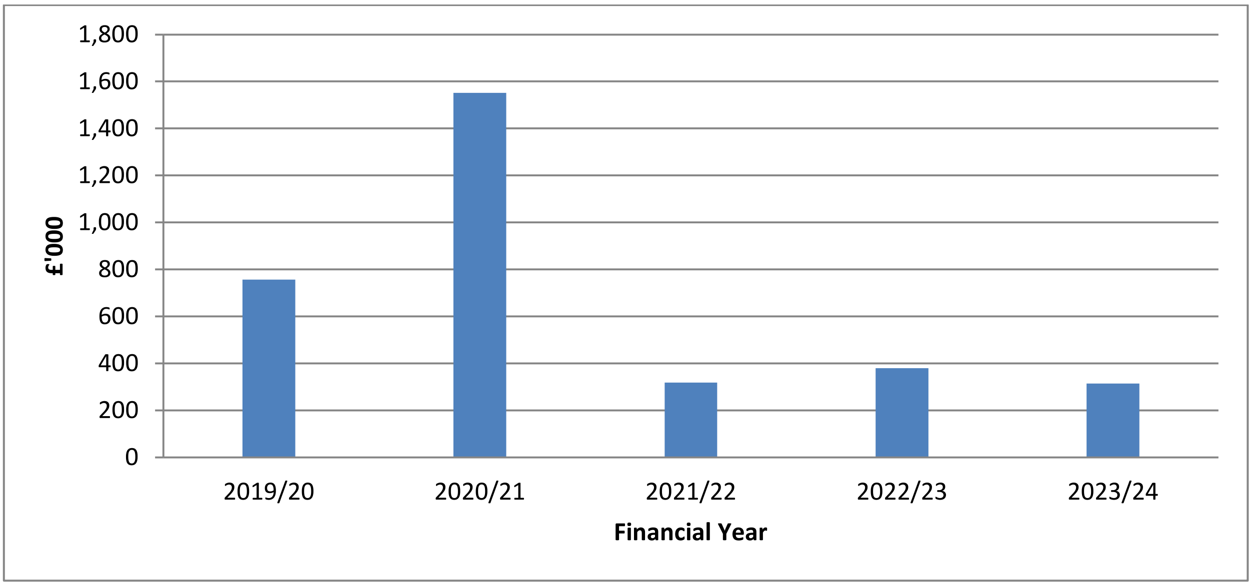
The fall in government funding together with rising demand for homelessness support included in the forecasts highlighted that the Council needs :

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

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

3. To expand commercial activity

The Council will need to find significant budget reductions of £3.3m over the five years with a significant challenge in 2020/21 as follows:



Further details around the most recent forecasts for both Councils will be contained in the report Budget Strategy for 2020/21 and beyond, which is due to be considered on 9th July 2019 at the Joint Strategic Committee. 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 areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

5. FINANCIAL OVERVIEW

A comprehensive summary of the financial performance of the Partnership authorities – Adur District Council, Worthing Borough Council and the Joint Strategic Committee – is contained in the 9th July 2019 Joint Strategic Committee reports "Joint Revenue Outturn 2018/19" and the "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". 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 2018/19

A more detailed summary of the Council's financial results for 2018/19 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 2018/19 Adur District Council reported an underspend of £512,582 against a budget of £8,627,760.

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

	£000s
Underspend in borrowing costs	118
Additional grant income related to business rate relief	328
Other changes	66
	512

Where such items were identified when the 2019/20 budget was being prepared, an allowance for any impact on the future years was built into the budget.

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

How the money was spent and how services were funded

SUMMARY FINAL REVENUE OUTTURN			
CABINET MEMBER PORTFOLIOS	**ESTIMATE 2018/19**	**OUTTURN 2018/19**	**(UNDER)/ OVERSPEND**
	£	**£**	**£**
CM for Environment	2,561,710	2,591,947	30,237
CM for Health & Wellbeing	1,259,730	1,234,340	(25,390)
CM for Customer Services	1,354,650	1,317,721	(36,929)
Leader	598,120	574,158	(23,962)
CM for Regeneration	1,529,830	1,521,078	(8,752)
CM for Resources	1,904,700	1,686,187	(218,513)
Support Service Holding Accounts	217,550	-	(217,550)
TOTAL CABINET MEMBERS	**9,426,290**	**8,925,431**	**(500,859)**
Credit Back Depreciation	(1,821,540)	(1,320,741)	500,799
Minimum Revenue Provision	1,097,860	1,015,897	(81,963)
Additional Non Ring Fenced Grants	-	272	272
Financial Instrument Adjustment	-	1,087	1,087
	8,702,610	**8,621,946**	**(80,664)**
Transfer to/from reserves:			
Contribution to/from reserves	(74,850)	(506,768)	(431,918)
General Fund Working balance		603	603
Underspend transferred to Capacity Issues Reserve		511,979	511,979
Total Budget requirement before External Support from Government	**8,627,760**	**8,627,760**	**-**

Approved use of the underspend:	£000s
Carry Forwards	152
Recommended transfer toBusiness Rate Smoothing Reserve	328
Balance of Net Underspend available to transfer to Capacity Issues Reserve	32
	512

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

1. Funding from Central Government

The Council received no Revenue Support Grant in 2018/19.

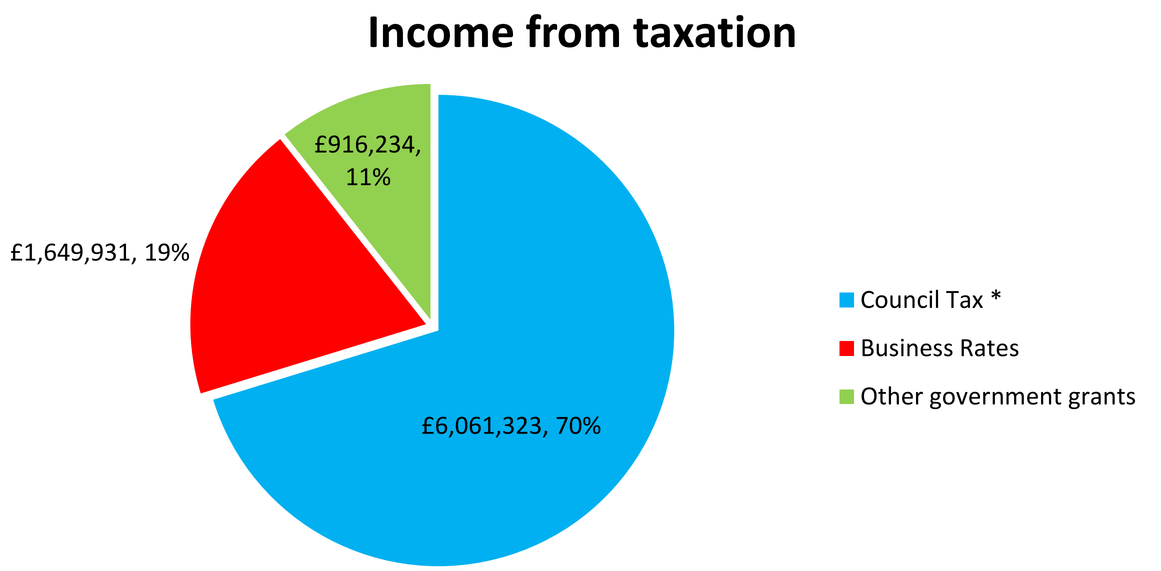
2. Funding from Local Taxpayers

The Council collected £34.2m of Council Tax relating to 2018/19 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Council. This represented 97.89% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.13%, Sussex Police & Crime Commissioner 10.04% and Adur District Council 16.83%. The Council benefitted from £6.1m of Council Tax income in 2018/19.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £17.4m collected, after allowing for exemptions, reliefs and provisions, the Council keeps 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

The Council retained £1.7m of Business Rate income in 2018/19.

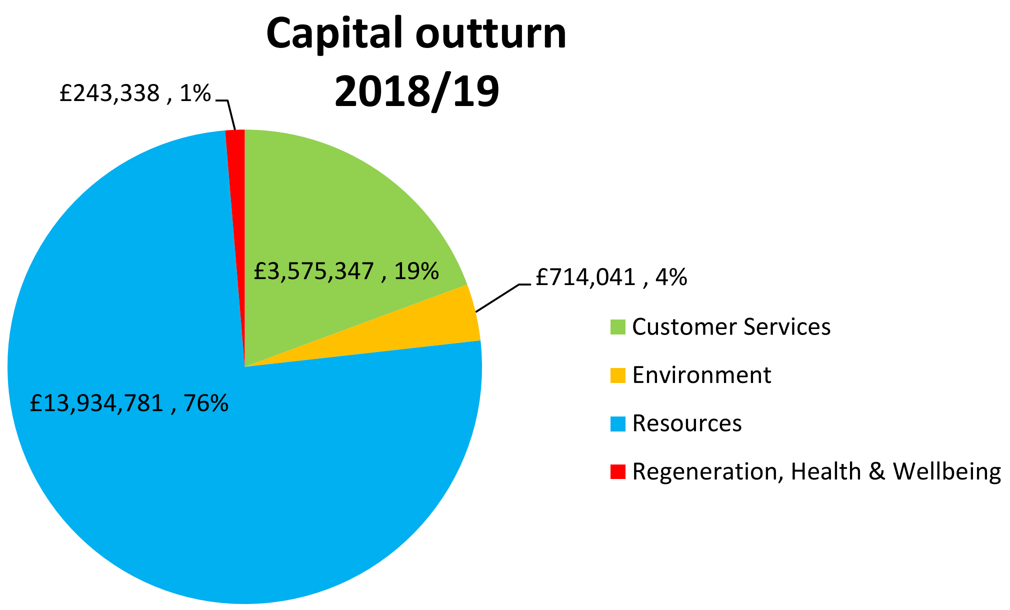


* Net of budgeted Collection Fund surplus/deficit and excluding Parish Precepts

Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.2m of business rate income in 2018/19 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

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 £67,415,450. Subsequent approvals and re-profiling of budgets produced a total revised budget of £45,595,380. Actual expenditure in the year totalled £39,566,110, a decrease of £6,029,270 on the revised estimate, comprising net budget carry forward to future years of £5,930,590 and a net underspend of £98,680. The major factors contributing to the re-profiling and slippage were:

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

The re-profiling of schemes was on-going throughout the year and in total 33 schemes did not complete as planned in 2018/19.

Expenditure in 2018/19 was financed as follows:

	2018/19
	£
Government grants	520,950
Other contributions	503,294
Capital Receipts	489,921
Revenue Contributions and Reserves	2,388,805
Borrowing	35,663,140
TOTAL	**39,566,110**

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

Significant investments in 2018/19 included:

- Preliminary 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 the installation of new kitchens and bathrooms
- Investment in a new playground at Quayside Recreation Ground
- Purchase of three commercial properties to deliver a long-term income stream to the Council.
- Construction of a new office block in Pond Road
- Completion of the Shoreham air disaster memorial

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19" which was considered on the 9th July 2019. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk .

Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks are contained in Note 15 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 9th July 2019 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". 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 2,550 homes which are worth £185m.
- In 2018/19 the Council collected £11.9m in dwelling rents (£12.1m in 2017/18).
- The Council is planning to spend £27.3m over the next 3 years to increase the supply of affordable homes and improve the condition of existing housing stock.

Capital Investment Plans 2019/20 – 2021/22

The Council plans to invest £139m in its capital assets over the next 3 years (including £27.3m on Council Homes).

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

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

	3-year plan			
Expenditure by Portfolio	**2019/20** £,000	**2020/21** £,000	**2021/22** £,000	**Total** £,000
Customer Services	17,751	10,332	7,630	35,713
Environment	1,692	622	240	2,554
Health and Wellbeing	274	33	0	307
Regeneration	1,287	134	185	1,606
Resources	52,157	50,309	50,330	152,796
Total Expenditure	**73,161**	**61,430**	**58,385**	**192,976**
Funded by:				
Capital grants and contributions	2,066	847	513	3,426
Revenue contributions and reserves	3,882	3,982	4,082	11,946
Borrowing	63,908	55,556	53,326	172,790
Capital receipts	3,305	1,045	464	4,814
Total Funding	**73,161**	**61,430**	**58,385**	**192,976**

6. TOP STRATEGIC RISKS

Detailed below are the top 5 strategic risks that the Council is currently managing.

Risk overview	**<u>Council finances</u>** Council finances continue to be under pressure after several years of reducing income from central government. The councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.
Internal controls / Mitigation measures	A five year financial strategy is in place and is regularly refreshed. The strategic strands of property investment, commercial income, digital, and temporary accommodation acquisition are progressing well, evidenced in various reports to committee. However there are uncertain additional pressures ahead, for example from budget cuts expected at West Sussex, and the outcome to the 4 year fairer funding settlement in 2019. Following the recent LGA Finance Peer Review, an action plan is being developed to: 1. Release strategic finance capacity by modernising financial management processes and systems 2. Apply suggested technical accounting measures to release capacity in the budget to commit to reserves and use cash flow to reduce the borrowing requirement 3. Review the existing plan for strategic initiatives, and make the case for additional resources on an invest to save basis to bring delivery of some projects forward An experienced business coach has recently been commissioned to provide commercial support and skills building for all senior managers, helping them develop business plans for 2020/21.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk
Risk overview	**<u>Welfare reform:</u>** 'Welfare Reform' is used to cover a range of issues in particular: • Changes to how benefits are paid to those who are working to incentivise work. • Changes to the maximum level of benefits paid to families and individuals who are not working • Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC) Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities.

Risk overview (contd)	• Benefits for young people and single people reduced • Benefits for larger families reduced The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully, the following effects have been reported. • 5-6 weeks gap before UC is paid (in some cases longer) Note: DWP are trialling a system in Brighton of offering advance payments to **all new UC claimants.** This is new and claimants can access up to 100% of their claim immediately, repayable over 12 months. This is a huge improvement on the previous rules. More than 95% of claimants had accepted the advance when offered. • Local systems unable to track individuals in need, as the system is centralised and data is no longer available • Housing costs not being met by the level of out of work benefits The impact for the Councils of this is potentially on two fronts: increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.
Internal controls / Mitigation measures	March 2019 • Multi-agency welfare reform group still in place • Continued partnership work to identify and work with those most at risk, embedded in work such as 'Preventing Homelessness' ; Going Local - Social prescribing and • Internal service reviews The Government has announced that from April 2019 the digital and budgeting support that's provided to residents will be provided nationally by Citizens' Advice and funded directly by the Government. Currently, the Councils are providing this service until the end of March 19. Discussions have been held with Citizens' Advice locally to enable this transition to run smoothly. A video is available on the Councils' web pages to help local communities better understand the new benefit. The DWP roll out of UC has been further delayed (for the transfer of existing claimants onto the new benefit) and timetables for this are still awaited.
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. Emergency/Temporary Accommodation (EA/TA) - the lack of EA/TA supply at affordable rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations. The lack of move on accommodation at affordable rates means there are blockages in TA The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets. Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.
Internal controls / Mitigation measures	EA/TA • Several long term lease arrangements have been agreed and more are being explored. • Two properties have been purchased and others are being explored Other • Councils are supporting other projects - e.g Lyndhurst Rd and using the empty homes grants to support landlords to bring on line more properties • Opening Doors - pilot project with local landlords is to be extended in 2019/20 • Adur Homes – Procurement process being undertaken for the construction works for Cecil Norris House and Albion Street developments. • The Council is reviewing its own land for use • MHCLG funding to support Rough Sleepers Local Plans The Local Plan highlights the constraints placed upon further outward growth, although we continue to work with registered providers and developers to bring forward new homes as quickly as possible.
***Risk Rating*:**	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**IT disaster recovery** Hosting applications locally carries increasing risks given the pace of technological change. We have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.
Internal controls / Mitigation measures	Business Continuity plans are in place for every service detailing what actions will be taken in the event of IT failure, and a Business Continuity working group meets regularly to drive continuous improvement of our response plans and incident readiness. Reports to the Joint governance Committee (JGC) on a regular basis. Power outage Disaster Recovery (DR) test successfully completed in June 2018. Recommendations for improvements from that test are being implemented. Results of DR test and future Risk Management plans reported to JGC in July 2018 and in September 2018. Annual Network security test carried out successfully and any recommended improvements are being implemented. The cloud migration project is progressing well, which involves moving applications out of the Town Hall data centre and into secure hosting with Amazon Web Services. We plan to migrate all document storage to Google Team Drive, taking the opportunity to review files and address GDPR compliance.
***Risk Rating*:**	Impact = Extreme Likelihood = Moderate **Risk Assessment:** High Risk
Risk overview	**Major project delivery** Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant. Considerable potential for reputational damage given the high priority attached to these programmes by local communities.
Internal controls / Mitigation measures	A solution based approach to working with key partners in the development sector to unlock challenging sites. The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets. An innovative approach to partnership will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver. The Councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development. The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Full details about the Council's risks can be found in the report to the Joint Governance Committee report "Risk and Opportunity Management updates" which was considered on the 30th May 2019. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

This is a challenging time for the whole of Local Government. The Council has faced a considerable reduction in central Government funding and emerging cost pressures from issues such as affordable housing.

The overall underspend is most welcome at this time to help the Council build its reserves to manage the risks associated with the financial climate which currently grappling with, to build capacity it is to manage service reductions over the next year and fund future service developments.

Looking ahead, 2020/21 is a 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 2020/21 budget. The intention is to build in recurring under spends into the 2020/21 budget where possible and so avoid the need for unnecessary service reductions.

FURTHER INFORMATION

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

ACKNOWLEDGEMENTS

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

Sarah Gobey

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 2019. It comprises of core and supplementary statements together with disclosure notes.

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

The Statements are listed and explained in the next section.

Collection Fund **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 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 2018/19:

Post-employment benefits

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

To comply with these relevant accounting standards, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year. Therefore the cost of post-employment (retirement) benefits shown in Note 37 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have increased by £5.4m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from a change to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the 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

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

There are no material income or expenditure items to disclose in 2018/19. Note 5 to the 2018/19 accounts confirms that there have been no material events after the Balance Sheet date. The provisions made in 2018/19 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 updated to reflect the changes in the 2018/19 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2019

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 2018/19 that officer was the Chief Financial Officer

(b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

(c) To approve the Statement of Accounts by 31st July, 2019.

The Chief Financial and Section 151 Officer's Responsibilities:

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

In preparing the statement of accounts the Chief Financial Officer 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, 2019 and its income and expenditure for the year ended on that date.

Sarah Gobey

SARAH GOBEY
Chief Financial Officer **Dated: 30/07/2019**

Certificate of Approval by Joint Governance Committee

I confirm that these Accounts were approved by the Joint Governance and Audit Committee of Adur District Council and Worthing Borough Council on 31st July 2019.

KEVIN BORAM
Chairman, Joint Governance Committee **Dated: 30/07/2019**

MOVEMENT IN RESERVES STATEMENT

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

Single Entity (England and Wales)	**General Fund Balance £'000**	**Earmarked GF Reserves £'000**	**Housing Revenue Account £'000**	**Earmarked HRA Reserves £'000**	**Capital Receipts Reserves £'000**	**Major Repairs Reserve £'000**	**Capital Grants Reserve £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Authority Reserves £'000**
Balance at 31st March 2017	**(408)**	**(915)**	**(2,074)**	**(2,051)**	**(3,424)**	**-**	**(2,804)**	**(11,676)**	**(102,662)**	**(114,338)**
Movement in Reserves during 2017/18 - Restated										
Surplus or (deficit) on provision of services	1,552	-	802	-	-	-	-	2,354	-	2,354
Other Comprehensive Expenditure & Income	(1)	-	-	-	-	-	-	(1)	(10,392)	(10,393)
Total Comprehensive Expenditure Income	**1,551**	**-**	**802**	**-**	**-**	**-**	**-**	**2,353**	**(10,392)**	**(8,039)**
Adjustments between accounting and funding basis under Regs.	(2,059)	-	(602)	-	637	(1,677)	(87)	(3,788)	3,788	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(508)**	**-**	**200**	**-**	**637**	**(1,677)**	**(87)**	**(1,435)**	**(6,604)**	**(8,039)**
Transfers to/from Earmarked Reserves (Note 8)	398	(398)	(65)	65	-	-	-	-	-	-
Increase/Decrease in Year	**(110)**	**(398)**	**135**	**65**	**637**	**(1,677)**	**(87)**	**(1,435)**	**(6,604)**	**(8,039)**
Restated Balance at 31st March 2018 c/fwd	**(518)**	**(1,313)**	**(1,939)**	**(1,986)**	**(2,787)**	**(1,677)**	**(2,891)**	**(13,111)**	**(109,266)**	**(122,377)**
Movement in Reserves during 2018/19										-
Surplus or (deficit) on provision of services	342	-	703	-	-	-	-	1,045	-	1,045
Other Comprehensive Expenditure & Income	-			-	-	-	-	-	(17,527)	(17,527)
Total Comprehensive Expenditure and Income	**342**	**-**	**703**	**-**	**-**	**-**	**-**	**1,045**	(17,527)	(16,482)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(641)	-	(395)	-	(210)	(1,652)	(3,124)	(6,022)	6,022	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(299)**	**-**	**308**	**-**	**(210)**	**(1,652)**	**(3,124)**	**(4,977)**	(11,505)	(16,482)
Contribution to Major Repairs Reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Transfers to/from Earmarked Reserves (Note 8)	298	(298)	(121)	121	-	-	-	-	-	-
Increase/Decrease in Year	**(1)**	**(298)**	**187**	**121**	**(210)**	**(1,652)**	**(3,124)**	**(4,977)**	(11,505)	(16,482)
Balance at 31st March 2019	**(519)**	**(1,611)**	**(1,752)**	**(1,865)**	**(2,997)**	**(3,329)**	**(6,015)**	**(18,088)**	(120,771)	(138,859)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2018/19 Gross Expenditure	2018/19 Gross Income	Note	2018/19 Net Expenditure	2017/18 Restated Gross Expenditure	2017/18 Restated Gross Income	2017/18 Restated Net Income/ Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
The Leader	688	(58)		630	958	(339)	619
Environment	5,866	(2,663)		3,203	7,781	(3,438)	4,343
Health & Wellbeing	2,153	(699)		1,454	1,837	(712)	1,125
Customer Services	21,978	(20,458)		1,520	23,534	(21,747)	1,787
Regeneration	2,531	(4,038)		(1,507)	3,009	(1,391)	1,618
Resources	3,905	(858)		3,047	3,432	(953)	2,479
Net Cost of General Fund Services	37,121	(28,774)		**8,347**	**40,551**	**(28,580)**	**11,971**
Housing Revenue Account	9,676	(13,239)		(3,563)	9,185	(13,129)	(3,944)
Net Cost of Services	46,797	(42,013)		**4,784**	**49,736**	**(41,709)**	**8,027**
Other Operating Expenditure			9	1,562			2,582
Financing and Investment Income and Expenditure			10	3,924			3,056
Taxation and non-specific grant income			11	(9,225)			(11,311)
(Surplus) or Deficit on Provision of Services				**1,045**			**2,354**
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			22	(21,020)			(3,435)
(Surplus)/Deficit from investments in equity instruments designated at fair value			15	25			-
(Surplus)/Deficit arising on revaluation of available for sale financial assets			15	-			32
Remeasurements of the net defined pension benefit liability			22	3,468			(6,989)
Other				-			(1)
Other Comprehensive Income and Expenditure				**(17,527)**			**(10,393)**
Total Comprehensive Income and Expenditure				**(16,482)**			**(8,039)**

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 2019	Restated As at 31st March 2018
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	12	241,644	214,799
Heritage Assets	13	226	224
Investment Property	14	37,013	12,121
Intangible Assets		234	209
Long Term Investments	15	1,037	1,048
Long Term Debtors	16	51	106
Total Long Term Assets		**280,205**	**228,507**
Current Assets:			
Short Term Investments	15	6,064	9,053
Inventories		105	100
Short Term Debtors	16	5,159	5,629
Cash & Cash Equivalents	17	4,747	1,037
Total Current Assets		**16,075**	**15,819**
Current Liabilities:			
Short Term Borrowing	15	(6,384)	(3,247)
Short Term Creditors	19	(5,226)	(5,962)
Provisions	20	(802)	(853)
Grants Received in Advance Revenue	32	(270)	(410)
Total Current Liabilities		**(12,682)**	**(10,472)**
Long Term Liabilities:			
Long Term Borrowing	15	(110,708)	(82,717)
Other Long Term Liabilities	36	(34,031)	(28,760)
Total Long Term Liabilities		**(144,739)**	**(111,477)**
Net Assets		**138,859**	**122,377**
Financed By Reserves:			
Usable Reserves	21	(18,088)	(13,111)
Unusable Reserve	22	(120,771)	(109,266)
Total Reserves		**(138,859)**	**(122,377)**

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:	2018/19	Restated 2017/18
		£'000	£'000
Net (surplus) or deficit on provision of services	23	(1,045)	(2,354)
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	9,886	7,163
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(5,250)	(3,396)
Net cash flows from Operating Activities	23	**3,591**	**1,413**
Investing Activities	24	(30,662)	(14,499)
Financing Activities	25	30,781	8,206
Net increase or decrease in cash and cash equivalents		**3,710**	**(4,880)**
Cash and cash equivalents at the beginning of the reporting period		1,037	5,917
Cash and cash equivalents at the end of the reporting period	17	**4,747**	**1,037**

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
- Understandability
- 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 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 arms length transaction. The majority of the Councils 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 operators that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangement and income that it earns from the activity of the operation.

VALUE ADDED TAX

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

GRANTS AND CONTRIBUTIONS

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

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

Grants and contributions for capital purposes are recognised as income on receipt as long as there is no condition for their use that has not been satisfied. Where there is a condition the amount will be held as a receipt in advance until the condition is satisfied at which point the amount is recognised as income.
Where capital grants are recognised as income they are reversed out of the General Fund in the Movement in Reserves Statement and held as unapplied reserves until used to finance capital expenditure.

LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

A de minimis value of £10,000 per leased asset within a lease contract has been applied to all items obtained by lease. Leased assets valued below these limits are treated as revenue expenditure. Software rentals are not treated as leases.

The Council as Lessee - Finance Leases:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

The Council as Lessee - Operating Leases:

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

The Council as Lessor - Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The Council as Lessor - Finance Leases:

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

Lease rentals receivable are apportioned between:

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

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

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

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

The Council as a Lessor - Operating Leases:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

NON-CURRENT ASSETS

Expenditure and Valuation principles

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

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 of 5% over the year, the relevant asset category is revalued in line with the valuation change. The Council's Housing stock is revalued at the end of each financial year in line with the market movement over the year. 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 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 2018/19 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the Authority's Estates office. A *de minimis* value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and £10,000 for new land and buildings. Assets valued below these limits are not included, unless they are included in the rolling revaluation programme.

Fair Value Measurement

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.
The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

Disposals
Assets are removed from the Balance Sheet in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

Charges to Revenue for Non-current Assets

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

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset. The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

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

Impairment

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

Depreciation

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

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

Componentisation of Assets

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

In accordance with the Code, significant components are recognised as assets as acquired, enhanced or revalued from 1st April 2010 onwards, and not retrospectively of this date.

When a component is replaced or restored, the carrying amount of the old component is de-recognised by indexing the cost of the replacement back to the estimated inception date and adjusting for subsequent depreciation and impairment. When replaced components are written out, this does not result in a loss on either asset values or asset sales.

For Property, Plant and Equipment the accounting policy is to componentise all land and property assets valued at £50,000 or more in total where there has been a revaluation or enhancement since 1st April 2010.

The following component categories and useful lives are used:

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

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

INTANGIBLE ASSETS

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

- The asset must be identifiable
- The asset must lack physical substance.

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

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

HERITAGE ASSETS

Definition

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

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

Recognition

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

Valuation

The Council's heritage assets are normally measured at valuation except where it is not possible to establish a valuation; for example if there is no market for a particular heritage asset or where it is not possible to provide a reliable estimate of the replacement cost of the asset due to the lack of comparative information.

The unique nature of many heritage assets makes 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 or is held for sale.

CAPITALISATION OF BORROWING COSTS

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

INVENTORIES

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

WORK IN PROGRESS

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

RESERVES

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

PROVISIONS

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

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

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

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets are possible assets arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council. Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

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

FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the 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 authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 authority, 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 authority 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 authority.

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 Profit or Loss

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

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

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

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
- 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.

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

EXCEPTIONAL ITEMS

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

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

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

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

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made where the adjustment will have a material effect on the accounts for the cost of holiday entitlements (or any form of leave, eg.time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Any accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The Council's annual cost of accumulated absences as defined by the IFRS code of practice is not considered material and therefore has chosen not to accrue these costs.

Termination Benefits

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

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

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of returns on bonds.

- The assets of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value which is the bid value as required by IAS19.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:

  - ➢ The current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

  - ➢ The past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

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

- Re-measurements comprising:

  - ➢ Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;

  - ➢ Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as 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 received from the sale of land or other capital assets above £10,000, a proportion of which may be used to finance capital expenditure.

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 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 2018/19 Code.

- **IFRS 9 *Financial Instruments:* Prepayment features with negative compensations** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

- **IAS40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be classified as investment property. This will have no impact on the Council as it already complies.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on single entity accounts.

- Annual improvements to IFRS Standards 2014-2016 Cycle

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 material effect on the Council's Statement of Accounts.

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the Statement of Accounts are:

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

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

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

The items in the Council's Balance Sheet at 31st March 2019 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 £18k. 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 2018/19 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 2018/19, the Council's actuaries advised that the net pension liability has increased by a net £5.271m, of this a £1.8m increase is as a result of estimates being corrected as a result of experience and an increase of £3.5m attributable to updating of the assumptions. Refer to note 37 for further details.

Arrears	At 31st March 2019 the Council had a net balance of debtors due (excluding government departments) of £4.84m. A review of significant balances suggested that an impairment of doubtful debt of £1.49m 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 £24k
Business Rate Appeals Provision	At March 2019 the total provision for the impact of appeals on business rate income is £0.639m, the Council share of this is £0.255m. 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 £186k. The Council share of this would be £74k.

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 2019 and the date when the Statement of Accounts is authorised for issue 30th July 2019.

As at 31st March 2019 the actual value of scheme assets within the West Sussex Local Government Pension Fund varied materially to the assumptions made by the actuaries within their 2018/19 year end IAS19 reports. Revised reports were commissioned to reflect this position.

Additionally, the impact of the judgement in relation to the legal case (McCloud) concerning alleged age discrimination was not initially factored into the IAS19 actuary reports but disclosed as a contingent liability. Since 31st March 2019 further developments have meant that the impact on the administration of public sector pension schemes nationally is more likely and therefore this assumption has been included in the revised IAS19 reports.

The impact of these changes has been reflected in the 2018/19 core statements and the relevant disclosure notes.

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.

	2018/19 Net Expenditure Chargeable to the General Fund Balance	2018/19 Adjustments between Funding and Accounting Basis	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18 Restated Expenditure Chargeable to the General Fund Balance	2017/18 Restated Adjustments between Funding and Accounting Basis	2017/18 Restated Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Leader	572	58	630	574	45	619
Environment	1,970	1,233	3,203	2,167	2,176	4,343
Health & Wellbeing	1,214	240	1,454	1,038	87	1,125
Customer Services	636	884	1,520	812	975	1,787
Regeneration	(1,893)	386	(1,507)	1,095	523	1,618
Resources	2,493	554	3,047	2,158	321	2,479
HRA	(2,709)	(854)	(3,563)	(2,850)	(1,094)	(3,944)
Net Cost of Services	**2,283**	**2,501**	**4,784**	**4,994**	**3,033**	**8,027**
Other income and expenditure	(2,274)	(1,465)	(3,739)	(5,301)	(372)	(5,673)
(Surplus) or deficit on provision of services	**9**	**1,036**	**1,045**	**(307)**	**2,661**	**2,354**
Other	-	-	-	(1)	-	(1)
Opening General Fund & HRA Reserve Balance at 31st March	(5,756)			(5,448)		
Deficit/(surplus) in Year	9			(307)		
Closing General Fund & HRA Reserve Balance at 31st March *	**(5,747)**			**(5,756)**		

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

2018/19 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	3	55	-	58
Environment	869	364	-	1,233
Health & Wellbeing	33	207	-	240
Customer Services	594	290	-	884
Regeneration	59	327	-	386
Resources	336	218	-	554
Housing Revenue Account	(434)	(420)	-	(854)
Net Cost of Services	**1,460**	**1,041**	**-**	**2,501**
Other income and expenditure from the Funding Analysis	(2,556)	762	329	(1,465)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**(1,096)**	**1,803**	**329**	**1,036**

2017/18 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	10	35	-	45
Environment	1,967	209	-	2,176
Health & Wellbeing	1	86	-	87
Customer Services	912	63	-	975
Regeneration	376	147	-	523
Resources	266	55	-	321
Housing Revenue Account	(403)	(691)	-	(1,094)
Net Cost of Services	**3,129**	**(96)**	**-**	**3,033**
Other income and expenditure from the Funding Analysis	(1,359)	876	111	(372)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**1,770**	**780**	**111**	**2,661**

Income and Expenditure analysed by nature	2018/19	2017/18 Restated
	£'000	£'000
Employee Expenses*	4,190	4,735
Depreciation, amortisation, impairment	6,242	5,182
Precepts	405	385
Payments to the Government Housing Capital Receipts Pool	384	865
Other service expenditure	44,739	45,369
Total Expenditure	55,960	56,536
Grants and contributions	(1,109)	(3,954)
Fees, charges and other service income	(43,388)	(40,780)
(Gain)/loss on disposal of non current assets	(427)	(346)
Income from council tax and business rates	(8,116)	(7,972)
Interest and Investment Income	(1,875)	(816)
Surplus on Business Combination - Pension Fund*	-	(314)
Total Income	(54,915)	(54,182)
Deficit or surplus on Provision of Services	1,045	2,354

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

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

The other service expenditure figure includes the 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.

2018/19 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 22)	(1,258)	(3,867)	-	-	-	**5,125**
Revaluation losses on Property Plant and Equipment (Note 22)	128	467	-	-	-	**(595)**
Movements in the market value of investment Properties (Note 14)	(1,640)	-	-	-	-	**1,640**
Amortisation of intangible assets (Note 22)	(62)	(9)	-	-	-	**71**
Capital grants and contributions applied (Note 22)	159	-	-	-	-	**(159)**
Revenue Expenditure funded from capital under statute (Note 22)	(729)	-	-	-	-	**729**
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)	(85)	(1,769)	-	-	-	**1,854**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory and voluntary provision for the financing of capital investment (Note 22)	1,016	-	-	-	-	**(1,016)**
Capital expenditure charged against the General Fund and HRA balances	44	121	-	-	-	**(165)**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,989	-	-	-	(3,989)	**-**
Repayment of Capital Grant	-	-	-	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account (Note 22)	-	-	-	-	865	**(865)**

2018/19 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital 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	1,062	(1,083)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 34)	-	-	490	-	-	**(490)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 9)	(384)	-	384	-	-	**-**
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)	-	3,876	-	(3,876)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,224	-	**(2,224)**
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	1	-	-	-	-	**(1)**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override (Note 14)	15	-	-	-	-	**(15)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	(4,537)	(276)	-	-	-	**4,813**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 37)	3,010	-	-	-	-	**(3,010)**

2018/19 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments involving the 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	(329)	-	-	-	-	**329**
TOTAL ADJUSTMENTS 2018/19	**(641)**	**(395)**	**(210)**	**(1,652)**	**(3,124)**	**6,022**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	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 A/ct:						
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 22)	(1,364)	(4,539)	-	-	-	**5,903**
Revaluation losses on property plant and equipment	33	642	-	-	-	**(675)**
Movements in the market value of investment properties	111	-	-	-	-	**(111)**
Amortisation of intangible assets	(58)	(7)	-	-	-	**65**
Capital grants and contributions applied	1,386	-	-	-	-	**(1,386)**
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	(2,293)	-	-	-	-	**2,293**
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(213)	(1,920)	-	-	-	**2,133**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	712	-	-	-	-	**(712)**
Capital expenditure charged against the General Fund & HRA	57	-	-	-	-	**(57)**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,189	-	-	-	(1,189)	**-**
Repayment of Capital Grant	-	-	-	-	1,102	**(1,102)**
Application of grants to capital financing transferred to the Capital Adjustment Accounts	-	-	-	-	-	**-**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Receipts Reserve Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	55	757	(812)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	584	-	-	**(584)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(865)	-	865	-	-	**-**
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)	-	4,546	-	(4,546)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,869	-	**(2,869)**
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements.	1	-	-	-	-	**(1)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22)	(3,537)	(81)	-	-	-	**3,618**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 22)	2,838	-	-	-	-	**(2,838)**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments involving the 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.	(111)	-	-	-	-	**111**
TOTAL ADJUSTMENTS 2017/18	**(2,059)**	**(602)**	**637**	**(1,677)**	**(87)**	**3,788**

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 2018/19.

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

Movement in Earmarked Reserves	Balance at 01.04.17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31.03.18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31.03.19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	121	(107)	444	458	(227)	194	425
Insurance Fund	181	(36)	30	175	(53)	31	153
New Technology Fund*	22	(22)	-	-	-	-	-
Special & Other Emergency	86	(5)	-	81	(21)	-	60
Business Rates Smoothing	-	-	-	-	-	402	402
Health and Safety*	33	(33)	-	-	-	-	-
Investment Property Maintenance Fund	38	-	-	38	(38)	-	-
Election Reserve	8	-	-	8	-	-	8
Grants & Contributions	426	(168)	295	553	(174)	184	563
Total General Fund	**915**	**(371)**	**769**	**1,313**	**(513)**	**811**	**1,611**
Housing Revenue Account							
New Development & Acquisition Reserve	1,761	-	-	1,761	(121)	-	1,640
Discretionary Assistance Fund	116	-	-	116	-	-	116
Business Improvement Reserve	174	(65)	-	109	-	-	109
Total Housing Revenue Account	**2,051**	**(65)**	**-**	**1,986**	**(121)**	**-**	**1,865**
Total Earmarked Reserves	**2,966**	**(436)**	**769**	**3,299**	**(634)**	**811**	**3,476**

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

RESERVE	PURPOSE OF RESERVE
Special and Other Emergency Expenditure Reserve	This will be used to cover future risks, including legal costs, liabilities arising on contractor bankruptcy etc.
Business Rates Smoothing Reserve	This reserve is intended to smooth the impact of changes to reliefs in-year.
Capacity Issues Fund	To cushion the impact of the recession and fund one-off initiatives for the community.
Insurance Fund	To fund uninsured losses.
New Technology	To fund additional IT equipment. This small reserve has been consolidated into the Capacity Issues Fund.
Health and Safety	To offset unexpected costs arising from Health and Safety legislation. This small reserve has been consolidated into the Capacity Issues Fund.
Investment Property Maintenance Fund	Fund to offset future maintenance costs of investment property.
Elections	To replace and update election equipment that previously had been funded by government.
Grants and Contributions	The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.
Housing Revenue Account – Working Balance	A ring fenced reserve for Housing Revenue Account surplus.
New Development & Acquisition Reserve	Earmarked reserve specifically for new development and refurbishment of council housing**.**
Business Improvement Reserve	A new reserve to fund new digital technologies and business transformation to generate efficiencies in the Adur Homes service.
Discretionary Assistance Fund	Earmarked reserve to provide financial assistance to tenants who may require support not otherwise available.

NOTE 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2018/19	2017/18
	£'000	£'000
Parish Council Precepts	405	385
De-recognition of Assets	1,200	1,678
Payments to the Government Housing Capital Receipts Pool	384	865
(Gains)/losses on the disposal of non-current assets	(427)	(346)
TOTAL	**1,562**	**2,582**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2018/19	Restated 2017/18
	£'000	£'000
Interest payable & similar charges	3,397	3,198
Pensions interest cost & expected return on pensions assets	762	875
Interest receivable & similar income	(193)	(170)
Income and expenditure in relation to investment properties	(1,514)	(600)
Changes in fair value of investment properties	1,640	(111)
Other investment income (Trading Operations Note 26)	(168)	(136)
TOTAL	**3,924**	**3,056**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2018/19	2017/18
	£'000	£'000
Council Tax Income (including Parish Council Precepts)	(6,466)	(6,239)
Non Domestic Rates income and expenditure	(1,650)	(1,733)
Non-ringfenced Government Grants	(916)	(1,545)
Capital Grants and Contributions	(193)	(1,794)
TOTAL	**(9,225)**	**(11,311)**

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2018/19	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 2018	171,883	31,333	6,012	6,188	1,764	-	4,467	221,647
Prior Year Adjustment	-	-	(1)	-	-	-	-	(1)
Additions	2,153	135	382	414	-	-	9,174	12,258
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13,800	1,012	22	1	-	-	- 760	15,595
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	19	378	-	-	-	54	-	451
Derecognition	(1,231)	(27)	(584)	(71)	-		-	(1,913)
Assets reclassified (to)/from Held for Sale	(588)	-	-	-	-	-	-	(588)
Reclassifications to Intangible Assets	-	-	-	-	-	-	(47)	(47)
Reclassifications between PPE asset classes	(620)	(233)	-	93	-	1,336	(576)	-
As at 31st March 2019	**185,416**	**32,598**	**5,831**	**6,625**	**1,764**	**1,390**	**13,778**	**247,402**
Accumulated Depreciation and Impairment								
1st April 2018	-	(1,406)	(3,148)	(2,265)	-	-	(29)	(6,848)
Depreciation charge	(3,764)	(601)	(550)	(210)	-	-	-	(5,125)
Depreciation written out to the Revaluation Reserve	3,691	1,741	(7)	-	-	-	-	5,425
Deprecation written out to the Surplus/Deficit on the Provision of Services	5	139	-	-	-	-	-	144
Derecognition	55	2	518	71	-	-	-	646
Reclassifications between PPE asset classes	13	12	-	-	-	(10)	(15)	-
As at 31st March 2019	**-**	**(113)**	**(3,187)**	**(2,404)**	**-**	**(10)**	**(44)**	**(5,758)**
Net Book Value at 31st March 2019	**185,416**	**32,485**	**2,644**	**4,221**	**1,764**	**1,380**	**13,734**	**241,644**
Net Book Value at 31st March 2018 Restated	**171,883**	**29,927**	**2,864**	**3,923**	**1,764**	**-**	**4,438**	**214,799**

OPERATIONAL ASSETS

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

Movements in 2018/19	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
1st April 2018	5,190	275	5,465
Additions	311	(67)	244
Reclassifications	-	(9)	(9)
Derecogniton - Other	(584)	-	(584)
at 31st March 2019	**4,917**	**199**	**5,116**
Accumulated Depreciation and Impairment			
1st April 2018	(2,659)	-	(2,659)
Transfer out of Joint Account	-	-	-
Depreciation charge	(486)	-	(486)
Derecognition - Other	517	-	517
at 31st March 2019	**(2,628)**	**-**	**(2,628)**
Net Book Value at 31st March 2019	**2,289**	**199**	**2,488**
Net Book Value at 31st March 2018	**2,531**	**275**	**2,806**

Comparative Movements 2017/18

Movements in 2017/18 - Restated	Council Dwellings	RESTATED Other and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Assets Under Const-ruction	Restated TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2017	173,794	29,649	5,643	6,273	1,764	1,864	218,987
Additions	2,797	404	1,638	16	-	1,984	6,839
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,142	756	-	13	-	-	- 2,911
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,809)	595	-	-	-	-	(3,214)
Derecognition	(1,520)	(227)	(1,270)	(2)	-	-	(3,019)
Assets reclassified (to)/from Held for Sale	(388)	-	-	-	-	-	(388)
Reclassifications to other categories - Intangible Assets and Revenue Expenditure Funded from Revenue Sources	-	-	-	(112)	-	(357)	(469)
Reclassifications between PPE asset classes	(1,133)	156	1	-	-	976	-
As at 31st March 2018	**171,883**	**31,333**	**6,012**	**6,188**	**1,764**	**4,467**	**221,647**
Accumulated Depreciation and Impairment							
At 1st April 2017	-	(839)	(3,797)	(2,054)	-	-	(6,690)
Depreciation charge	(4,422)	(656)	(612)	(213)	-	-	(5,903)
Depreciation written out to the Revaluation Reserve	522	1	-	-	-	-	523
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,810	79	-	-	-	-	3,889
Derecognition	61	9	1,261	2	-	-	1,333
Reclassifications between PPE asset classes	29	-	-	-	-	(29)	-
As at 31st March 2018	**-**	**(1,406)**	**(3,148)**	**(2,265)**	**-**	**(29)**	**(6,848)**
Net Book Value As at 31st March 2018	**171,883**	**29,927**	**2,864**	**3,923**	**1,764**	**4,438**	**214,799**
As at 31st March 2017	**173,794**	**28,810**	**1,846**	**4,219**	**1,764**	**1,864**	**212,297**

Comparative Movements 2017/18

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

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

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 2019 the Council has entered into 7 significant contracts for the acquisition, development and enhancement of assets in future years estimated to cost £18.056m. The significant commitments at 31st March 2018 were £8.886m. The significant commitments at 31st March 2019 are:

- ICT Computers: £183,223
- Refuse / Recycling / Street Cleansing Vehicle Replacements: £110,766
- Grant to Sussex Yacht Club for the relocation of their club house: £3,300,000
- Housing Stock fire doors – Extendable on an annual basis for 5 years £300,000 per annum.
- Adur Civic Centre Redevelopment Phase 1 - £8,302,696
- Acquisition of Erskin Court: £5,675,000
- Financial Management System Replacement: £183,986

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	-	-	2,644	4,221	1,764	-	13,734	22,363
Valued at current value as at:								
31st March 2019	185,416	15,377	-	-	-	1,255	-	202,048
31st March 2018	-	1,272	-	-	-	-	-	1,272
31st March 2017	-	2,962	-	-	-	-	-	2,962
31st March 2016	-	12,874	-	-	-	125	-	12,999
Total Cost or Valuation	**185,416**	**32,485**	**2,644**	**4,221**	**1,764**	**1,380**	**13,734**	**241,644**

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 2019:

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 2019
	£'000	**£'000**	**£'000**	**£'000**
Land	-	1,255	-	1,255
Public Convenience	-	125	-	125
TOTAL	-	**1,380**	**-**	**1,380**

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.

There were no surplus assets at 31st March 2019.

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 2018/19	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2018	11	28	185	224
Revaluations	1	1	-	2
As at 31st March 2019	**12**	**29**	**185**	**226**
As at 31st March 2018	**11**	**28**	**185**	**224**

COMPARATIVE MOVEMENTS 2017/18

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

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

Fine Art/Furniture

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

Monuments

The war memorial at The Green, Southwick is reported in the Balance Sheet at historical cost as it is not practical to provide a valuation

NOTE 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.

	2018/19	2017/18
	£'000	**£'000**
Rental income from investment property	(1,814)	(1,055)
Direct operating expenses arising from investment property	300	545
Net (gain)/loss	**(1,514)**	**(510)**

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

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

	2018/19	Restated 2017/18
	£'000	**£'000**
Balance at start of the year	12,121	431
Additions:		
New Lease Granted	-	72
Acquisitions	26,532	11,579
Net gains/losses from fair value adjustments:		
General Fund	(1,640)	39
Balance at end of the year	37,013	12,121

Fair Value Measurement of Investment Property

Details of the authority's investment properties and information about the fair value hierarchy as at 31st March 2019 and 31st March 2018 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 2019
	£'000	**£'000**	**£'000**	**£'000**
Land	-	544	-	544
Office	-	22,030	-	22,030
Petrol Filling Station	-	2,729	-	2,729
Retail	-	11,710	-	11,710
TOTAL	-	37,013	-	37,013

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Restated Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Restated Fair value as at 31st March 2018
	£'000	£'000	£'000	£'000
Land	-	12,121	-	12,121
TOTAL	-	12,121	-	12,121

Transfers between Levels of the Fair Value Hierarchy

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

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

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

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

Valuation Process for Investment Properties

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

NOTE 15: FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Fair Value through Profit and Loss	983	968	-	-	-	-	-	-	**983**
Amortised Cost - Principal and adjustments	4	5	51	106	6,000	9,000	2,062	1,775	**8,117**
Amortised Cost - Cash and Cash Equivalents	-	-	-	-	4,747	1,037	-	-	**4,747**
Amortised Cost - accrued interest	-	-	-	-	64	53	-	-	**64**
Fair Value through other comprehensive income	50	75	-	-	-	-	-	-	**50**
Total Financial Assets	**1,037**	**1,048**	**51**	**106**	**10,811**	**10,090**	**2,062**	**1,775**	**13,961**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**3,097**	**3,854**	**3,097**
Total	**1,037**	**1,048**	**51**	**106**	**10,811**	**10,090**	**5,159**	**5,629**	**17,058**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Amortised Cost - Principal	(110,708)	(82,717)	**-**	**-**	(5,886)	(2,849)	(1,930)	(2,420)	**(118,524)**
Amortised cost - accrued interest	-	-	-	-	(498)	(398)	-	-	**(498)**
Total Financial Liabilities	**(110,708)**	**(82,717)**	**-**	**-**	**(6,384)**	**(3,247)**	**(1,930)**	**(2,420)**	**(119,022)**
Non-financial liabilities	-	-	-	-	-	-	**(3,296)**	**(3,542)**	**(3,296)**
Total	**(110,708)**	**(82,717)**	**-**	**-**	**(6,384)**	**(3,247)**	**(5,226)**	**(5,962)**	**(122,318)**

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

The Non-financial assets and liabilities are the balances which do not meet the definition of a financial instruments, 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 and building societies, 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 2019 they are all Short Term Investments. The Council's investments in money market funds are valued at amortised cost and are 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 has been reclassified from Available for Sale Financial Assets to Fair Value through Profit or Loss and the current value of £983k 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 2019. 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:

- reclassified from loans and receivables: £25,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- reclassified from Available for Sale Financial Assets: 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 has been written down from £50,000 to £25,000, due to uncertainty regarding its future activity. The loss is shown in the table below. These assets are included in Long Term Investments on the Balance Sheet.

There were no transfers between input levels during the year and no changes in the valuation technique 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:

	2018/19	2018/19	2017/18	2017/18
	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 (Local Authorities' Property Fund)	15	-		(32)
financial assets measured at amortised cost	57	-	(58)	-
financial assets measured at fair value through other comprehensive income (Municipal Bonds Agency)	-	(25)	-	-
Total net gains/(losses)	**72**	**(25)**	**(58)**	**(32)**
Interest revenue:				
financial assets measured at amortised cost	136	-	129	-
other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	43	-	41	-
Total interest revenue	**179**	**-**	**170**	**-**
Interest expense	**(3,398)**	**-**	**(3,198)**	**-**
Fee expense on financial liablilities that are not at fair value through profit or loss	**(10)**	**-**	**(5)**	**-**

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

Capitalisation of Borrowing Costs

The Council capitalised £85,563 of borrowing costs, at an average rate of 2.11%, relating to the development of an office building on the Civic Centre car park site in Shoreham.

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

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

The fair value of the reported carrying amounts at 31st March 2019 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

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

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

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

- No early repayment or impairment is recognised.

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

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

	31st March 2019		31st March 2018	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	(98,666)	(115,779)	(67,536)	(81,828)
Non-PWLB Debt	(18,426)	(33,249)	(18,428)	(32,967)
Short Term Creditors	(1,930)	(1,930)	(2,420)	(2,420)
Total	**(119,022)**	**(150,958)**	**(88,384)**	**(117,215)**

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 2019) arising from a commitment to pay interest to lenders above current market rates.

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

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £170.32m, 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 values for Financial Assets are compared with the carrying amounts as follows:

Financial Assets - valued at amortised cost	31st March 2019		at 31st March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	6,064	6,065	9,053	9,070
Long term investments	4	4	5	5
Cash and cash equivalents	4,747	4,747	1,037	1,037
Short term debtors	2,062	2,062	1,775	1,775
Long term debtors	51	51	106	106
Total	**12,928**	**12,929**	**11,976**	**11,993**

The fair value of the financial assets is almost the same as the carrying amount because the Council's fixed rate loans held at 31st March, 2019 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

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

Nature and Extent of Risks Arising From Financial Instruments

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

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

Overall procedures for managing risk

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website at https://www.adur-worthing.gov.uk/media/media.152368.en.pdf.

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

- UK institutions provided with support from the UK Government and support rating AA- for other countries

- The top five Building Societies by asset size

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

- Banks - £4m for a maximum of 5 years;

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

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

The full investment strategy for 2018/19 was approved by the Council on 22nd February 2018 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 £9.5m in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2019 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 uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk Exposure	Carrying Amount at 31-Mar-19	Estimated Maximum Exposure to Loss 31-Mar-19	Estimated Maximum Exposure 31-Mar-18
	£'000	£'000	£'000
Lease debtors	169	61	88
Sundry debtors	1,893	666	815

Excluding statutory debtors – 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 2019 as part of the final accounts process) are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and Note 16.

Credit Risk Exposure

At 31st March 2019 the Council the Council held £1m of bank investments at credit rating A+ and £5m at rating A. £3.5m 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. No credit limits were exceeded during the reporting period. All of these investments are due to be repaid within 12 months.

Liquidity Risk

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

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

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk 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 2019	Actual 31 March 2019	Actual 31 March 2018	Actual 31 March 2018
				£'000s		£'000s
Maturing within one year	0%	20%	6%	6,384	4%	3,247
Maturing in 1-2 years	0%	25%	5%	5,892	3%	2,854
Maturing in 2-5 years	0%	30%	14%	16,904	10%	8,176
Maturing in 5-10 years	0%	50%	19%	22,622	16%	13,558
Maturing in 10-20 years	0%	60%	27%	31,430	26%	22,557
Maturing in 20-30 years	0%	60%	4%	5,202	8%	6,904
Maturing in more than 30 years	0%	45%	25%	28,658	33%	28,668
TOTAL			**100%**	**117,092**	**100%**	**85,964**

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 interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. All current borrowing is at fixed rates, although the Council has set a maximum limit of 25% for variable rate borrowing.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget 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 2019, 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	37
Share of overall impact credited or debited to the HRA	10
Decrease in fair value of fixed rate investment assets - impact on Other Comprehensive Income and Expenditure	5
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)	17,874

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

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. In April 2017 the Council invested £1m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. Due to statutory override, any gains or losses are not charged to the General Fund.

Foreign Exchange Risk

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

NOTE 16: DEBTORS

	31-Mar-19	31-Mar-18
Amounts falling due in one year net of bad debt impairment provision:	**£'000s**	**£'000s**
Central Government Bodies	315	904
Other Local Authorities	1,098	1,068
NHS Bodies	26	30
*Other Entities and Individuals	3,720	3,627
	5,159	5,629
*** Of which £1.6m relates to net Housing Benefit overpayment arrears**		

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

Overall Aged Debt Analysis	31-Mar-19	31-Mar-18
	£'000	**£'000**
Under 1 year	4,917	5,337
1 - 2 years	44	42
2 - 3 years	30	27
Over 3 years	168	223
	5,159	5,629

Long Term Debtors

Long term debtors disclosed in the balance sheet comprise of:

Long Term Debtors	31-Mar-19	31-Mar-18
	£'000s	**£'000s**
Council house purchase	-	1
Car loans	51	105
TOTAL	**51**	**106**

NOTE 17: CASH AND CASH EQUIVALENTS

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

	31-Mar-19	31-Mar-18
	£'000	£'000
The balance is made up of the following elements:		
Cash held/(overdrawn) by the Council	1	1
Bank Current Accounts	1,232	236
Call Accounts and Money Market Funds	3,514	800
Total Cash & Cash Equivalents	**4,747**	**1,037**

NOTE 18: ASSETS HELD FOR SALE

	Current 2018/19	Current 2017/18	Non Current 2018/19	Non Current 2017/18
	£'000	£'000	£'000	£'000
Balance outstanding at start of year 1st April 2018	-	58	-	-
Assets newly classified as held for sale:				
From Property, Plant and Equipment	588	388	-	-
Assets sold:	(588)	(446)	-	-
Balance outstanding at year-end	**-**	**-**	**-**	**-**

The Authority recognised the following assets as held for sale during 2018/2019

- 9 Council Dwellings being sold under 'Right to Buy' Regulations were reclassified as held for sale.
- 9 sales of 'Right to Buy' Council Dwellings completed in 2018/2019.

NOTE 19: CREDITORS

	31-Mar-19	31-Mar-18
	£'000s	£'000s
Central Government Bodies	(1,089)	(1,813)
Other Local Authorities	(1,937)	(1,482)
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	(2,200)	(2,667)
TOTAL	**(5,226)**	**(5,962)**

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-18	Additional provisions made in 2018/19	Amounts used in 2018/19	Balance at 31-Mar-19
	£'000	**£'000**	**£'000**	**£'000**
Census Partnership	(69)	(69)	-	(138)
Courtfields Major works	(358)	(17)	-	(375)
Insurance Provision	(25)	-	-	(25)
Land Charges Provision	(8)	-	-	(8)
Business Rates Appeals	(393)	-	137	(256)
	(853)	**(86)**	**137**	**(802)**

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, which has been increased by £17,275. No major works are currently programmed for the properties but it is highly likely that some major works will need to be undertaken in the next few years.

Business Rates Appeals:

A provision has been made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The gross provision is £638,557, Adur Council's share is £255,423, being 40% of the total.

Census Partnership cessation costs:

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

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

NOTE 21: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 28

NOTE 22: UNUSABLE RESERVES

UNUSABLE RESERVES	31st March 2019	Restated 31st March 2018
	£'000s	£'000s
Revaluation Reserve	(99,134)	(79,142)
Available for Sale Financial Instruments Reserve	-	32
Capital Adjustment Account	(56,807)	(59,684)
Financial Instruments Adjustment Account	430	431
Financial Instruments Revaluation Reserve	42	-
Deferred Capital Receipts Reserve	-	(1)
Pension Reserve	34,023	28,752
Collection Fund Adjustment Account	675	346
TOTAL UNUSABLE RESERVES	**(120,771)**	**(109,266)**

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	2018/19	2017/18
	£'000	**£'000**
Balance at 1st April	(79,142)	(76,538)
Upward revaluation of assets	(21,608)	(8,005)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	588	4,570
Surplus or deficit on revaluation of non-current assets charged to other comprehensive income and expenditure	**(21,020)**	**(3,435)**
Difference between fair value depreciation and historical cost depreciation	773	655
Accumulated gains on assets sold	255	176
Amount written off to Capital Adjustment Account	**1,028**	**831**
Balance at 31st March	**(99,134)**	**(79,142)**

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

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	2018/19	Restated 2017/18
	£'000	£'000
Balance at 1st April	**(59,684)**	**(61,752)**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure		
Charges for depreciation and impairment of non-current assets	5,125	5,903
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	(595)	(675)
Amortisation of intangible assets	71	65
Revenue expenditure funded from capital under statute Current Year	728	1,834
Revenue expenditure funded from capital under statute Prior Years	1	459
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,854	2,133
Net written out amount of the cost of non-current assets consumed in the year	**7,184**	**9,719**
Adjusting amounts written out of the Revaluation Reserve	(1,028)	(831)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(490)	(583)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,224)	(2,869)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(159)	(1,386)
Application of grants to capital financing from the Capital Grants Unapplied Account	(865)	(1,102)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,016)	(712)
Capital expenditure charged against the General Fund and HRA balances	(165)	(57)
	(5,947)	**(7,540)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1,640	(111)
Balance at 31st March	**(56,807)**	**(59,684)**

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.

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	2018/19	2017/18
	£'000	£'000
Balance at 1st April	28,752	34,961
Remeasurements of the net defined benefit liability / (asset)	3,468	(6,989)
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	4,813	3,618
Employer's pension contributions and direct payments to pensioners payable in the year	(3,010)	(2,838)
Balance at 31st March	34,023	28,752

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	2018/19	2017/18
	£'000	£'000
Balance at 1 April	346	235
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	27	28
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	302	83
Balance at 31 March	**675**	**346**

NOTE 23: CASH FLOW - OPERATING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	183	159
Interest paid	(3,298)	(3,138)
Total	**(3,115)**	**(2,979)**

Cash Flow – Net Cash Flow From Operating Activities

	Net 2018/19	Net 2017/18
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(1,045)**	**(2,354)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	5,125	5,903
Impairment and downward valuations	(595)	(675)
Amortisation	71	65
Increase/(Decrease) in Creditors	(502)	(636)
(Increase)/Decrease in Debtors	565	(120)
(Increase)/Decrease in Inventories	(5)	(1)
Movement in Pension Liability	1,803	779
Contributions to/(from) Provisions	51	(172)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,854	2,133
Movement in Investment property values	1,519	(113)
	9,886	**7,163**
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	(1,095)	(822)
Net capital Grants credited to surplus or deficit on the provision of services	(4,155)	(2,574)
	(5,250)	**(3,396)**
Net Cash Flows from Operating Activities	**3,591**	**1,413**

NOTE 24: CASH FLOW - INVESTING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(39,045)	(17,898)
Purchase of short-term and long-term investments	(98,283)	(103,120)
Other payments for investing activities	(21)	(100)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,745	822
Proceeds from short-term and long-term investments	101,283	103,120
Other receipts from investing activities	3,659	2,677
Net cash flows from investing activities	**(30,662)**	**(14,499)**

NOTE 25: CASH FLOW - FINANCING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
Cash receipts of short- and long-term borrowing	35,035	13,368
Repayments of short- and long-term borrowing	(4,007)	(2,782)
Other payments for financing activities	(247)	(2,380)
Net cash flows from financing activities	**30,781**	**8,206**

NOTE 26: TRADING OPERATIONS

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

	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	2017/18 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	431	(599)	(168)	(136)
	431	**(599)**	**(168)**	**(136)**

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

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

NOTE 27: AGENCY SERVICES

Adur District Council has entered into an Agency Agreement with West Sussex County Council to provide the Parking Enforcement for the District. In 2018/19 income collected was £173,941 (2017/18 £143,425) and expenditure was £173,495 (2017/18 £173,128). West Sussex County Council contributes £50,000 towards this contract, with the balance being funded by Adur District Council.

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

NOTE 28: MEMBERS' ALLOWANCES

The total allowances paid to Members were as follows:

2018/19	2017/18
£	£
205,510	200,180

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:-

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

Remuneration Bands	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 to £54,999	13	6
£55,000 to £59,999*	3	4
£60,000 to £64,999	4	5
£65,000 to £69,999	3	4
£70,000 to £74,999*	4	6
£75,000 to £79,999	4	2
£80,000 to £84,999	1	1
£90,000 to £94,999	-	3
£95,000 to £99,999	3	1
£115,000 to £119,999	1	-
£120,000 to £124,999	-	1
	36	**33**

* These include redundancy, efficency of service and settlement payments relating to 2018/19 and 2017/18. Please see the exit packages table at the end of this note and Note 30 termination benefits for a breakdown of these payments.

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

<u>Note 1</u>: There were no staff whose salary was more than £150,000 in 2018/19 and in 2017/18.

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

<u>Note 2</u>: 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 2018/19 or 2017/18.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above							
Postholder	**Salary, Fees and Allowances**	**Compensation for loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contribution - Employer Only**	**Total Remuneration including Pension Contributions**	**Net Cost bourne by Worthing B.C. and paid to Adur D.C.**	**Net Cost borne by Adur D.C. Employing Authority**
Chief Executive							
2018/19	118,824	-	118,824	25,072	143,896	71,948	71,948
2017/18	120,438	-	120,438	25,412	145,850	72,925	72,925
Director for Communities							
2018/19	99,750	-	99,750	21,047	120,797	72,478	48,319
2017/18	92,920	-	92,920	19,606	112,526	60,201	52,325
Director for Digital & Resources							
2018/19	99,750	-	99,750	21,047	120,797	66,740	54,057
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
Director for the Economy							
2018/19	99,750	-	99,750	21,047	120,797	82,142	38,655
2017/18	93,849	-	93,849	19,802	113,651	77,283	36,368
Director for Customer Services							
2018/19	-	-	-	-	-	-	-
2017/18	50,326	44,000	94,326	9,559	103,885	62,331	41,554
Head of Finance ***S151 Officer***							
2018/19	77,090	-	77,090	16,266	93,356	54,053	39,303
2017/18	73,448	-	73,448	15,498	88,946	48,209	40,737
Head of Legal ***Monitoring Officer***							
2018/19	69,522	-	69,522	14,831	84,353	47,816	36,537
2017/18	68,144	-	68,144	14,540	82,684	40,912	41,772
Head of Planning & ***Strategic Planning***							
2018/19	70,288	-	70,288	14,831	85,119	43,411	41,708
2017/18	70,465	-	70,465	14,868	85,333	43,520	41,813
Head of Housing ***Strategic Housing***							
2018/19	66,860	-	66,860	13,955	80,815	29,093	51,721
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354

NOTE 30 OFFICERS' REMUNERATION - EXIT PACKAGES AND TERMINATION BENEFITS

EXIT PACKAGES

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

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
							£	**£**
£0 - £20,000	6	2	9	2	15	4	148,079	28,931
£20,000 - £40,000	3	1	4	4	7	5	188,290	151,380
£40,000 - £60,000	-	-	1	2	1	2	52,065	96,065
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings	9	3	14	8	23	11	388,434	276,376
Total cost included in CIES	9	3	14	8	23	11	388,434	276,376

These redundancy costs are shared between Adur & Worthing Councils in proportion to the service allocation. The total cost of £388,424 in the table above includes **£161,176** for exit packages that have been charged to Adur's Comprehensive Income and Expenditure Statement in the current year.

TERMINATION BENEFITS

	Adur
	£
Redundancy costs	161,176
Enhanced Pension Benefits	99,571
Total termination benefit 2018/19	260,747
Termination benefits 2017/18	186,499

Of this total, £161,176 is payable in the form of compensation for loss of office and £99,571 is the 2018/19 cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 31: EXTERNAL AUDIT COSTS

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

	2018/19	2017/18
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	37	48
Fees payable to external auditors for the certification of grant claims and returns for the year	15	27
TOTAL	**52**	**75**

NOTE 32: GRANT INCOME

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

	2018/19	2017/18
	£'000s	£'000s
Credited to Taxation and Non specific Grant Income		
Council Tax Transition Grant	-	(73)
New Homes Bonus Scheme	(202)	(557)
Revenue Support	-	(271)
Section 31 Grant	(714)	(644)
	(916)	**(1,545)**
Credited to Taxation and Non specific Grant Income		
S106 Other Contributions	(62)	(613)
	(62)	**(613)**
Capital Grants & Donations - Specific		
Local Enterprise Partnership Funding	(86)	(1,113)
MHCLG Disabled Facilities Grant	(650)	(615)
Local Enterprise Partnership Funding via Worthing BC	(3,285)	(90)
Other Grants & Donations	(73)	(144)
	(4,094)	**(1,962)**
Credited to Services - General Fund Grants		
Brighton & Hove City Council - Heat Delivery Unit	-	(30)
Cabinet Office - IER s31 grant	(13)	(13)
Department of Work and Pensions	(89)	(67)
MHCLG - Growth Point for Shoreham Harbour	-	(259)
MHCLG - Flexible Homelessness Support	(206)	(184)
MHCLG - Other	(160)	(70)
Other Grants	-	(1)
WSCC - LEAP Funding	(71)	(55)
Grants recognised in the Joint Committee	(532)	(474)
	(1,071)	**(1,153)**
TOTAL	**(6,143)**	**(5,273)**

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:

	2018/19	2017/18
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Brighton& Hove City Council - Heat Network Delivery Unit	-	(51)
MHCLG - Other	(16)	(63)
WSCC - LEAP funding	(17)	(87)
Grants recognised in the Joint Committee	(237)	(209)
TOTAL	**(270)**	**(410)**

NOTE 33: RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 32. Grant receipts which remain to be used at 31st March 2019 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 2018/19 is shown in Note 28. During 2018/19 there were no related party transactions declared by Councillors. In 2018/19 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 2018/19.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

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

Payment of a subsidy of £145,000 was made to Impulse Leisure Trust in 2018/19. The value of this receipt is material to the Leisure Centre Trust.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19	Restated 2017/18
	£'000	**£'000**
Opening Capital Financing Requirement	88,603	75,012
Capital Investment		
Property, Plant and Equipment	12,258	6,839
Investment Properties	26,532	11,579
Intangible Assets	47	49
Revenue Expenditure Funded from Capital Under Statute	729	1,834
Sources of Finance		
Capital receipts	(490)	(584)
Government grants and other contributions	(1,024)	(2,488)
Sums set aside from revenue:		
Direct revenue contributions	(44)	(51)
MRP/loans fund principal	(1,016)	(712)
Revenue funding	(2,345)	(2,875)
Closing Capital Financing Requirement	**123,250**	**88,603**
Explanation of movements in year		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	34,647	13,591
Increase/(decrease) in Capital Financing Requirement	**34,647**	**13,591**

NOTE 35: LEASES

Operating Leases - Lessor

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- 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-19	31-Mar-18
	£'000	**£'000**
Not later than one year	1,682	1,311
Later than one year and not later than five years	4,386	1,936
Later than five years	10,518	3,075
	16,586	6,322

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 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities		31-Mar-19	31-Mar-18
	See Note No.	**£'000s**	**£'000s**
Commuted Sums		(8)	(8)
Pension Reserve Liability	37	(34,023)	(28,752)
TOTAL		**(34,031)**	**(28,760)**

NOTE 37: DEFINED BENEFIT PENSION PLANS

Participation in Pension Plans

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

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

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

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Adur 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
	£'000s	£'000s	£'000s	£'000s
Cost of services				
Current service cost	(628)	(2,558)	(3,186)	(3,122)
Past service cost	(179)	(686)	(865)	(46)
Effect of business combination	-	-	-	425
Financing & Investment Income & Expenditure				
Net Interest cost	(749)	(13)	(762)	(875)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(1,556)**	**(3,257)**	**(4,813)**	**(3,618)**
Other post employment benefit charged to the CI&E Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	2,749	1,897	4,646	4,444
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(3,643)	(4,395)	(8,038)	2,101
Other (if applicable)	(76)	-	(76)	444
Total remeasurements recognised in the other comprehensive income	**(970)**	**(2,498)**	**(3,468)**	**6,989**
Total post-employment benefits charged to the CI&E statement	**(2,526)**	**(5,755)**	**(8,281)**	**3,371**

Transactions Relating to Post-employment Benefits

	Adur 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
	£'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	(1,556)	(3,257)	(4,813)	(3,618)
Actual amounts charged against the General Fund balance for pensions in the year:				
Employer's contributions payable to the scheme	1,412	1,445	2,857	2,685
Retirement benefits payable to pensioners	153	-	153	153
Total charged against the General Fund balance	1,565	1,445	3,010	2,838

Pension Assets and Liabilities

Pensions Assest and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint Cttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(94,897)	(51,033)	(145,930)	(91,639)	(42,232)	(133,871)
Fair value of plan assets	64,756	47,151	111,907	62,459	42,660	105,119
Net liability arising from defined benefit obligation	**(30,141)**	**(3,882)**	**(34,023)**	**(29,180)**	**428**	**(28,752)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
Opening fair value of scheme assets	62,459	42,660	105,119	60,503	37,582	98,085
Interest income	1,595	1,170	2,765	1,483	1,008	2,491
Remeasurement gain / (loss):			-			-
The return on plan assets, excluding the amount included in the net interest expense	2,749	1,897	4,646	2,731	1,713	4,444
Contributions from employer	1,565	1,445	3,010	1,498	1,340	2,838
Contributions from employees into the scheme	102	438	540	92	427	519
Benefits paid	(3,715)	(458)	(4,173)	(3,848)	(394)	(4,242)
Effect of Business Combination	-	-	-	-	984	984
Closing fair value of scheme assets	**64,755**	**47,152**	**111,907**	**62,459**	**42,660**	**105,119**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance at 1st April	(91,639)	(42,232)	(133,871)	(94,106)	(38,941)	(133,047)
Current service cost	(628)	(2,558)	(3,186)	(587)	(2,535)	(3,122)
Interest cost	(2,345)	(1,182)	(3,527)	(2,312)	(1,054)	(3,366)
Contributions from scheme members	(102)	(438)	(540)	(92)	(427)	(519)
Remeasurement (gains) and losses:						
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	(3,643)	(4,395)	(8,038)	1,183	918	2,101
Other experience	(76)	-	(76)	444	-	444
Past service cost	(179)	(686)	(865)	(17)	(29)	(46)
Benefits paid	3,715	458	4,173	3,848	395	4,243
Liabilities extinguished on settlements	-	-	-	-	(559)	(559)
Closing balance 31st March	**(94,897)**	**(51,033)**	**(145,930)**	**(91,639)**	**(42,232)**	**(133,871)**

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					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,784.9	1,299.6	3,084.5	1,607.4	1,097.9	2,705.3
Equity instruments:						
Consumer	6,307.9	4,593.0	10,900.9	8,885.6	6,068.9	14,954.5
Manufacturing	3,721.6	2,709.8	6,431.4	5,708.8	3,899.1	9,607.9
Energy and Utilities	1,971.4	1,435.4	3,406.8	3,016.4	2,060.2	5,076.6
Financial Institutions	7,769.2	5,657.0	13,426.2	10,173.0	6,948.2	17,121.2
Health and Care	3,116.6	2,269.3	5,385.9	4,327.7	2,955.8	7,283.5
Information Technology	4,193.2	3,053.2	7,246.4	8,535.2	5,829.6	14,364.8
Other	3,700.1	2,694.2	6,394.3	2,877.7	1,965.4	4,843.1
Sub-total equity	**30,780.0**	**22,412.0**	**53,192.0**	**43,524.4**	**29,727.2**	**73,251.6**
Debt Securities:						
UK Government	1,837.5	1,337.9	3,175.4	1,158.2	791.0	1,949.2
Investment Funds and Unit Trusts:						
Bonds	21,834.6	15,898.6	37,733.2	7,826.3	5,345.4	13,171.7
Property:						
UK Property	0.0	0.0	0.0	4,925.6	3,364.2	8,289.8
Overseas Property	-	-	-	-	-	-
Sub-total property	**0.0**	**0.0**	**0.0**	**4,925.6**	**3,364.2**	**8,289.8**
Private equity	0.0	0.0	0.0	2,685.0	1,833.9	4,518.9
Other investment funds	691.1	503.2	1,194.3	732.1	500.0	1,232.1
Total assets	**56,928.1**	**41,451.3**	**98,379.4**	**62,459.0**	**42,659.6**	**105,118.6**

Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	Fair value of scheme assets					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	1,799.1	1,310.0	3,109.1	-	-	-
Real Estate:						
UK Property	6,028.8	4,389.8	10,418.6	-	-	-
Total assets	**7,827.9**	**5,699.8**	**13,527.7**	**0**	**0**	**0**

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, 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	**2017/18**
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	23.6	23.6
Female	25.0	25.0
Longevity at 65 for future pensioners		
Male	26.0	26.0
Female	27.8	27.8
Rate of inflation		
Rate of increase in salaries	3.2%	3.1%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

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

Change in assumptions at 31st March 2019	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	7%	6,472
0.5% increase in Salary Increase Rate	0%	128
0.5% increase in the Pension Increase Rate	7%	6,295

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 £1,442,000 contributions to the scheme in 2019/20 and approximately £1,350,000 contributions to the Adur-Worthing Joint Services scheme (40% share).

NOTE 38: CONTINGENT ASSETS and LIABILITIES

Contingent Liabilities

Pension Guarantees - The Council entered into a long term contract for the provision of Leisure Services with Impulse Leisure Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However pension rights are not fully covered within TUPE regulations. The Council has provided a guarantee that in the event the Leisure Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

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

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

The following assets are not reported in the Balance 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 valuation has not been obtained due to the unique nature of this asset.

Buckingham Farm Dovecote: This is a listed building situated on an open space which old records indicate was transferred to the Council in about 1974. No valuation is available due to the unique nature of the asset.

War Memorial, adjacent to St. Mary's Church, Shoreham: The Council does not hold cost information on this monument and the cultural significance of this monument cannot be valued.

NOTE 40: TRUST FUNDS

The Council acts as a trustee for two Charities; Adur Recreational Ground (271495) and The Green (290683). In both cases the land was gifted to the Council to maintain, and any income generated is offset against this maintenance.

NOTE 41: JOINT BUDGETS

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

	Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19
	£'000	**£'000**	**£'000**
NET EXPENDITURE ON SERVICES			
Net Cost Of General Fund Services	21,137	(4,631)	16,506
Holding Accounts	11,232	(622)	10,610
NET COST OF SERVICES	**32,369**	**(5,253)**	**27,116**
Financing and Investment income and expenditure			18
Funded by:			
Adur District Council			(9,567)
Worthing Borough Council			(14,075)
(Surplus) or deficit on provision of services			**3,492**
Remeasurement of the net defined pension benefit liability			6,976
Other Comprehensive Income & Expenditure			**6,976**
Total Comprehensive Income and Expenditure			**10,468**

NOTE 42: PRIOR YEAR ADJUSTMENT

In 2018/19 the following error has been identified which affects 2018/19. One of the Councils assets, Highdown House, was misclassified. The result was an overstatement of Property, Plant and Equipment of £11.4m, an understatement of Investment Properties of £11.5m and the capital adjustment account was understated by £90k. An amendment has been made and the 2017/18 accounts have been restated.

The effect on the Balance Sheet at 31 March 2018:

	As previously Stated 2017/18	Amendment	Restated 2017/18
	£'000	£'000	£'000
Property, Plant & Equipment	226,288	(11,489)	214,799
Investment Property	542	11,579	12,121
Long Term Assets	228,417	90	228,507
Net Assets	**122,287**	**90**	**122,377**
Total Unusable Reserves	(109,176)	(90)	(109,266)
Total Reserves	**(122,287)**	**(90)**	**(122,377)**

The impact on the Comprehensive Income and Expenditure Statement is a reduction in the costs charged to the Financing and Investment Income and Expenditure of £90k. The amendment to the Movements in Reserves is £90,000 against the Adjustments between accounting basis and funding basis under regulations. Related disclosure notes have been corrected accordingly.

HOUSING REVENUE ACCOUNT (HRA)
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	HRA Note	2018/19 Net Expenditure		2017/18 Net Expenditure	
INCOME		**£'000**	**£'000**	**£'000**	**£'000**
Dwelling rents		(11,941)		(12,122)	
Non-dwelling rents		(552)		(524)	
Charges for services and facilities		(746)		(483)	
Total Income			**(13,239)**		**(13,129)**
EXPENDITURE					
Repairs and maintenance		2,914		2,855	
Supervision and management		3,211		2,325	
Rents, rates, taxes and other charges		51		24	
Depreciation	5&9	3,876		4,546	
Revaluation and impairment of non-current assets	10	(467)		(642)	
Movement in the allowance for bad		91		77	
Total Expenditure			**9,676**		**9,185**
Net (Income) / Cost of HRA Services as included in the whole authority CI&E Statement			**(3,563)**		**(3,944)**
HRA services share of Corporate and Democratic Core			666		588
Net (Income) / Cost of HRA Services			**(2,897)**		**(3,356)**
HRA share of the operating income and exp'iture included in the CI&E Statement					
(Gain) or loss on sale of HRA non-current assets	1	(474)		(311)	
Derecognition of assets	1	1,181		1,474	
Interest payable and similar charges		2,243		2,268	
HRA Interest and Investment income		(46)		(46)	
Net interest on the net defined benefit liability (asset)		696		773	
			3,600		4,158
Deficit / (surplus) for the year on HRA Services			**703**		**802**

HOUSING REVENUE ACCOUNT (HRA) NOTES

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement above shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The increase or decrease in the HRA Balance in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement, as follows:

Statement of Movement on the HRA Balance	2018/19	2017/18
	£'000s	**£'000s**
Balance on the HRA at the end of the previous reporting period	(1,939)	(2,074)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	703	802
Adjustments between accounting basis and funding basis under statute	(394)	(602)
Net (Increase) or Decrease before transfers to reserves	309	200
Net transfers to or (from) Earmarked Reserves		
Contribution from the New Development & Acquisition Reserve	(121)	-
Transfer to/(from) HRA Business Improvement Reserve	-	(65)
Total net transfers to/from earmarked reserves	(121)	(65)
Balance on the HRA at the end of the current reporting period	**(1,751)**	**(1,939)**

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

	2018/19	2017/18
	£'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	474	311
Derecognition of assets	(1,181)	(1,474)
HRA share of contributions to or from the Pensions Reserve	(276)	(81)
Transfers to/(from) Capital Adjustment Account	(3,408)	(3,904)
Voluntary Provision for Repayment of Debt	-	-
Transfers to/(from) Major Repair Reserve	3,876	4,546
	(515)	**(602)**
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 expenditure funded by the HRA	121	-
Net additional amount required to be debited or (credited) to the Housing Revenue Account balance for the year.	**(394)**	**(602)**

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

	31st March 2019	31st March 2018
	Number	**Number**
Houses	1,001	1,009
Bungalows	169	169
Flats	1,382	1,413
TOTAL DWELLINGS	**2,552**	**2,591**

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

	31st March 2019	31st March 2018
	£'000s	**£'000s**
Council Dwellings	185,415	171,883
Other Land and Buildings	5,935	5,588
Infrastructure	23	24
Assets Under Construction	2,638	1,171
Total Balance Sheet Value of Land, Houses and the Other Property	**194,011**	**178,666**

NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA

	2018/19	2017/18
	£	**£**
Vacant Possession Value of Dwellings within the HRA	520,858	526,648

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

	2018/19	2017/18
	£'000s	**£'000s**
Balance at 1st April	1,677	-
Capital expenditure funded from Major Repairs Reserve	(2,224)	(2,869)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	3,876	4,546
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	**3,329**	**1,677**

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

NOTE 6: HRA DISCRETIONARY ASSISTANCE FUND

The Discretionary Assistance Fund 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	2018/19	2017/18
	£'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

	2018/19	2017/18
EXPENDITURE	£'000s	£'000s
Council Dwellings	2,152	2,797
Other Properties	12	17
Assets Under Construction	769	105
Equipment (Including Intangible Assets)	60	18
TOTAL CAPITAL EXPENDITURE	**2,993**	**2,937**
FINANCING		
Capital Grants and Contributions	265	48
HRA usable Capital Receipts	383	20
HRA Revenue Contributions to capital	121	-
Major Repairs Reserve	2,224	2,869
TOTAL CAPITAL EXPENDITURE FINANCED	**2,993**	**2,937**

NOTE 8: CAPITAL RECEIPTS

	2018/19	2017/18
Capital Receipts from the disposal of HRA property	£'000s	£'000s
Sale of Council Dwellings	1,074	767
Less Administration Costs	(12)	(10)
Mortgage Receipts received from previous years sale of Council Dwellings	1	-
	1,063	**757**
Retained for capital investment	679	490
Paid to central government	384	267
	1,063	**757**

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

	2018/19	2017/18
	£'000s	**£'000s**
Council Dwellings	3,764	4,422
Other Land and Buildings	72	86
Infrastructure	1	1
Equipment	30	30
Intangible Assets	9	7
TOTAL DEPRECIATION IN YEAR	**3,876**	**4,546**

NOTE 10: REVALUATIONS

In 2018/19 the revaluation of the Housing Revenue Account dwellings by external valuers at 1st April, 2018 resulted in an increase in the Authorities housing stock value by £7.6m. This was due to a higher increase in market values during 2017/18 than originally estimated at 31st March 2018. At 31st March 2019 the external valuers advised that residential properties had risen by 4% during the financial year and this increase has been reflected in the Authority's HRA.

Revaluations of Council dwellings in 2018/19 totalled £17.5m; £17.489m was added to the HRA Revaluation Reserve and an upward revaluation of £24,216 was included in the HRA income and expenditure account. Revaluations in 2018/19 for HRA other land and property totalled £504,396; £61,210 was added to the Revaluation Reserve and £443,186 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, £692,600 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 2019	31st March 2018
	£'000s	**£'000s**
Gross arrears as at 31st March	827	714
Bad Debt provision for uncollectable debts	368	305

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

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

	2018/19			2017/18		
	Business Rates	Council Tax	TOTAL	Buiness Rates	Council Tax	TOTAL
INCOME (A)	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Receivable	-	37,518	37,518	-	35,606	35,606
Business Rates Receivable	17,391	-	17,391	17,172	-	17,172
TOTAL INCOME (C) = (A+B)	**17,391**	**37,518**	**54,909**	**17,172**	**35,606**	**52,778**
EXPENDITURE (D)						
Contrib'n From Previous Year Surplus						
Central Government	57	-	57	217	-	217
Adur District Council	46	4	50	175	34	209
West Sussex County Council	11	19	30	43	146	189
Sx Police & Crime Commissioner	-	2	2	-	18	18
	114	**25**	**139**	**435**	**198**	**633**
Precepts, Demands & Shares (E)						
Central Government	9,133	-	9,133	8,782	-	8,782
Adur District Council:	7,306		7,306	7,025	-	7,025
Adur DC (Excl. Parish Precept)	-	6,084	6,084	-	5,848	5,848
Lancing Parish Council	-	322	322	-	302	302
Sompting Parish Council	-	83	83	-	83	83
West Sussex County Council	1,827	27,572	29,399	1,756	26,000	27,756
Sussex Police and Crime Commissioner	-	3,471	3,471	-	3,187	3,187
	18,266	**37,532**	**55,798**	**17,563**	**35,420**	**52,983**
Charges to Collection Fund (F)						
Less: Write off of uncollectable amounts	(1)	-	(1)	87	125	212
Less: Inc / Dec (-) in Bad Debt Provision	22	118	140	11	35	46
Less: Inc / Dec (-) in Provision for Appeals	(344)	-	(344)	(802)	-	(802)
Less: Cost of Collection	87	-	87	85	-	85
	(236)	**118**	**(118)**	**(619)**	**160**	**(459)**
TOTAL EXPENDITURE (G) = (D+E+F)	**18,144**	**37,675**	**55,819**	**17,379**	**35,778**	**53,157**
Sur. / Def. (-) arising during the year (C-G)	**(753)**	**(157)**	**(910)**	**(207)**	**(172)**	**(379)**
Surplus / Deficit (-) b/fwd. 01.04.18	**(816)**	**(124)**	**(940)**	**(609)**	**48**	**(561)**
Surplus / Deficit (-) c/fwd. 31.03.19	**(1,569)**	**(281)**	**(1,850)**	**(816)**	**(124)**	**(940)**

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 2018/19 was 20923.2 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	£27,572,174.50	÷	20,923.2	1,317.78
Sussex Police & Crime Commissioner	£3,471,368.11	÷	20,923.2	165.91
Adur District Council	£6,084,257.33	÷	20,923.2	290.79

NOTE 2: BUSINESS RATES

From 1 April 2014, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Adur District Council, Worthing Borough Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2018/19 is 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 total amount retained by the Pool in 2018/19 is £3.2m. The amount the Council contributed into the pool was £476k. 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 48.0p in 2018/19 (46.6p in 2017/18) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £46.5m (£46.7m in 2017/18).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £1,020k and £364k for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2018/19 in line with Adur District Council's accounting policy for maintaining the provision.

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

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

Apportionment of Balances to Major Preceptors				
	West Sussex County Council	**Sussex Police & Crime Commissioner**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Demand on Collection Fund 2019/20	29,324,766	4,025,142	6,751,319	**40,101,227**
Apportionment based on 2018/19	73.13%	10.04%	16.84%	**100%**
Council Tax Arrears	1,705,060	234,027	392,555	**2,331,642**
Provision for Bad Debts	(831,976)	(114,193)	(191,546)	**(1,137,715)**
Receipt in Advance	(475,906)	(65,320)	(109,567)	**(650,793)**
(Surplus)/Deficit	205,326	28,182	47,272	**280,780**
Balance as at 31st March 2019	**602,504**	**82,696**	**138,714**	**823,914**

NOTE 5: APPORTIONMENT OF BUSINESS RATES BALANCES TO MAJOR PRECEPTORS

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

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	**West Sussex County Council**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Business Rates Arrears	349,925	69,984	279,940	**699,849**
Provision for Bad Debts	(192,952)	(38,590)	(154,361)	**(385,903)**
Provision for Appeals	(319,279)	(63,856)	(255,423)	**(638,558)**
Receipt in Advance	(959,711)	(191,942)	(767,769)	**(1,919,422)**
(Surplus)/Deficit	784,681	156,936	627,745	**1,569,362**
Balance as at 31st March 2019	**(337,336)**	**(67,468)**	**(269,868)**	**(674,672)**

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Adur District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

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

A copy of the code is on our website at www.adur.gov.uk or www.adur-worthing.gov.uk or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31st March 2019 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 reviewing 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 2018/19.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework gives the Members and the Organisation, in a number of ways, the confidence and certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

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

Implementing good practices in transparency reporting and audit to deliver effective accountability	• Annual audited financial statements are publically available • Annual Governance Statement • Effective Internal Audit Service

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.

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.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

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

Freedom of Information enquiries

The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements.

Adur and Worthing Councils have developed a Consultation Policy which can be found at About consultation in Adur & Worthing - Adur & Worthing Councils which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Councils website at www.adur-worthing.gov.uk . Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

Consultations

Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the council website.

Complaints

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

In addition to the partnership between Adur and Worthing *(http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/)*, this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

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

Joint Corporate Priorities

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

The Councils have agreed programmes of work for 2018/19 under five themes or ‘Platforms’ which set out their aspirations for the town.

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

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

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

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 £2.6m by 2023/24 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

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

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

Recruitment and induction

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

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. 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 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 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.

Risk management

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly reported to CLT and the Joint Governance Committee.

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

Joint Governance Committee

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

Internal audit

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

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

For 2018/19 the Head of Internal Audit's opinion stated that:

"We have noted an improvement in Adur District Council's control environment during the 2018/19 audit year.

During 2018/19, 20 (74.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 18 (62.1%) in the prior year. Two 'Full assurance' opinions were issued in 2018/19 compared to none in 2017/18.

We have issued no 'No assurance' opinions compared to one in 2017/18. Five reports (18.5%) have been issued with 'limited assurance' opinions compared with ten (34.5%) in the previous year."

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. Overall the Committee assessed that the governance framework was fit for purpose apart from the issues detailed below. A plan to address weaknesses and ensure continuous improvement of the system is in place.

SIGNIFICANT GOVERNANCE ISSUES

There are two significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

i) Procurement and contract management procedures and processes:

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions have been taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;
- Development of contract management guidance; and

- The use of the Orbis partnership (East Sussex County Council, Surrey County Council, and Brighton and Hove City Council) to support procurement activity in the Council.

A review of progress following the appointment of Orbis will be undertaken in 2019/20 with a view to removing this item as a significant governance issue next year

ii) Housing management procedures and processes;

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

- Improvements to the internal control environment to ensure that all works are properly commissioned and paid for;
- A major review of all the inspection regimes.
- A review of the staffing and management of the service.
- A review of the contractual arrangements for the housing repairs service including letting new contracts for services where appropriate.
- A review of all of the policies and procedures relating to service and leaseholder charges

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.

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 conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council’s Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team where necessary.

PROPOSED ACTION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ______________________	Signed: ______________________
Councillor Neil Parkin Leader of the Council Adur District Council	Alex Bailey Chief Executive of Adur & Worthing Councils
Dated: 31st May 2019	Dated: 31st May 2019

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 2018/19 which means the year commencing 1st April 2018 and ending 31st March 2019. 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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ADUR DISTRICT
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www.adur-worthing.gov.uk

To:
Ernst & Young
Wessex House,
19 Threefield Lane
Southampton
SO14 3QB
United Kingdom

Date: 19th July 2019
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

Adur District Council – Audit for the year ended 31 March 2019

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 2019. 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 2019 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 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2018/19, 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 2018/19, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - involving financial statements;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others; or

    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

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www.adur-worthing.gov.uk

- Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees held through the year to the most recent meeting on 30 July 2019.

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

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement

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

G. Comparative information – corresponding financial information

1. The comparative amounts have been correctly restated to reflect the correct classification of an investment property capitalized incorrectly as an operational asset in 2017/18 and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

I. Reserves

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

J. Use of the Work of a Specialist - Actuary

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

K. Use of the Work of a Specialist – Property Valuers

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investment property and operational 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.

L. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.

2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.

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

M. Retirement benefits

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

Signed on behalf of Adur District Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 30 July 2019

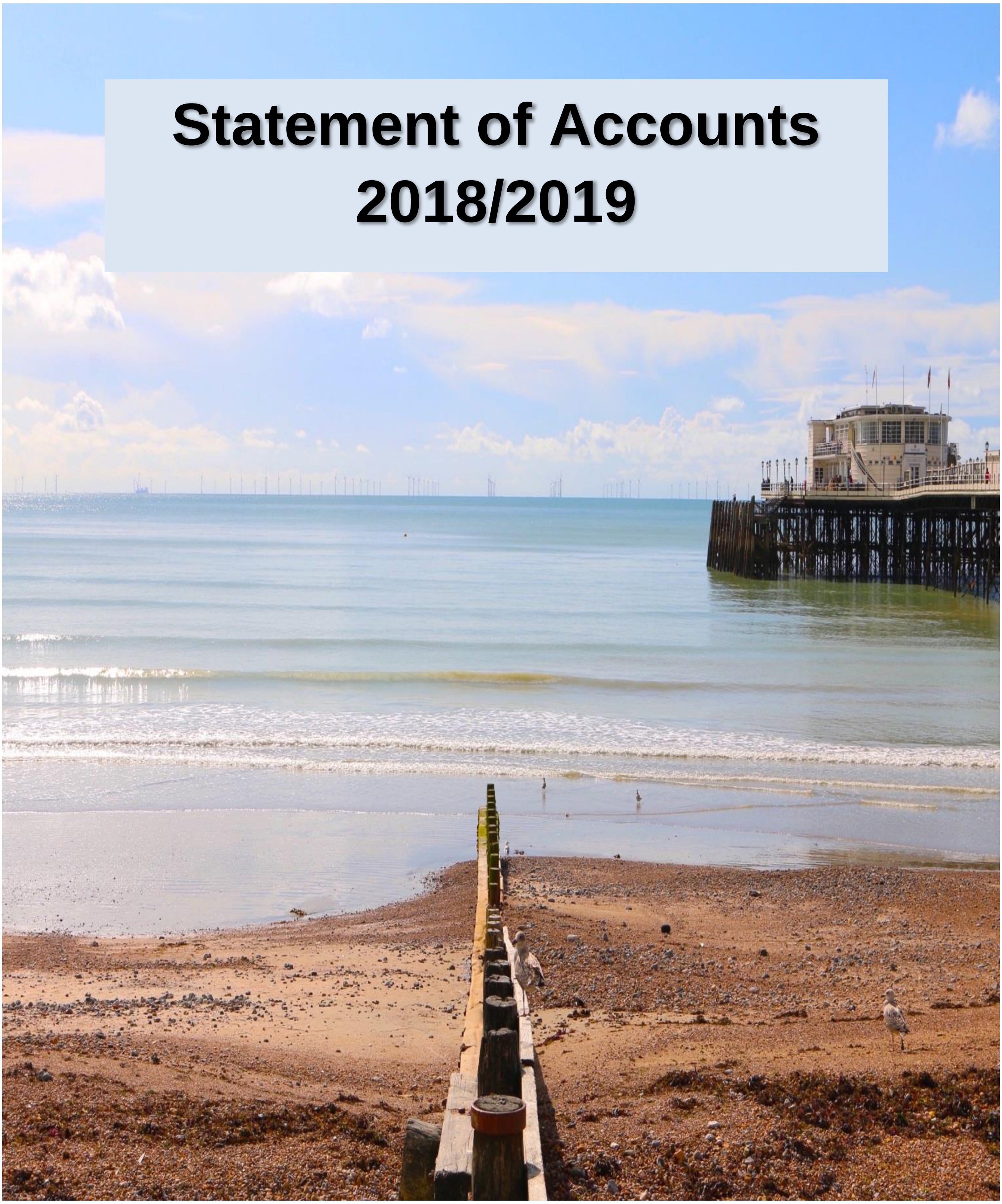
Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date:

Name: Councillor Kevin Boram
Position: Chairman, Joint Governance Committee
Date:

WORTHING BOROUGH COUNCIL

Statement of Accounts 2018/2019



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

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2019

C O N T E N T S

NARRATIVE REPORT

INTRODUCTION

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

- Understand the financial position of the Council in 2018/19;

- 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 2019. It provides a summary of the financial position as at 31st March 2019 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 2018/19

- The 2018/19 revenue budget process and medium term financial plan

- Financial Overview of the Council 2018/19

    * Revenue spend in 2018/19
    * Capital strategy and Capital Programme 2018/19 to 2021/22

- 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 109,630 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 15	17.7%	18.9%
16 - 64	60.0%	62.9%
65+	23.3%	18.2%

There are 3,274 businesses within the area. Business rate income was £31.6m in 2018/19 of which the Council keeps £2.2m (7%). 10% of the income is paid to the County Council with the remainder paid to Government.

2. KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL

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

Political Structure in the 2018/19 Municipal Year

Worthing has 37 Councillors representing 13 wards. In 2018/19 the political make-up of the Council was:

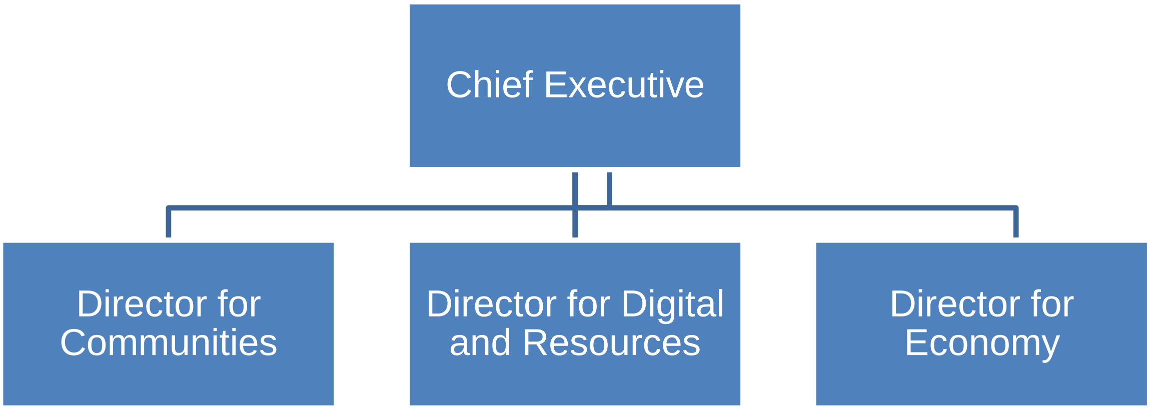
Conservative Party	28 Councillors
Labour	5 Councillors
Liberal Democrat Party	2 Councillors
Independent Conservative	1 Councillor
UK Independent Party	1 Councillor

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of portfolio responsibilities and the delegation of Executive Functions. Scrutiny of the Executive decisions for 2018/19, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Daniel Humphreys.

Management Structure

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



Worthing Borough Council:

- √ Holds £187m of assets to support services and provide income to fund service delivery
- √ Generates £21m of income from fees and charges and other service 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 2018/19 government funding (RSG and New Homes Bonus) made up 6% of total income (excluding 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 Worthing Borough and Adur District Councils are part of an innovative partnership arrangement.

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net budget of £22.3m for 2018/19. The shared services are managed via a Joint Committee. This Joint Committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:-

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

3. COUNCIL PLANS AND PERFORMANCE

PLATFORMS FOR OUR PLACES

Unlocking the power of people, communities and local geographies

The Councils priorities are laid out in 'Platforms for our Places' which was agreed early in 2017. The plan details how over the period 2017 – 2020 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities. In July 2018 (18 months into that programme) both Councils adopted a revised set of commitments to reflect the progress that had been made and the issues that had emerged over the first half of the programme.

Five Platforms for our Communities

Platform 1: Our Financial Economies

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

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

Platform 2: Our Social Economies

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

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

Platform 3: Stewarding our natural resources

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

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

Platform 4: Services and solutions for our places

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

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

Platform 5: Leadership of our places

The Platform for leading our places well includes:

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

Achievements in 2018/19

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

Platform 1: Our Financial Economies

- **A new plan for Worthing:** Preparation of a new Local Plan for Worthing which will govern development in the town took a step forward over the past six months with the completion of the ‘issues and options’ stage
- **A vibrant cultural offer:** Ticket sales at the venues continue to be good with the Panto exceeding last year’s record attendance. The Connaught Studio won the best independent cinema award and the Museum’s OPEN18 Exhibition attracted a record number of entries.
- **Public realm and seafront:** Detailed design work has been undertaken on two schemes for Portland Road and South Street to improve our public realm. The Council has recently let a contract for a ‘Big Wheel’ to be located on Worthing seafront.

- **Investing in our digital future:** Adur & Worthing Councils have successfully led the Gigabit West Sussex project which has secured £4.66 million investment from the Department for Digital, Culture, Media and Sport’s Local Full Fibre Network Fund. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables which will benefit both local businesses and homes. The first part of the new network was constructed in Adur and Worthing in 2018/19 and the Councils have recently agreed an extension to this network to enable more residents and businesses to benefit from the project.
- **Demolition and redevelopment of Teville Gate**: We demolished Teville Gate MSCP and adjoining buildings. A surface car park is now being constructed for the benefit of local residents and is likely to be open in June 2019.

  The proactive decision by the Council to demolish Teville Gate car park is the culmination of significant work by Officers to expedite development using funds provided by the Coast to Capital LEP. Much of the design work necessary for the submission of a planning application has now been completed under a Planning Performance Agreement

Demolition - Before

Demolition – After

- **Our visitor and creative economies:** Following a new arrangement with the Sussex Film, our places have seen a significant rise in interest for filming. Over the past year, film, TV, and magazine shoots took place on 19 separate occasions. Colonnade House continues to be a real success with exhibition space occupied 100% of the time and occupation rates for creative and artistic businesses running at 95%.

Platform 2: Our Social Economies

- **Supporting rough sleepers:** In September 2018, Worthing Borough Council was successful in bidding for more than £340,000 to support rough sleepers across our communities until the spring of 2020. Our 2018/19 rough sleepers street actual count (a snapshot) was 11 in Worthing (down from 19 in 2017). The estimated number of rough sleepers in the town (based on a variety of data) is 23 compared to 34 last year.
- **Preventing homelessness**: Over the last 6 months we have focused closely on relieving and preventing homelessness. We have positively prevented homelessness for approximately 90 of the people/families who have presented to our team. Our need for emergency accommodation (EA) remains high, however the rate at which we are placing people in EA appears to have stabilised as we see the results of our preventative work taking effect.

  We are also continuing to secure suitable, more affordable EA by leasing and purchasing property for this purpose. We have recently purchased the Downview Pub and a property in Rowlands Road which will provide an extra 38 much needed homes
- **Adapting for accessible homes:** We have fully implemented the Interim Discretionary Disabled Facility Grant policy approved by the Councils in December 2017. This has resulted in an increased spend on adaptations of £1.08 million during 2018/19.

- **Supporting our communities to commemorate:** For the Centenary of World War 1, we coordinated a significant number of Remembrance Service events and parades across Adur and Worthing, recognising the sacrifice made by many former residents.
- **Social prescribing:** We have secured additional funding for 'Going Local' in Adur (and across our current patch) and to date more than 1,200 people have been supported by the service.
- **Supporting vulnerable members of our community:** We successfully bid for £406,000 funding to increase the domestic violence provision in West Sussex, with our Lead for Early Help and Wellbeing co-ordinating this work. These funds will provide valuable outreach services, outreach in rural areas and a specialist worker to support BME communities.

Platform 3: Stewarding our natural resources

- **Leading in sustainability:** Adopted "Sustainable Adur and Worthing" demonstrating Council commitment and leadership on sustainability, including bold commitments on carbon reduction, an area not previously addressed by the Councils. We have also established lunchtime learning sessions for staff to improve professional knowledge and understanding of sustainability issues.
- **Supporting our communities' energy efficiency:** Launched a 3 year energy advice programme 'LEAP' providing a lifeline for local households in need, providing home visits, advice and efficiency installations.
- **Stewarding our natural assets:** Launched Brooklands Park Master plan (after receiving over 800 consultation responses). Continued work on 2 Heritage Lottery Funding applications. Achieved a further 5 Green Flags in our Adur and Worthing parks, refurbishing another three play areas to create welcoming, safe play spaces for our communities.
- **Reducing waste, increasing recycling**: Initiated a comprehensive waste reduction engagement campaign (achieving more than 80,000 views in a 3 week period) following the Councils' decision to move to alternate weekly refuse collections to increase recycling. Supporting community partners to launch 'Refill Worthing' to reduce single use plastic waste.
- **Improving air quality:** Active partner in the County wide 'Breathing Better' air quality strategy and action plan, and delivered projects to support this strategy, including securing 100% external finance for Adur and Worthing's first rapid electric vehicle charge point.
- **Regional approaches to energy and water:** Established Council involvement in Greater Brighton Economic Board Energy and Water Plans and 'South2East' the Local Enterprise Partnership (LEP) Regional Energy Strategy.

Platform 4: Services and solutions for our places

- **Developing our commercial capacity:** Successful commercial income growth across Environmental Services and in Building Control, e.g. fire risk safety assessments to commercial clients. We have developed digital self-service for clinical, bulky, street scene and missed bins with 40% of requests now through the digital channel and a fully automated ordering of clinical waste collections using Amazon Alexa technology. We have also started a commercial modelling and marketing exercise in waste services, with a view to roll out of learning and methods to other commercial services

- **New approaches to service design:** Delivered specialist “SameRoom” service design support to key projects including preventing homelessness and loneliness, creating strong multi-agency working and delivering real outcomes, and launching a public blog: sameroom.adur-worthing.gov.uk
- **Digital solutions for improved customer services:** We have launched online accounts and e-billing in Revenues and Benefits, with further online services planned and Plain English work on letter templates underway. We have also stabilised the telephony system following a switch of managed service provider.
- **Improving our estate management:** Digital asset management systems developed for Estates and Compliance, helping improve management of our property estate
- **Managing and supporting our people:** We are progressing with a significant HR policy review with further policies on track for change. We have delivered ‘Leading Quality Conversations’ training to all managers alongside a new 1:1 process to support and develop our staff. A new staff induction handbook has been designed through a working group of managers across the organisation. We are currently trialling a prototype HR data dashboard allowing analysis to support workforce planning and sickness management, and an easy to use annual leave app. Launched Well@Work to support staff wellbeing, providing a range of activities to staff such as pilates, mindfulness and singing.
- **Improving our strategic finance management:** Reviewed our financial services through an LGA Peer Review and developed an improvement action plan.

Platform 5: Leadership of our places

- **Sharing our stories locally and beyond:** the Councils have effectively spread the stories of our places locally and beyond with regular articles in national sector press. Our seven (#ourstoriesyourcouncils) bloggers having a reach of over 104,000, and we have more than 20 front page articles in local, regional and trade press.
- **Reframing local partnership:** Work has begun to reframe how we engage the local strategic partners through the Local Partnerships Forum and the Waves Ahead Conferences in Spring and Autumn. The Autumn Conference saw over 60 attendees designing how we can achieve more active and connected communities. This will feed into the development of the Councils’ Activities Strategy.
- **Regional leadership:** The Councils continue to play an active role in working with regional partners within the County and Greater Brighton City Region. Shaping the development of the Greater Brighton Economic Board’s five-year vision, the Local Enterprise

- **Developing our elected members:** We have continued to aid the development needs for our Elected Members, with 11 Member Training events being held during this period, on a range of topics from Member Induction to case work and treasury management.

Monitoring commitments

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

The full monitoring reports to JSC in 2018/19 may be viewed at:

Joint Strategic Committee report 10th July 2018 (6 month progress update)

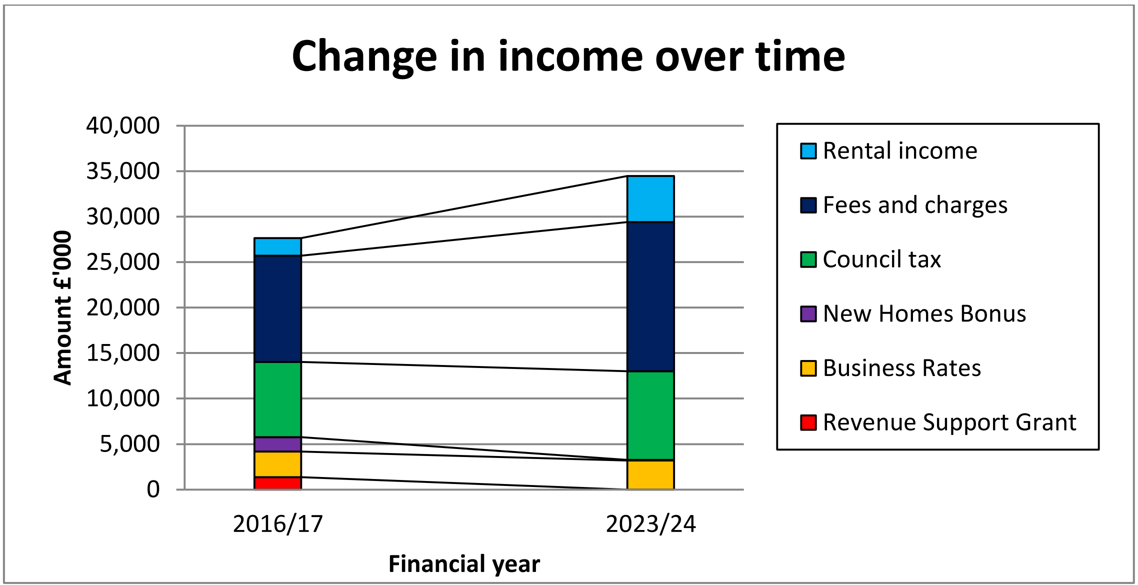
Joint Strategic Committee report 31st January 2019

Platforms for our Places - Adur & Worthing Councils

4. *THE REVENUE BUDGET 2018/19 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)*

Revenue Budget 2018/19

The budget for 2018/19 was compiled within the context of the Government's last Comprehensive Spending Review, the Chancellor's Budget and the local government funding settlement. The Council has seen a significant decline in recent years in overall government funding with increasing amounts of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.



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

- inflation, the largest source of cost pressure
- income generated by the Council which may be affected by lack of demand;
- 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 has agreed a budget strategy to meet this challenge in 2018/19 through 3 major work streams – developing commercial income, investing in property, and the delivery of a new customer and digital strategy. In addition the council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.9m as part of the 2018/19 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2018.

Council Tax

The Council chose to increase Council Tax for 2018/19 by 2.96%

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

Band D Council Tax	2017/18	2018/19	Change
	£	£	%
Worthing Borough Council	224.64	231.30	2.96
West Sussex County Council	1,255.59	1,317.78	4.95
Sussex Police & Crime Commissioner	153.91	165.91	7.80
	1,634.14	1,714.99	4.95

Council Tax base

The Council Tax base for 2018/19 was 38,365.90 which was an increase of 536.60 on the previous year's number of Band D equivalents. This in part reflects the Council's support for local house building and economic regeneration and in part due to a reduction in Council Tax discounts following a fundamental review of Single Persons Discount.

Band D Council Tax	2017/18	2018/19
	£	£
Number of Band D equivalent dwellings	37,829.30	38,365.90

Overall the Council collected £65.8m of Council Tax during 2018/19 on behalf of the Council, West Sussex County Council and Sussex Police and Crime Commissioner, generating £8.8m of income for the Council.

Budget Strategy for 2019/20 to 2023/24

In preparing the budget strategy for 2019/20 to 2023/24, 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 2019/20 budget was approved by Council on 10th July 2018 and it set the strategic direction to address the significant challenges not only for 2019/20 but onwards.

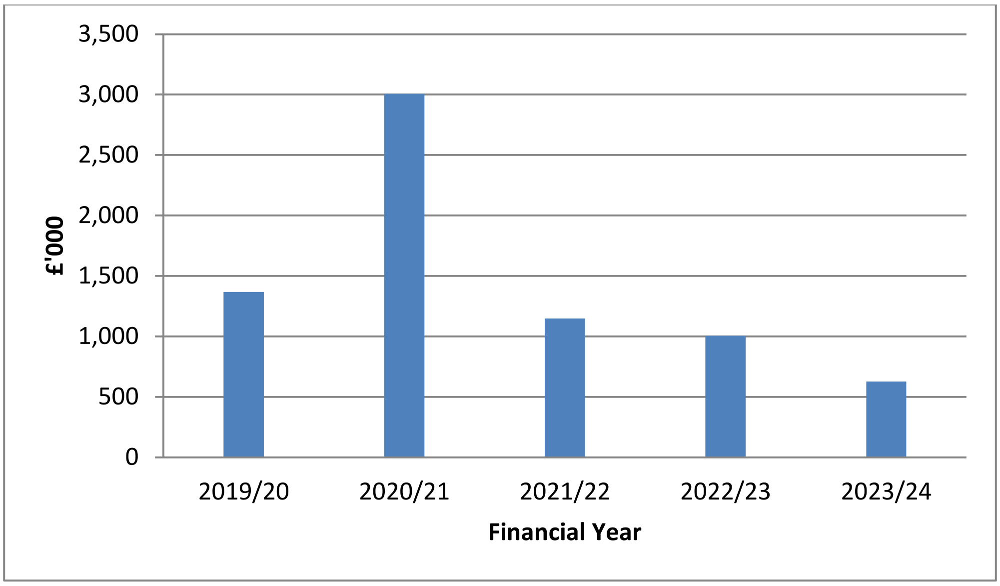
The fall in government funding together with rising demand for homelessness support included in the forecasts highlighted that the Council needs:

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

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

3. To expand commercial activity

The Council will need to find significant budget reductions of £7.2m over the five years with a significant challenge in 2020/21 as follows:



Further details around the most recent forecasts for both Councils will be contained in the report Budget Strategy for 2020/21 and beyond, which is due to be considered on 9th July 2019 at the Joint Strategic Committee. 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 areas of concern are the subject of detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

5. FINANCIAL OVERVIEW

A comprehensive summary of the financial performance of the Partnership authorities – Adur District Council, Worthing Borough Council and the Joint Strategic Committee – is contained in the 9th July 2019 Joint Strategic Committee reports "Joint Revenue Outturn 2018/19" and the "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". 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 2018/19

A more detailed summary of the Council's financial results for 2018/19 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 2018/19 Worthing Borough Council reported an underspend of £1,147,435 against a budget of £13,516,590.

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

	£'000
Reduced borrowing requirement	479
Delayed commissioning of major projects	147
Additional NDR Income	480
Increased commercial property income	73
Additional Housing Grants	89
Decreased recovery of Housing Benefit overpayments and court costs	(232)
Increased maintenance costs	(285)
Other	396
Underspend declared in year	**1,147**

Where such items were identified when the 2019/20 budget was being prepared, an allowance for any impact on the future years was built into the budget.

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

How the money was spent and how services were funded

EXECUTIVE MEMBER PORTFOLIOS	CURRENT ESTIMATE 2018/19	OUTTURN 2018/19	UNDER/ OVERSPEND
	£000s	£000s	£000s
Leader	852,870	850,001	(2,869)
CM for Environment	3,197,140	3,594,064	396,924
CM for Health & Wellbeing	1,794,650	1,816,036	21,386
CM for Customer Services	4,711,980	4,954,410	242,430
CM for Regeneration	1,958,070	2,217,162	259,092
CM for Resources	2,389,660	1,775,527	(614,133)
Holding Accounts	710,280	-	(710,280)
Total Cabinet Members	**15,614,650**	**15,207,200**	**(407,450)**
Credit Back Depreciation	(3,633,620)	(3,262,239)	371,381
Minimum Revenue Provision	1,408,260	1,110,658	(297,602)
Other grants	-	323,150	323,150
	13,389,290	**13,378,769**	**(10,521)**
Transfer to/from reserves:			
Transfer from reserves to fund specific expenditure	127,300	(1,009,614)	(1,136,914)
Net Underspend Transferred to Reserv	-	1,147,435	1,147,435
Total Budget requirement before External Support from Government	**13,516,590**	**13,516,590**	**-**

Approved Use of Underspends	£'000
Unspent 2018/19 budget approved for use in 2019/20	443
Transfer to Working balance	25
Transfer to Business Rates Smoothing Reserve	480
Transfer to Investment Property future Maintenance Reserve	50
Net Underspend Transferred to Capacity Issues Reserve	149
Underspend declared in year	**1,147**

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

1. **Funding from Central Government Support**

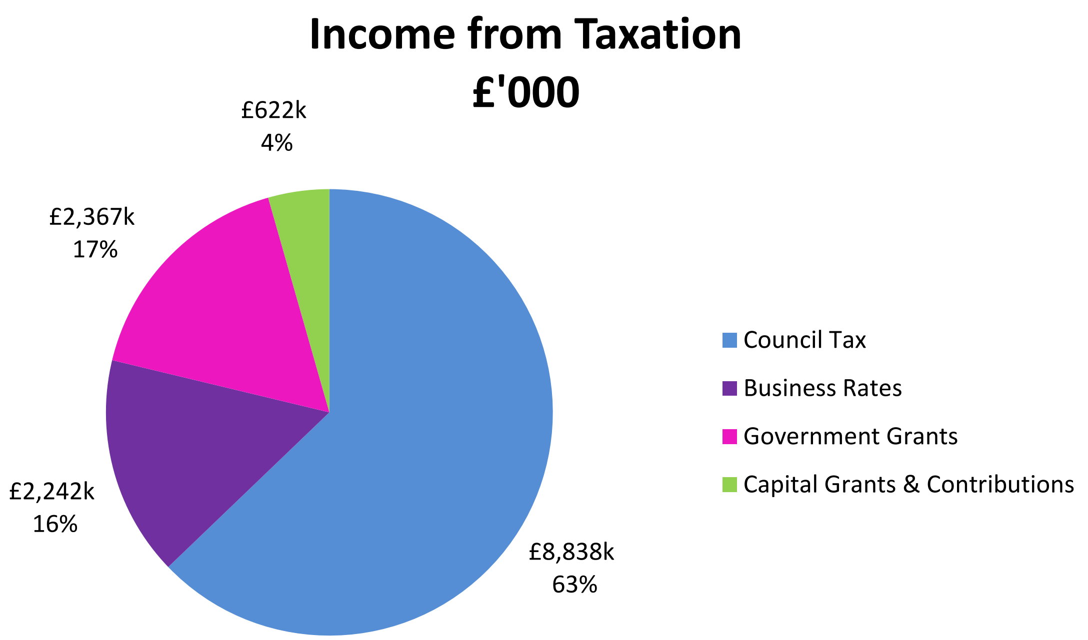
   The Council's share of Revenue Support Grant is £7,680 for 2018/19.

2. **Funding from Local Taxpayers**

   The Council collected £65.8m of Council Tax in 2018/19, this represented 98% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £5.19m. Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.39% Sussex Police & Crime Commissioner 10.48% and Worthing Borough Council 13.13% The Council retained £8.8m in 2018/19.

3. **Funding from Local Businesses**

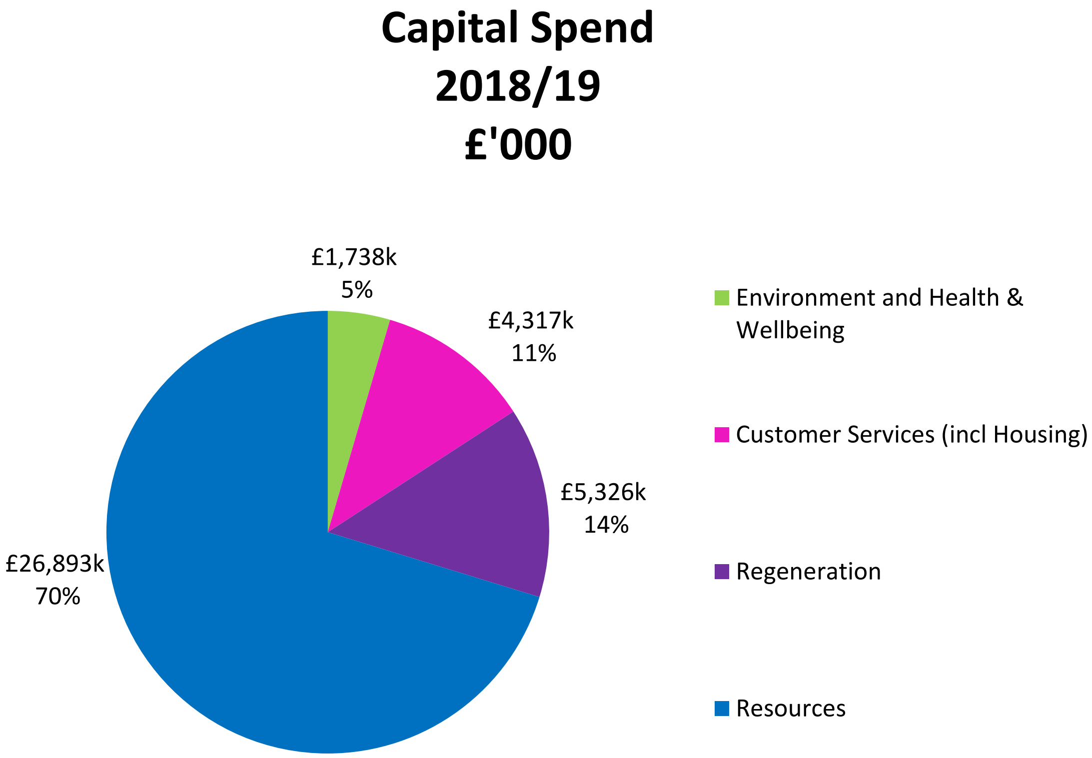
   The Council also collects Business Rates from local businesses. Of the £31.6m collected, after allowing for exemptions, reliefs and provisions, the Council keeps 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool. The Council locally retained £2.2m of Business Rate income in 2018/19



Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.2m of business rate income in 2018/19 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

CAPITAL INVESTMENT PLANS

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



The capital investment programme for all Worthing Portfolios was originally estimated at £60,350,180. Subsequent approvals and re-profiling of budgets produced a total revised budget of £41,804,270. Actual expenditure in the year totalled £38,273,830, a decrease of £3,530,440 on the revised estimate, comprising of a net carry forward of £3,444,780 and a net underspend of £85,660. The major factors contributing to the re-profiling and carry forward of budget 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 and contractors.

The re-profiling of schemes was on-going throughout the year and in total 31 schemes did not complete as planned in 2018/19.

Expenditure in 2018/19 was financed as follows:

	2018/19
	£'000
Capital Receipts	2,534
Grants and Contributions	2,909
Prudential Borrowing	32,636
Revenue Contributions and Reserves	195
TOTAL	38,274

The Council's asset values have been increased as a result of the above capital investment. Significant investments in 2018/19 included:

- Demolition of Teville Gate car park and the construction of a new surface car park.
- Acquisition of two properties which are being converted into small homes for the purpose of providing temporary and emergency accommodation to residents who become homeless.
- Disabled adaptations to residents homes
- Purchase of three commercial properties to deliver a long-term income stream to the Council.
- Refurbishment of the tennis courts at Homefield Park
- Planned structural repairs to the Multi-Storey Car Parks
- Improvements at the crematorium, including enhancing disabled access.

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19" which was considered on the 9th July 2019. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk .

Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks are contained in Note 15 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 9th July 2019 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Investment Plans 2019/20 – 2021/22

The Council plans to invest £182m in its capital assets over the next 3 years.

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

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

	3-year plan			
Expenditure by Portfolio	**2019/20**	**2020/21**	**2021/22**	**Total**
	£,000	£,000	£,000	£,000
Customer Services	4,248	4,179	4,394	12,821
Environment and Digital	4,853	1,326	1,140	7,319
Health and Wellbeing	469	50	50	569
Regeneration	5,088	3,936	146	9,170
Resources	50,826	50,576	50,509	151,911
Total Expenditure	**65,484**	**60,067**	**56,239**	**181,790**
Funded by:				
Capital grants and contributions	3,208	788	1,017	5,013
Revenue contributions and reserves	360	359	209	928
Borrowing	60,924	57,920	54,013	172,857
Capital receipts	992	1,000	1,000	2,992
Total Funding	**65,484**	**60,067**	**56,239**	**181,790**

6. TOP STRATEGIC RISKS

Detailed below are the top 5 strategic risks that the Council is currently managing.

Risk overview	**<u>Council finances</u>** Council finances continue to be under pressure after several years of reducing income from central government. The councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.
Internal controls / Mitigation measures	A five year financial strategy is in place and is regularly refreshed. The strategic strands of property investment, commercial income, digital, and temporary accommodation acquisition are progressing well, evidenced in various reports to committee. However there are uncertain additional pressures ahead, for example from budget cuts expected at West Sussex, and the outcome to the 4 year fairer funding settlement in 2019. Following the recent LGA Finance Peer Review, an action plan is being developed to: 1. Release strategic finance capacity by modernising financial management processes and systems 2. Apply suggested technical accounting measures to release capacity in the budget to commit to reserves and use cash flow to reduce the borrowing requirement 3. Review the existing plan for strategic initiatives, and make the case for additional resources on an invest to save basis to bring delivery of some projects forward An experienced business coach has recently been commissioned to provide commercial support and skills building for all senior managers, helping them develop business plans for 2020/21.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Risk overview	**<u>Welfare reform:</u>** 'Welfare Reform' is used to cover a range of issues in particular: • Changes to how benefits are paid to those who are working, to incentivise work. • Changes to the maximum level of benefits paid to families and individuals who are not working • Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC) Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities. • UC being paid monthly, to an individual person or family member, into a bank account. • Benefits for young people and single people reduced • Benefits for larger families reduced The impact of these changes are still working through the system but in areas where Universal Credit has been rolled out fully the following effects have been reported. • 5-6 weeks gap before UC is paid (in some cases longer) Note: DWP are trialling a system in Brighton of offering advance payments to **all new UC claimants.** This is new and claimants can access up to 100% of their claim immediately, repayable over 12 months. This is a huge improvement on the previous rules. More than 95% of claimants had accepted the advance when offered. • Local systems unable to track individuals in need, as the system is centralised and data is no longer available • Housing costs not being met by the level of out of work benefits The impact for the Councils of this is potentially two fold, increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.
Internal controls / Mitigation measures	March 2019 • Multi-agency welfare reform group still in place • Continued parthership work to identify and work with those most at risk, embedded in work such as 'Preventing Homelessness' ; Going Local - Social prescribing and • Internal service reviews The Government has announced that from April 2019 the digital and budgeting support that's provided to residents will be provided nationally by Citizens' Advice and funded directly by the Government. Currently, the Councils are providing this service until the end of March 19. Discussions have been held with Citizens' Advice locally to enable this transition to run smoothly. A video is available on the Councils' web pages to help local communities better understand the new benefit. The DWP roll out of UC has been further delayed (for the transfer of existing claimants onto the new benefit) and timetables for this are still awaited.
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 Council 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 Council. Managing this demand is challenging and places additional capacity pressures on the operational teams. Emergency/Temporary Accommodation - the lack of EA/TA supply at LHA rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations. The lack of move on accommodation available at LHA rates means there are blockages in TA The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets. Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.
Internal controls / Mitigation measures	EA/TA • Several long term lease arrangements have been agreed and more are being explored. • Two properties have been purchased and others are being explored Other • Councils are supporting other projects - e.g. Lyndhurst Rd and using the empty homes grants to support landlords to bring on line more properties • Opening Doors - pilot project with local landlords is to be extended in 2019/20 • The Council is reviewing its own land for use • MHCLG funding to support Rough Sleepers Local Plans The Local Plan highlights the constraints placed upon further outward growth, although we continue to work with registered providers and developers to bring forward new homes as quickly as possible. A programme of workshops looking at specific issues for the development of the Worthing Local Plan is underway.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**IT disaster recovery** Hosting applications locally carries increasing risks given the pace of technological change. We have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.
Internal controls / Mitigation measures	Business Continuity plans are in place for every service detailing what actions will be taken in the event of IT failure, and a Business Continuity working group meets regularly to drive continuous improvement of our response plans and incident readiness. Reports to the Joint |Governance Committee (JGC) on a regular basis. Power outage Disaster Recovery (DR) test successfully completed in June 2018. Recommendations for improvements from that test are being implemented. Results of DR test and future Risk Management plans reported to JGC in July 2018 and in September 2018. Annual Network security test carried out successfully and any recommended improvements are being implemented. The cloud migration project is progressing well, which involves moving applications out of the Town Hall data centre and into secure hosting with Amazon Web Services. We plan to migrate all document storage to Google Team Drive, taking the opportunity to review files and address GDPR compliance.
***Risk Rating*:**	Impact = Extreme Likelihood = Moderate **Risk Assessment:** High Risk
Risk overview	**Major project delivery** Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant. Considerable potential for reputational damage given the high priority attached to these programmes by local communities.
Internal controls / Mitigation measures	A solution based approach to working with key partners in the development sector to unlock challenging sites. The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets. An innovative approach to partnership will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver. The Councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development. The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Full details about the Council's risks can be found in the report to the Joint Governance Committee report "Risk and Opportunity Management updates" which was considered on the 30th May 2019. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

This is a challenging time for the whole of Local Government. The Council has faced a considerable a reduction in central Government funding and emerging cost pressures from issues such as affordable housing.

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

Looking ahead, 2020/21 is a 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 2020/21 budget. The intention is to build in recurring under spends into the 2020/21 budget where possible and so avoid the need for unnecessary service reductions.

FURTHER INFORMATION

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

ACKNOWLEDGEMENTS

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

Sarah Gobey, Chief Financial Officer, CPFA

EXPLANATION OF ACCOUNTING STATEMENTS

The statement of accounts sets out the Council's income and expenditure for the year and its overall financial position as at 31st March 2019. It comprises of 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 2018/19 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2018/19:

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 increased by £6.9m 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 2018/19, note 5 confirms that there have been no material events after the balance sheet date. The provisions made in 2018/19 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 updated to reflect the changes in the 2018/19 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, 2019

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 2018/19 that officer was the Chief Financial Officer.

(b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

(c) To approve the Statement of Accounts by 31st July, 2019.

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, 2019 and its income and expenditure for the year ended on that date.

SARAH GOBEY
Chief Financial Officer

Dated: 30/07/2019

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 30th July 2019.

LIONEL HARMAN
Chairman, Joint Governance Committee

Dated: 30/07/2019

MOVEMENT IN RESERVES STATEMENT

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

Single Entity	**General Fund Balance**	**Earmarked GF Reserves**	**Capital Receipts Reserves**	**Capital Grants Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Restated Balance at 31.03.17	**(844)**	**(2,188)**	**(5,099)**	**(3,223)**	**(11,354)**	**(67,927)**	**(79,281)**
Restated Movement in Reserves during 2017/18							
Restated Total Comprehensive Expenditure and Income	(7,411)	-	-	-	**(7,411)**	(6,038)	**(13,449)**
Restated Adjustments between accounting and funding basis under regulation (Note 7)	6,508	-	(361)	(949)	**5,198**	(5,198)	**-**
Restated Net Increase/Decrease before Transfers to Earmarked Reserves	(903)	-	(361)	(949)	**(2,213)**	(11,236)	**(13,449)**
Transfers to/from Earmarked Reserves (Note 8)	903	(903)	-	-	**-**	-	**-**
(Increase)/Decrease in Year	-	(903)	(361)	(949)	**(2,213)**	(11,236)	**(13,449)**
Restated Balance at 31.03.18 c/fwd	**(844)**	**(3,091)**	**(5,460)**	**(4,172)**	**(13,567)**	**(79,163)**	**(92,730)**
Movement in Reserves during 2018/19							
Total Comprehensive Expenditure and Income	4,091	-	-	-	**4,091**	(6,831)	**(2,740)**
Adjustments between accounting basis and funding basis under regulation (Note 7)	(4,979)		1,409	1,018	**(2,552)**	2,552	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	(888)	-	1,409	1,018	**1,539**	(4,279)	**(2,740)**
Transfers to/from Earmarked Reserves (Note 8)	863	(863)	-	-	**-**	-	**-**
(Increase)/Decrease in Year	(25)	(863)	1,409	1,018	**1,539**	(4,279)	**(2,740)**
Balance at 31.03.19 c/ fwd	**(869)**	**(3,954)**	**(4,051)**	**(3,154)**	**(12,028)**	**(83,442)**	**(95,470)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
NET EXPENDITURE ON SERVICES							
The Leader	971	(37)	934	1,421	(278)	1,143	
Digital and Environment	6,832	(5,580)	1,252	10,509	(9,210)	1,299	*
Health and Wellbeing	3,213	(1,055)	2,158	2,659	(1,162)	1,497	
Customer Services	44,402	(41,250)	3,152	46,105	(42,183)	3,922	
Regeneration	10,805	(4,551)	6,254	4,758	(1,674)	3,084	*
Resources	5,762	(1,272)	4,490	2,773	(1,069)	1,704	
Net Cost of Services	71,985	(53,745)	**18,240**	68,225	(55,576)	**12,649**	
Other operating expenditure			(77)			485	9
Financing and Investment Income and Expenditure			(4)			(520)	10
Taxation and non-specific grant income			(14,068)			(20,025)	11
(Surplus) or Deficit on Provision of Services			**4,091**			**(7,411)**	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(11,789)			1,756	22
(Surplus)/Deficit arising on revaluation of Available for Sale Financial Assets			-			16	
(Surplus)/Deficit from investments in equity instruments designated at fair value			25			-	15
Remeasurements of the net defined pension benefit liability			4,933			(7,810)	22
Other Comprehensive Income and Expenditure			**(6,831)**			**(6,038)**	
Total Comprehensive Income and Expenditure			**(2,740)**			**(13,449)**	

*In 2018/19 the responsibility for parking transferred to Regeneration from Digital and Environment.

BALANCE SHEET

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

	See Note No:	As at 31 March 2019	As at 31 March 2018
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	12	140,140	122,943
Heritage Assets	13	12,491	11,991
Investment Properties	14	31,513	5,855
Intangible Assets		124	167
Long Term Investments	15	566	559
Long Term Debtors	16	10,009	10,009
Total Long Term Assets		194,843	151,524
Current Assets:			
Short Term Investments	15	7,051	8,026
Assets Held For Sale	18	-	-
Inventories		109	131
Short Term Debtors	16	7,327	16,432
Cash & Cash Equivalents	17	2,984	3,662
Total Current Assets		17,471	28,251
Current Liabilities:			
Short Term Borrowing	15	(10,431)	(8,423)
Short Term Creditors	19	(8,407)	(11,112)
Provisions	20	(772)	(875)
Grants Receipts In Advance - Revenue	32	(448)	(486)
Grants Receipts In Advance - Capital		(8)	(2)
Total Current Liabilities		(20,066)	(20,898)
Long Term Liabilities:			
Long Term Borrowing	15	(57,168)	(33,376)
Other Long Term Liabilities	36	(39,610)	(32,771)
Total Long Term Liabilities		(96,778)	(66,147)
Net Assets		**95,470**	**92,730**
Financed By Reserves:			
Usable Reserves		(12,028)	(13,567)
Unusable Reserves	22	(83,442)	(79,163)
Total Reserves		**(95,470)**	**(92,730)**

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:	2018/19	2017/18
		£'000	£'000
Net (surplus) or deficit on provision of services	23	(4,091)	7,411
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	7,115	6,816
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(3,026)	(13,085)
Net cash flows from Operating Activities	23	(2)	1,142
Investing Activities	24	(24,623)	(23,035)
Financing Activities	25	23,947	18,836
Net increase or decrease in cash and cash equivalents		(678)	(3,057)
Cash and cash equivalents at the beginning of the reporting period		3,662	6,719
Cash and cash equivalents at the end of the reporting period	17	2,984	3,662

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.

Accounting for Council Tax and NDR

The Balance Sheet includes the Councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and repayments and 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 Councils transactions are ‘non exchange’ and the impact of IFRS 15 is not material to the accounts.

SUPPORT SERVICES

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

JOINT OPERATIONS

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

VALUE ADDED TAX

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

GRANTS AND CONTRIBUTIONS

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

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

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

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

LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

A de minimis value of £10,000 per leased asset within a lease contract has been applied to all items obtained by lease. Leased assets valued below these limits are treated as revenue expenditure. Software rentals are not treated as leases.

The Council as Lessee - Finance Leases:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

The Council as Lessee - Operating Leases:

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

The Council as Lessor - Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The Council as Lessor - Finance Leases:

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

Lease rentals receivable are apportioned between:

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

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

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

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

The Council as a Lessor - Operating Leases:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (egg 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 2018/19 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the Authority's Estates office. A *de minimis* value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and £10,000 for new land and buildings. Assets valued below these limits are not included, unless they are included in the rolling revaluation programme.

Fair Value Measurement

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

Disposals
Assets are removed from the Balance Sheet in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

Charges to Revenue for Non-current Assets

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

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset. The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

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

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

Disposals

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

Impairment

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

Depreciation

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

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

Componentisation of Assets

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

In accordance with the Code, significant components are recognised as assets as acquired, enhanced or revalued from 1st April 2010 onwards, and not retrospectively of this date.

When a component is replaced or restored, the carrying amount of the old component is de-recognised by indexing the cost of the replacement back to the estimated inception date and adjusting for subsequent depreciation and impairment. When replaced components are written out, this does not result in a loss on either asset values or asset sales.

For Property, Plant and Equipment the accounting policy is to componentise all land and property assets valued at £50,000 or more in total where there has been a revaluation or enhancement since 1st April 2010.

The following component categories and useful lives are used:

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

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

INTANGIBLE ASSETS

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

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

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

HERITAGE ASSETS

Definition

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

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

Recognition

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

Valuation

The Council's heritage assets are normally measured at valuation except where it is not possible to establish a valuation; for example if there is no market for a particular heritage asset or where it is not possible to provide a reliable estimate of the replacement cost of the asset due to the lack of comparative information.

The unique nature of many heritage assets makes 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
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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 or is held for sale.

CAPITALISATION OF BORROWING COSTS

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

INVENTORIES

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

WORK IN PROGRESS

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

RESERVES

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

PROVISIONS

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

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

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

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets are possible assets arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council. Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

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

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.
The reconciliation of amounts charged to the 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 authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 authority, 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 authority 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 authority.
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 Profit or Loss

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

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

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

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
- 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.

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

EXCEPTIONAL ITEMS

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

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

Termination Benefits

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

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

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of returns on bonds.

- The assets of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value which is the bid value as required by IAS19.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:

  - ➢ The current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- The past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

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

- Re-measurements comprising:

  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;

  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as 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 received from the sale of land or other capital assets above £10,000, a proportion of which may be used to finance capital expenditure.

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

NOTE 2: ACCOUNTING STANDARDS 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 2018/19 Code.

- **IFRS 9 *Financial Instruments:* Prepayment features with negative compensations** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

- **IAS40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be classified as investment property. This will have no impact on the Councils as it already complies.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on single entitiy accounts.

- Annual improvements to IFRS Standards 2014-2016 Cycle

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 material effect on the Council's Statement of Accounts.

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the Statement of Accounts are:

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

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

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

The items in the Council's Balance Sheet at 31st March 2019 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 £101k. There would also be a corresponding decrease in the carrying amount of the assets. Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. In 2018/19 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 2018/19, the Council's actuaries advised that the net pension liability has increased by a net £6.84m. £1.91m of the increase is as a result of estimates being corrected as a result of experience, and an increase of £4.93m attributable to updating of the assumptions. Refer to note 37 for more information.
Arrears	At 31st March 2019 the Council had a net balance of debtors due (excluding government departments) of £7.72m. A review of significant balances suggested that an impairment for doubtful debt of £2.19m 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 £15k
Business Rate Appeals Provision	At March 2019 the total provision for the impact of appeals on business rate income is £1.863m, the Council share of this is £0.745m. 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 provision includes £1.4m for potential NHS appeals related to mandatory charitable relief claims.	The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level 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 £270k (excluding NHS appeals that are provided for at 100%). The Council share of this would be £108k.

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 2019 and the date when the Statement of Accounts is authorised for issue 30th July 2019.

As at 31st March 2019 the actual value of scheme assets within the West Sussex Local Government Pension Fund varied materially to the assumptions made by the actuaries within their 2018/19 year end IAS19 reports. Revised reports were commissioned to reflect this position.

Additionally, the impact of the judgement in relation to the legal case (McCloud) concerning alleged age discrimination was not initially factored into the IAS19 actuary reports but disclosed as a contingent liability. Since 31st March 2019 further developments have meant that the impact on the administration of public sector pension schemes nationally is more likely and therefore this assumption has been included in the revised IAS19 reports.

The impact of these changes has been reflected in the 2018/19 core statements and the relevant disclosure notes.

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.

	2018/19 Net Expenditure Chargeable to the General Fund Balance	2018/19 Adjust - ments between Funding and Accounting Basis (Note 7)	2018/19 Net Expenditure in the Comprehen- sive Income and Expenditure Statement	2017/18 Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjust - ments between Funding and Accounting Basis (Note 7)	2017/18 Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
The Leader	833	101	934	1,013	130	1,143
Environment	2,087	(835)	1,252	1,534	(235)	1,299
Health & Wellbeing	1,788	370	2,158	1,387	110	1,497
Customer Services	2,926	226	3,152	2,828	1,094	3,922
Regeneration	1,649	4,605	6,254	2,368	716	3,084
Resources	3,109	1,381	4,490	2,711	(1,007)	1,704
Net Cost of Services	**12,392**	**5,848**	**18,240**	**11,841**	**808**	**12,649**
Other income and expenditure	(13,280)	(869)	(14,149)	(12,744)	(7,316)	**(20,060)**
Surplus or deficit	**(888)**	**4,979**	**4,091**	**(903)**	**(6,508)**	**(7,411)**
Opening balance on General Fund reserves as at 1 April	(3,935)			(3,032)		
Deficit/surplus on General Fund in Year	(888)			(903)		
Closing balance on reserves as at 31 March *	**(4,823)**			**(3,935)**		

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

Adjustments between Funding and Accounting Basis

2018/19 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	17	84	-	101
Environment	(1,239)	404	-	(835)
Health & Wellbeing	33	337	-	370
Customer Services	824	(598)	-	226
Regeneration	3,821	784	-	4,605
Resources	1,342	39	-	1,381
Net Cost of Services	**4,798**	**1,050**	**-**	**5,848**
Other income and expenditure from the Funding Analysis	(2,402)	861	672	(869)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**2,396**	**1,911**	**672**	**4,979**

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

Expenditure and income analysed by nature

	2018/19	2017/18
	£'000	£'000
Employee Expenses *	4,880	6,459
Depreciation, amortisation, impairment	1,180	368
Other service expenditure	69,246	63,676
Total Expenditure	75,306	70,503
Grants and contributions	(1,924)	(10,068)
Fees, charges and other service income	(53,982)	(53,999)
(Gain)/loss on disposal of non current assets	(612)	(326)
Income from council tax and business rates	(12,144)	(11,147)
Interest and Investment Income	(2,553)	(1,737)
Surplus on Business Combination - Pension Fund*	-	(637)
Total Income	(71,215)	(77,914)
Deficit or surplus on Provision of Services	4,091	(7,411)

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

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

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.

2018/19 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)	(3,199)	-	-	**3,199**
Revaluation losses on Property Plant and Equipment (note 12 & 22)	3,121	-	-	**(3,121)**
Movements in the market value of investment Properties (note 14 & 22)	(1,039)	-	-	**1,039**
Amortisation of intangible assets (note 22)	(63)	-	-	**63**
Capital grants and contributions applied (note 22)	606	-	-	**(606)**

2018/19 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Revenue Expenditure funded from capital under statute (note 22)	(4,646)	-	-	**4,646**
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)	(900)	-	-	**900**
Insertion of items not debited or credited to the Comprehensive Income & Exp'iture Statement				
Statutory provision for the financing of capital investment (note 22)	1,111	-	-	**(1,111)**
Capital expenditure charged against the General Fund (note 22)	195	-	-	**(195)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,296	-	(1,296)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	2,303	**(2,303)**
Appropriation of S106 contributions to Fund revenue expenditure	(11)		11	**-**
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	1,125	(1,125)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 22 & 34)	-	2,534	-	**(2,534)**
Adjustments primarily involving the Financial Instruments Revaluation Reserve:				**-**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override	8			**(8)**
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 37)	(6,419)	-	-	**6,419**

2018/19 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Employers' Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,508	-	-	**(4,508)**
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)	(672)	-	-	**672**
TOTAL ADJUSTMENTS 2018/19	**(4,979)**	**1,409**	**1,018**	**2,552**

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 12 & 22)	(3,392)	-	-	**3,392**
Revaluation losses on Property Plant and Equipment (note 12 & 22)	3,017	-	-	**(3,017)**
Movements in the market value of investment Properties (note 22)	66	-	-	**(66)**
Amortisation of intangible assets (note 22)	(59)	-	-	**59**
Capital grants and contributions applied (note 22)	5,975	-	-	**(5,975)**
Revenue Expenditure funded from capital under statute (note 22)	(941)	-	-	**941**
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 22)	(5,705)	-	-	**5,705**

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Insertion of items not debited or credited to the Comprehensive Income & Exp'iture Statement				
Statutory provision for the financing of capital	809	-	-	**(809)**
Capital expenditure charged against the General Fund (note 22)	207	-	-	**(207)**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,523	-	(1,523)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	574	**(574)**
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	5,587	(5,587)	-	**-**
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	5,226	-	**(5,226)**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(4,887)	-	-	**4,887**
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,460	-	-	**(4,460)**
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (note 22)	(152)	-	-	**152**
TOTAL ADJUSTMENTS 2017/18	**6,508**	**(361)**	**(949)**	**(5,198)**

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 2018/19.

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

Movement in Earmarked Reserves	Balance at 01.04.17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31.03.18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31.03.19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	845	(218)	814	1,441	(432)	633	1,642
Insurance	389	(125)	33	297	(54)	31	274
Joint Health Promotion	10	(2)	-	8	(5)	-	3
Leisure Lottery & Other Partnerships	77	-	1	78	(41)	-	37
Crematorium Improvement Reserve	-	(70)	70	-	-	-	-
Grants & Contributions	574	(157)	125	542	(111)	311	742
Museum Reserve	114	(16)	-	98	-	-	98
Business Rates Smoothing	-	-	425	425	-	480	905
Theatres Capital Maintenance	64	(1)	76	139	(59)	91	171
Property Investment Risk	-	-	-	-	-	50	50
Special & Other Emergency Expenditure	42	(8)	-	34	(31)	-	3
Total General Fund	**2,115**	**(597)**	**1,544**	**3,062**	**(733)**	**1,596**	**3,925**
Capital Expenditure Reserve	**73**	**(44)**	**-**	**29**	**-**	**-**	**29**
Total Earmarked Reserves	**2,188**	**(641)**	**1,544**	**3,091**	**(733)**	**1,596**	**3,954**

(i) The Capacity Issues Fund was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.

(ii) The Insurance Reserve was established in 1993/94 to fund risk management initiatives, fund minor self-insurance and to achieve longer term revenue savings.

(iii) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.

(iv) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.

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

(vi) The Grants and Contributions Reserve was created to comply with changes in accounting policy required by the Code of Practice. The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.

(vii) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.

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

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

(x) The Property Investment Risk Reserve was set up in 2018/19 to enable the Council to manage the income stream from the Strategic Properties, for example through the restructuring of leases or during void periods.

(xi) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.

(xii) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

NOTE 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	31-Mar-19	31-Mar-18
	£'000s	**£'000s**
De-recognition of assets	535	811
Gains/losses on the disposal of non-current assets	(612)	(326)
TOTAL	**(77)**	**485**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2018/19	2017/18
	£000	**£000**
Interest Payable & similar charges	894	538
Net interest on net defined benefit liability (asset)	861	995
Interest Receivable & similar income	(436)	(235)
Income and expenditure in relation to investment properties (Note 14)	(2,117)	(1,502)
Changes in fair value to investment properties	1,031	(66)
Trading Operations	(237)	(250)
TOTAL	**(4)**	**(520)**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2018/19	Restated 2017/18
	£'000s	**£'000s**
Council Tax Income	(8,837)	(8,510)
Non Domestic Rates	(2,242)	(2,293) *
Non-ringfenced Government Grants	(2,367)	(2,936) *
Capital Grants and Contributions	(622)	(6,286)
TOTAL	**(14,068)**	**(20,025)**

* 2017/18 restated – NNDR section 31 grants moved from None Domestic Rates income to Non- ringfenced Government Grants – See note 32.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2018/19	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 2018	95,278	9,417	5,908	4,963	6,585	10,628	132,779
							-
Additions	1,977	458	667	-	2	3,788	6,892
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,682	-	186	-	1,424	-	8,292
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,296	(47)	-	-	37	-	1,286
Derecognition	(445)	(883)	(47)	-	(25)		(1,400)
Assets reclassified to Held for Sale	(338)	-	-	-	-		(338)
Reclassifications between asset classes, including transfers to intangible assets	33	(69)	98	-	-	(68)	(6)
At 31 March 2019	**104,483**	**8,876**	**6,812**	**4,963**	**8,023**	**14,348**	**147,505**
Accumulated Depreciation & Impairment							
At 1 April 2018	(3,409)	(4,698)	(1,700)	-	(29)	-	(9,836)
Depreciation charge	(2,075)	(883)	(241)	-	-	-	(3,199)
Depreciation written out to the Revaluation Reserve	3,119	-	(122)	-	-	-	2,997
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,835	-	-	-	-	-	1,835
Derecognition	31	770	12	-	25	-	838
Reclassifications between asset classes, including transfers to intangible assets	-	68	(68)	-	-	-	-
At 31 March 2019	**(499)**	**(4,743)**	**(2,119)**	**-**	**(4)**	**-**	**(7,365)**
Net Book Value at 31 March 2019	**103,984**	**4,133**	**4,693**	**4,963**	**8,019**	**14,348**	**140,140**
Net Book Value at 31 March 2018	**91,869**	**4,719**	**4,208**	**4,963**	**6,556**	**10,628**	**122,943**

OPERATIONAL ASSETS

Comparative Movements 2017/18

Movements in 2017/18	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	91,333	9,088	5,228	4,963	6,585	581	117,778
Historic Cost Adjustment	-	12	75	-	-	-	87
Additions	4,771	2,877	525	-	-	10,402	18,575
Donated Assets	-	7	-	-	-	-	7
Revaluation increases/(decreases) recognised in the Revaluation Res've	(2,012)	-	74	-	-	-	(1,938)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,733	-	-	-	-	-	1,733
Derecognition	(881)	(2,572)	-	-	-	-	(3,453)
Reclassifications between asset classes, including transfers to intangible assets	334	5	6	-	-	(355)	(10)
At 31 March 2018	**95,278**	**9,417**	**5,908**	**4,963**	**6,585**	**10,628**	**132,779**
Accumulated Depreciation & Impairment							
At 1 April 2017	(2,694)	(6,253)	(1,407)	-	(28)	-	(10,382)
Historic Depreciation Adjustment	-	(12)	(75)	-	-	-	(87)
Depreciation charge	(2,201)	(972)	(218)	-	(1)	-	(3,392)
Depreciation written out to the Revaluation Reserve	182	-	-	-	-	-	182
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,284	-	-	-	-	-	1,284
Derecognition	20	2,539	-	-	-	-	2,559
At 31 March 2018	**(3,409)**	**(4,698)**	**(1,700)**	**-**	**(29)**	**-**	**(9,836)**
Net Book Value at 31 March 2018	**91,869**	**4,719**	**4,208**	**4,963**	**6,556**	**10,628**	**122,943**
Net Book Value at 31 March 2017	**88,639**	**2,835**	**3,821**	**4,963**	**6,557**	**581**	**107,396**

OPERATIONAL ASSETS

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

Movements in 2018/19	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Cost or Valuation	**£'000**	**£'000**	**£'000**
At 1 April 2018	8,130	305	8,435
			-
Additions	444	(74)	370
Reclassifications between asset classes, including transfers to intangible assets	-	(7)	(7)
De-recognition - Other	(773)	-	(773)
At 31 March 2019	**7,801**	**224**	**8,025**
Accumulated Depreciation			
At 1 April 2018	(3,876)	-	(3,876)
		-	-
Depreciation charge	(781)	-	(781)
Derecognition - Other	660	-	660
At 31 March 2019	**(3,997)**	**-**	**(3,997)**
Net Book Value at 31 March 2019	**3,804**	**224**	**4,028**
Net Book Value at 31 March 2018	**4,254**	**305**	**4,559**

Comparative Movements 2017/18

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

Depreciation

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

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

Capital Commitments

At 31st March 2019 the Authority has entered into 8 significant contracts for the acquisition and enhancement of assets. The significant contracts are estimated to cost £3m. The significant commitments at 31st March 2018 were £628,221. The significant commitments at 31st March 2019 were:

- ICT Computers: £206,613.
- Teville Gate MSCP Redevelopment: £237,919
- Pennycross and North Brook Recreation Ground Play Area Improvements: £90,000
- Refuse / Recycling and Street Cleansing Vehicle Replacements: £183,857
- Durrington Cemetery Extension: £714,561
- Grafton MSCP Lift Refurbishment: £143,872
- Grafton Structural Repairs: £1.22m
- Financial Management System: £207,474

Revaluations

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

The significant assumptions applied in estimating the current values are:

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

	Restated Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	4,085	4,693	4,963	-	14,348	28,089
Valued at current value as at:							
31st March 2019	21,595	48	-	-	-	-	21,643
31st March 2018	38,917	-	-	-	-	-	38,917
31st March 2017	37,462	-	-	-	7	-	37,469
31st March 2016	6,010	-	-	-	8,012	-	14,022
Total Cost or Valuation	**103,984**	**4,133**	**4,693**	**4,963**	**8,019**	**14,348**	**140,140**

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 2019 and 31st March 2018 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000	£'000
Land	-	7,914	-	7,914
Office	-	20	-	20
Residential	-	7	-	7
Sub Stations	-	78	-	78
TOTAL	**-**	**8,019**	**-**	**8,019**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Land	-	6,456	-	6,456
Office	-	19	-	19
Residential	-	5	-	5
Sub Stations	-	77	-	77
TOTAL	**-**	**6,557**	**-**	**6,557**

Transfers between Levels of the Fair Value Hierarchy

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Surplus Assets

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

- Land at Fulbeck Avenue which is being held by the Authority for future housing.
- Coventry Plantation Plots which were acquired for future use in connection with the Crematorium.
- Land at Ripley Road is subject to access agreements which still have a number of years remaining.

- Land rear of the Dome Cinema which has access issues.
- Sub-stations which are all leased to the electricity company for continued use as sub-stations.
- Land at Hollyacres which has limited development potential due to the size of the land.

The highest and best use for the above properties would be for their development, either for residential or commercial use depending on their location.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

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

NOTE 13: HERITAGE ASSETS

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

Movements in 2018/2019	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2018	491	3,659	3,874	1,553	1,763	651	11,991
Revaluations	-	159	168	68	77	28	500
At 31 March 2019	**491**	**3,818**	**4,042**	**1,621**	**1,840**	**679**	**12,491**
Net Book Value at 31 March 2018	**491**	**3,659**	**3,874**	**1,553**	**1,763**	**651**	**11,991**

COMPARATIVE MOVEMENTS 2017/2018

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

Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at valuation provided by an external valuer, Heptinstalls Jewellers of Worthing.

Art and Sculpture

The Authority's collection of fine art, decorative art and sculpture is reported in the Balance Sheet at insurance valuation.

Costume and Jewellery

This collection includes textiles, costumes, costume accessories and jewellery and is reported in the Balance Sheet at insurance valuation.

Toys

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

Social History

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

Archaeology and Geology

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

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

NOTE 14: INVESTMENT PROPERTIES

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

	2018/19	2017/18
	£'000	**£'000**
Rental income from investment property	(2,403)	(1,670)
Direct operating expenses arising from investment property	286	168
Net (gain)/loss	**(2,117)**	**(1,502)**

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.

	2018/19	2017/18
	£'000	**£'000**
Balance at start of the year 1st April	5,855	5,817
Acquisitions:	26,697	-
Disposals:	-	(28)
Net gains/(losses) from fair value adjustments:	(1,039)	66
Balance at end of the year	**31,513**	**5,855**

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2019 and 31st March 2018 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000	£'000
Car Parking	-	220	-	220
Community Facility	-	42	-	42
Office	-	26,697	-	26,697
Retail	-	4,426	-	4,426
Residential	-	84	-	84
Workshop	-	44	-	44
TOTAL	-	31,513	-	31,513

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Car Parking	-	231	-	231
Community Facility	-	25	-	25
Office	-	1,067	-	1,067
Retail	-	4,407	-	4,407
Residential	-	81	-	81
Workshop	-	44	-	44
TOTAL	-	5,855	-	5,855

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use apart from the following property:
22 Marine Place First Floor – The property is currently used as a Yoga Studio. The highest and best use would be as a residential unit.

Valuation Techniques

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

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

Valuation Process for Investment Properties

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

NOTE 15: FINANCIAL INSTRUMENTS

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Fair Value through Profit and Loss	491	484	-	-	-	-	-	-	**491**
Amortised Cost - Investments and debtors	-	-	10,009	10,009	7,000	8,000	2,281	2,189	**19,290**
Amortised Cost - accrued interest					51	26			**51**
Amortised Cost - Cash and Cash Equivalents	-	-	-	-	2,984	3,662	-	-	**2,984**
Fair Value through other comprehensive income - designated equity instruments	75	75	-	-	-	-	-	-	**75**
Total Financial Assets	**566**	**559**	**10,009**	**10,009**	**10,035**	**11,688**	**2,281**	**2,189**	**22,891**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**5,046**	**14,243**	**5,046**
Total	**566**	**559**	**10,009**	**10,009**	**10,035**	**11,688**	**7,327**	**16,432**	**27,937**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Amortised Cost - Principal	(57,168)	(33,376)	-	-	(10,082)	(8,188)	(3,739)	(4,073)	**(70,989)**
Amortised Cost - accrued interest	-	-	-	-	(349)	(235)	-	-	**(349)**
Total Financial Liabilities	**(57,168)**	**(33,376)**	**-**	**-**	**(10,431)**	**(8,423)**	**(3,739)**	**(4,073)**	**(71,338)**
Non-financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(4,668)**	**(7,039)**	**(4,668)**
Total	**(57,168)**	**(33,376)**	**-**	**-**	**(10,431)**	**(8,423)**	**(8,407)**	**(11,112)**	**(76,006)**

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, which is fully secured on property.

The Non-financial assets and liabilities are the balances which do not meet the definition of a financial instrument, 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 2019 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 has been reclassified from Available for Sale Financial Assets to Fair Value through Profit or Loss and the current value of £491k 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 2019. 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:

- reclassified from loans and receivables: £50,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- reclassified from Available for Sale Financial Assets: 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 has been written down from £50,000 to £25,000, due to uncertainty regarding its future activity. The loss is shown in the table below. These assets are included in Long Term Investments on the Balance Sheet.

There were no transfers between input levels during the year and no changes in the valuation technique 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:

	2018/19	2018/19	2017/18	2017/18
	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 (Local Authorities' Property Fund)	7	-	-	(16)
financial assets measured at amortised cost	10	-	(88)	-
financial assets measured at fair value through other comprehensive income (Municipal Bonds Agency)	-	(25)	-	-
Total net gains/(losses)	**17**	**(25)**	**(88)**	**(16)**
Interest revenue:				
financial assets measured at amortised cost	415	-	214	-
other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	21	-	21	-
Total interest revenue	**436**	**-**	**235**	**-**
Interest expense	**(894)**	**-**	**(538)**	**-**
Fee income on financial assets that are not at fair value through profit or loss	-	-	**100**	-
Fee expense on financial liablilities that are not at fair value through profit or loss	**(13)**	**-**	**(17)**	**-**

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 held by the Council are carried in the Balance Sheet at amortised cost. The following tables show the fair values of the liabilities and assets, which are all currently within the Level 2 category in the valuation hierarchy. This uses “other significant observable inputs” to arrive at the fair value.

The fair value of the reported carrying amounts at 31st March 2019 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

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

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

Financial Liabilities valued at amortised cost	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	61,532	62,396	31,726	31,387
Non-PWLB Debt	6,067	6,069	10,073	10,064
Short Term Creditors	3,739	3,739	4,073	4,073
Total Liabilities	**71,338**	**72,204**	**45,872**	**45,524**

The fair value of the liabilities is higher than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above current market rates.

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

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £72.109m, 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 values for financial assets are compared with the carrying amounts as follows:

Financial Assets valued at amortised cost	31 March 2019 Carrying Amount	31 March 2019 Fair Value	31 March 2018 Carrying Amount	31 March 2018 Fair Value
	£'000	£'000	£'000	£'000
Short term investments	7,051	7,054	8,026	8,025
Long Term investments	-	-	-	-
Cash and cash equivalents	2,984	2,984	3,662	3,662
Short term debtors	2,281	2,281	2,189	2,189
Long term debtors	10,009	10,009	10,009	10,009
Total	**22,325**	**22,328**	**23,886**	**23,885**

The fair value of the assets is almost the same as the carrying amount because the Council's fixed rate loans held at 31st March 2019 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

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

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

Nature and Extent of Risks Arising From Financial Instruments

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

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

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

Nature and Extent of Risks Arising From Financial Instruments

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 https://www.adur-worthing.gov.uk/media/media,152368,en.pdf.

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
- UK institutions provided with support from the UK Government and support rating AA- for other countries
- The top five Building Societies by asset size

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

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

The full investment strategy for 2018/19 was approved by the Council on 20th February 2018 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 £9.2m in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2019 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 uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk Exposure	Carrying Amount at 31/03/2019	Estimated Maximum Exposure to Loss at 31/03/2019	Estimated Maximum Exposure at 31/03/2018
	£'000	£'000	£'000
Lease debtors	172	36	32
Sundry debtors	2,109	186	200

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. 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 2019 as part of the final accounts process) are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and Note 16.

Credit Risk Exposure

At 31st March 2019 the Council held £2m of bank investments at credit rating A+ and £5m at rating A. £2.2m classified as Cash and Cash Equivalents was held in an AAA rated money market fund. There has been no significant increase in credit risk since initial recognition and no credit impairment.

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.

Liquidity Risk

If unexpected movements happen, 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 2019	Actual 31 March 2019	Actual 31 March 2018	Actual 31 March 2018
				£'000s		£'000s
Maturing within one year	0%	45%	16%	10,431	20%	8,423
Maturing in 1-2 years	0%	75%	12%	7,913	10%	4,192
Maturing in 2-5 years	0%	75%	24%	16,376	18%	7,596
Maturing in 5-10 years	0%	75%	31%	21,150	39%	16,219
Maturing over 10 years	0%	75%	17%	11,729	13%	5,369
TOTAL			**100%**	**67,599**	**100%**	**41,799**

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget 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 2019, 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	42
Decrease in fair value of fixed rate investment assets - Impact on Other Comprehensive Income and Expenditure	9
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)	3,537

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

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. In April 2017 the Council invested £0.5m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. Due to statutory override, any gains or losses are not charged to the General Fund.

Foreign Exchange Risk

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

NOTE 16: DEBTORS

	31-Mar-19	31-Mar-18
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies	676	7,466
Other Local Authorities	1,700	2,474
NHS Bodies	36	44
Other Entities and Individuals	4,915	6,448
TOTAL	**7,327**	**16,432**

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

Overall Aged Debt Analysis	31-Mar-19	31-Mar-18
	£'000	£'000
Less than 1 Year	7,212	16,338
1-2 Years	39	14
2-3 years	11	39
Over 3 years	65	41
	7,327	**16,432**

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-19	31-Mar-18
	£'000s	£'000s
Council house purchase	7	8
Legal Charges	2	1
Worthing Homes Loan	10,000	10,000
TOTAL	**10,009**	**10,009**

NOTE 17: CASH AND CASH EQUIVALENTS

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

	31-Mar-19	31-Mar-18
	£'000	£'000
The balance is made up of the following elements:		
Cash held by the Council	26	26
Bank Current Accounts	758	636
Call Accounts and Money Market Funds	2,200	3,000
Total Cash & Cash Equivalents	**2,984**	**3,662**

NOTE 18: ASSETS HELD FOR SALE

	Current 2018/19	Current 2017/18	Non Current 2018/19	Non Current 2017/18
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	-	4,784	-	-
Assets classified as Held for Sale:				
Transfers from Property, Plant and Equipment	337	-	-	-
Disposals	(337)	(4,784)	-	-
Balance outstanding at year-end	**-**	**-**	**-**	**-**

The Authority has recognised the following assets as held for sale:

- The Aquarena Swimming Pool: The sale completed in 2017/18
- High Street Car Park: The Authority agreed to sell the car park in April 2018 and the sale completed October 2018

NOTE 19: CREDITORS

	31-Mar-19	31-Mar-18
	£'000s	£'000s
Central Government Bodies	(410)	(1,614)
Other Local Authorities	(2,345)	(3,324)
Othe Entities and Individuals	(5,652)	(6,174)
TOTAL	**(8,407)**	**(11,112)**

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-18	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused Amounts Reversed in 2018/19	Balance at 31-Mar-19
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
HMRC Claims - Leisure Self Employed	(1)	-	-	-	(1)
Land Charges - Personal Search Fees	(13)	-	-	-	(13)
Leisure Contract Claim	(100)	-	86	-	(14)
Business Rate appeals	(761)	-	17	-	(744)
	(875)	**-**	**103**	**-**	**(772)**

Land Charges Provision: The Council is involved in litigation, concerning fees charged since 2005, for property searches. Local authorities have charged for property searches, but private search companies have now complained that the fees are compatible with the Environmental Information Regulations 2004. These regulations provide that environmental information should be made available for personal inspection at no charge. Numerous private property search companies have now issued and/or threatened claims against authorities for charges levied from 1st January 2005 onwards. In March 2011, central government provided £40,000 to each authority to cover potential claims for refunds. Several claims have now been settled, leaving just interest and legal costs to be agreed.

Business Rates Appeals: A provision has been made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The gross provision is £1.9m, Worthing Borough Council's share is £0.744m.

Included in this provision is a £474k allowance for business rates appeals related to claims from NHS trusts in relation to mandatory charitable relief. Previously NHS Trusts were taxed as public sector funded organisations, rather than charities, because they have boards of directors rather than trustees. NHS Trusts have applied for mandatory charitable relief which make them eligible for a 80% discount, backdated for six years. This is the subject of a legal dispute.

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-19	31-Mar-18
	£'000s	£'000s
Revaluation Reserve	(50,471)	(39,000)
Available for Sale Financial Instruments Reserve	-	16
Financial Instrument Revaluation Reserve	33	-
Capital Adjustment Account	(73,222)	(72,881)
Deferred Capital Receipts Reserve	(8)	(8)
Pension Reserve	39,440	32,596
Collection Fund Adjustment Account	786	114
TOTAL UNUSABLE RESERVES	**(83,442)**	**(79,163)**

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	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(39,000)	(41,592)
Upward revaluation of assets	(11,805)	(2,279)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	16	4,035
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	**(11,789)**	**1,756**
Difference between fair value depreciation and historical cost depreciation	312	315
Accumulated gains on assets sold or scrapped	6	521
Amount written off to the Capital Adjustment Account	**318**	**836**
Balance at 31 March	**(50,471)**	**(39,000)**

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 2018/19 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	2018/19	2017/18
Balance at 1 April	**(72,881)**	**(66,268)**
Charges for depreciation and impairment of non-current assets	3,199	3,392
Revaluation gains and losses on Property, Plant and Equipment	(3,121)	(3,017)
Amortisation of intangible assets	63	59
Revenue expenditure funded from capital under statute	4,646	941
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	900	5,705
Net written out amount of the cost of non-current assets consumed in the year	**5,687**	**7,080**
Adjusting amounts written out of the Revaluation Reserve	(318)	(836)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,534)	(5,226)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(606)	(5,975)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,303)	(574)
Statutory provision for the financing of capital investment charged against the General Fund	(1,111)	(809)
Capital expenditure charged against the General Fund	(195)	(207)
	(7,067)	**(13,627)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,039	(66)
	1,039	**(66)**
Balance at 31 March	**(73,222)**	**(72,881)**

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	2018/19	2017/18
	£'000	£'000
Balance at 1 April	32,596	39,979
Remeasurements of the net defined benefit liability / (asset)	4,933	(7,810)
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	6,419	4,887
Employer's pension contributions and direct payments to pensioners payable in the year	(4,508)	(4,460)
Balance at 31 March	**39,440**	**32,596**

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	2018/19	2017/18
	£'000	£'000
Balance at 1 April	114	(38)
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	91	(2)
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	581	154
Balance at 31 March	**786**	**114**

NOTE 23: CASH FLOW OPERATING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	390	130
Interest paid	(793)	(380)
Dividends received	21	15
Total	**(382)**	**(235)**

	Net 2018/19	Net 2017/18
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(4,091)**	**7,411**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,199	3,392
Impairment and downward valuations	(3,121)	(3,017)
Amortisation	63	59
Increase/(Decrease) in Interest Creditors		-
Increase/(Decrease) in Creditors	(695)	(2,832)
(Increase)/Decrease in Impairment for Bad Debts	(1)	-
(Increase)/Decrease in Debtors	3,908	3,189
(Increase)/Decrease in Inventories	22	3
Movement in Pension Liability	1,911	427
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	900	5,705
Other non-cash items charged to the net surplus or deficit on the provision of services	929	(110)
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**7,115**	**6,816**
Capital Grants credited to surplus or deficit on the provision of services	(1,902)	(7,498)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,124)	(5,587)
	(3,026)	**(13,085)**
Net Cash Flows from Operating Activities	**(2)**	**1,142**

NOTE 24: CASH FLOW INVESTING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(34,543)	(17,553)
Purchase of short-term and long-term investments	(127,490)	(129,930)
Other payments for investing activities	-	(10,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,125	5,597
Proceeds from short-term and long-term investments	128,465	127,430
Other receipts from investing activities	7,820	1,421
Net cash flows from investing activities	**(24,623)**	**(23,035)**

NOTE 25: CASH FLOW FINANCING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	**£'000**
Cash receipts of short- and long-term borrowing	34,499	32,955
Repayments of short- and long-term borrowing	(8,814)	(13,727)
Other payments for financing activities	(1,738)	(392)
Net cash flows from financing activities	**23,947**	**18,836**

NOTE 26: TRADING OPERATION

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

	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	2017/18 Net Expenditure
	£'000	**£'000**	**£'000**	**£'000**
Trade Refuse	1,023	(1,344)	(321)	(251)
	1,023	**(1,344)**	**(321)**	**(251)**

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 2018/19 income collected was £2.324m (£1.911m 2017/18) and expenditure was £1.239m (£1.214m 2017/18). The surplus of £1,085,002 (£696,760 2017/18) 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:

2018/19	2017/18
£	**£**
262,451	253,394

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	**2018/19**	**2017/18**
£50,000 to £54,999	13	6
£55,000 to £59,999*	3	4
£60,000 to £64,999	4	5
£65,000 to £69,999	3	4
£70,000 to £74,999*	4	6
£75,000 to £79,999	4	2
£80,000 to £84,999	1	1
£85,000 to £89,999	-	-
£90,000 to £94,999	-	3
£95,000 to £99,999	3	1
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	1
	36	**33**

* These include redundancy, efficiency of service and settlement payments relating to 2018/19. Please see note 30 Exit Packages and Terrmination Benefits for a breakdown of these payments.

There was one employee who earned more than £50,000 and was paid directly by Worthing Borough Council.

Remuneration Band	2018/19 Number of employees	2017/18 Number of employees
£50,000 to £54,999	1	-
£55,000 to £99,999	-	-
	1	**-**

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 2018/19 and in 2017/18.

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 2018/19 or 2017/18.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above	Salary,Fees & Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C & paid to Adur D.C.	Net Cst borne by Adur D.C. Employing Authority
Chief Executive							
2018/19	118,824	-	118,824	25,072	143,896	71,948	71,948
2017/18	120,438	-	120,438	25,412	145,850	72,925	72,925
Director for Communities							
2018/19	99,750	-	99,750	21,047	120,797	72,478	48,319
2017/18	92,920	-	92,920	19,606	112,526	60,201	52,325
Director for Digital & Resources							
2018/19	99,750	-	99,750	21,047	120,797	66,740	54,057
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
Director for the Economy							
2018/19	99,750	-	99,750	21,047	120,797	82,142	38,655
2017/18	93,849	-	93,849	19,802	113,651	77,283	36,368
Director for Customer Services							
2018/19	-	-	-	-	-	-	-
2017/18	50,326	44,000	94,326	9,559	103,885	62,331	41,554
Head of Finance (S151 Officer)							
2018/19	77,090	-	77,090	16,266	93,356	54,053	39,303
2017/18	73,448	-	73,448	15,498	88,946	48,209	40,737
Head of Legal (Monitoring Officer)							
2018/19	69,522		69,522	14,831	84,353	47,816	36,537
2017/18	68,144	-	68,144	14,540	82,684	40,912	41,772
Head of Planning & Development (Strategic Planning)							
2018/19	70,288	-	70,288	14,831	85,119	43,411	41,708
2017/18	70,465	-	70,465	14,868	85,333	43,520	41,813
Head of Housing (Strategic Housing)							
2018/19	66,860	-	66,860	13,955	80,815	29,094	51,721
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354

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:

{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	
		2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
								£	£
£0	£20,000	7	2	6	1	13	3	121,424	15,341
£20,000	£40,000	3	1	4	4	7	5	188,290	151,380
£40,000	£60,000	-	-	1	2	1	2	52,065	96,065
£60,000	£80,000	-	-	-	-	-	-	-	-
£80,000	£100,000	-	-	-	-	-	-	-	-
£100,000	£150,000	-	-	-	-	-	-	-	-
Total cost included in bandings		10	3	11	7	21	10	361,779	262,786
Total cost included in CIES		10	3	11	7	21	10	361,779	262,786

* These redundancy costs are shared between Worthing and Adur Councils in proportion to the service allocation. The total cost of £361,779 in the table above includes **£229,909** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£
Redundancy costs	229,909
Enhanced Pension Benefits	149,357
Total termination benefit 2018/19	379,266
Termination benefits 2017/18	230,683

A total £229,909 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £149,357 is the 2018/19 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 the Ernst & Young) relating to external audit.

	2018/19	2017/18
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	37	47
Fees payable to external auditors for the certification of grant claims and returns for the year	17	8
	54	**55**

NOTE 32: GRANT INCOME

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

	2018/19	Restated 2017/18
Credited to Taxation and Non specific Grant Income	**£'000s**	**£'000s**
Revenue Support	8	453
Council Tax Transition	2	100
New Homes Bonus Scheme	1,221	1,394
Section 31 Grant	1,136	989
	2,367	**2,936**
Credited to Taxation and Non specific Grant Income		
S106 Developer Contributions: Leisure	-	52
S106 Developer Contributions: Transport	-	-
S106 Developer Contributions: Affordable Housing	382	219
S106 Developer Contributions: Miscellaneous	50	-
Community Infrastructure Levy	99	267
Community Infrastructure Levy - Local Ward	19	50
	550	**588**

* 2017/18 Restated as NNDR Section 31 Grants were previously shown within Business Rates income (see note 11).

	2018/19	2017/18
Capital Grants & Donations - Specific	**£'000s**	**£'000s**
DEFRA/Environment Agency - Coast Protection	16	27
Heritage Lottery Fund	67	-
Local Enterprise Partnership	-	5,692
Southdowns National Park	5	-
DCLG Better Care Fund - Disabled Facilities Grant	1,265	1,190
	1,353	**6,909**
Credited to Services - General Fund Grants		
Ministry of Housing, Communities and Local Government (MHCLG) - Flexible Homelessness	207	129
MHCLG - Rough Sleeping Initiative	212	-
MHCLG - Meams Project	-	70
MHCLG - Other Grants	251	86
Department of Works and Pensions Grants	87	115
Cabinet Office IER Grant	25	21
Greater Brighton One Public Estate	-	20
West Sussex County Council	25	27
Arun District Council - LEAP funding	102	-
Heritage Lottery Fund - Costume Trail	-	1
Other Grants and Donations	7	21
Grants recognised in Joint Committee	798	687
	1,714	**1,177**
TOTAL GRANTS CREDITED TO SERVICES	**4,919**	**11,266**

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:

	2018/19	2017/18
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government (MHCLG) - Coastal West Sussex Revival Funds	49	-
MHCLG - Rough Sleeping Initiative	59	-
MHCLG - Self and Custom Build	-	30
LEAP Funding	2	103
Greater Brighton One Public Estate	-	44
Other Grants and Donations	7	6
Grants recognised in Joint Committee	331	303
TOTAL	**448**	**486**

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 2019 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 2018/19 is shown in Note 28. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

The Council agreed a loan of £10m to Worthing Homes in 2016/17 for the purpose of building social Housing in the Borough. In 2018/19 one Worthing member declared an interest in Worthing Homes Limited, as a paid director. They did not personally benefit from the loan.

Officers

There were no related party transactions declared by officers in 2018/19.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Authority

The Council has a 20 year agreement with South Downs Leisure Trust to manage two leisure centres.

Payment of £83,016 was received from South Downs Leisure Trust in 2018/19.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2018/19	2017/18
	£'000	**£'000**
Opening Capital Financing Requirement	**39,150**	**22,384**
Capital Investment		
Property, Plant and Equipment	6,892	18,575
Share Capital	25	10,000
Intangible Assets	13	34
Revenue Expenditure Funded from Capital Under Statute	4,646	941
Investment Properties	26,697	-
Sources of Finance		
Capital receipts	(2,534)	(5,226)
Government grants and other contributions	(2,909)	(6,542)
Sums set aside from revenue:		
Direct revenue contributions	(95)	(71)
MRP/loans fund principal	(1,111)	(809)
Revenue funding	(100)	(136)
Closing Capital Financing Requirement	**70,674**	**39,150**
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	31,524	16,766
Increase/(decrease) in Capital Financing Requirement	**31,524**	**16,766**

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-19	31-Mar-18
	£'000	**£'000**
Not later than one year	3,075	1,672
Later than one year and not later than five years	10,097	4,899
Later than five years	35,269	31,631
	48,441	**38,202**

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-19	31-Mar-18
	£'000s	**£'000s**
Commuted Sums	(170)	(175)
Pension Reserve Liability (see note 37)	(39,440)	(32,596)
TOTAL	**(39,610)**	**(32,771)**

NOTE 37: DEFINED BENEFIT PENSION PLAN

Participation in Pension Plans

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
			£'000s	£'000s
Cost of services				
Current service cost	(569)	(3,837)	(4,406)	(4,485)
Past service cost	(124)	(1,028)	(1,152)	(44)
(gain)/loss from settlements	-	-	-	-
Effect of Business Combination	-	-	-	637
Financing & Investment Income & Expenditure	-	-	-	-
Net Interest cost	(842)	(19)	(861)	(995)
Total post employment benefit charged to the surplus or deficit on the provision of services	(1,535)	(4,884)	(6,419)	(4,887)
Other post employment benefit charged to the CI&E Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	2,425	2,843	5,268	4,977
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(3,537)	(6,592)	(10,129)	2,513
Other (if applicable)	(72)	-	(72)	320
Total remeasurements recognised in other comprehensive income	(1,184)	(3,749)	(4,933)	7,810
Total post-employment benefits charged to the CI&E statement	**(2,719)**	**(8,633)**	**(11,352)**	**2,923**
Total post-employment benefits charged to the CI&E statement	**(2,719)**	**(8,633)**	**(11,352)**	**2,923**

	Worthing 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
	£'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	(1,535)	(4,884)	(6,419)	(4,887)
Actual amounts charged against the General Fund balance for pensions in the year:	-	-	-	-
Employer's contributions payable to the scheme	2,109	2,168	4,277	4,226
Retirement benefits payable to pensioners	231	-	231	234
Total charged against General Fund balance	2,340	2,168	4,508	4,460

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2018/19			2017/18		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(90,631)	(76,550)	(167,181)	(88,438)	(63,347)	(151,785)
Fair value of plan assets	57,014	70,727	127,741	55,200	63,989	119,189
Net liability arising from defined benefit obligation	**(33,617)**	**(5,823)**	**(39,440)**	**(33,238)**	**642**	**(32,596)**

Pension Assets and Liabilities

Reconciliation of the Movemements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2018/19			2017/18		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	55,200	63,989	119,189	53,172	56,372	109,544
Interest income	1,408	1,755	3,163	1,307	1,512	2,819
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	2,425	2,843	5,268	2,407	2,570	4,977
Other	-	-	-	-	-	-
Contributions from employer	2,340	2,168	4,508	2,450	2,010	4,460
Contributions from employees into the scheme	87	657	744	104	640	744
Benefits paid	(4,446)	(685)	(5,131)	(4,240)	(591)	(4,831)
Effect of Business Combination	-	-	-	-	1,476	1,476
Closing fair value of scheme assets	**57,014**	**70,727**	**127,741**	**55,200**	**63,989**	**119,189**

Pension Assets and Liabilities

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities: LGPS					
	2018/19			2017/18		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(88,438)	(63,347)	(151,785)	(91,113)	(58,410)	(149,523)
Current service cost	(569)	(3,837)	(4,406)	(685)	(3,800)	(4,485)
Interest cost	(2,250)	(1,774)	(4,024)	(2,233)	(1,581)	(3,814)
Contributions from scheme members	(87)	(657)	(744)	(104)	(640)	(744)
Remeasurement (gains) and losses:		-			-	
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	(3,537)	(6,592)	(10,129)	1,137	1,376	2,513
Other experience	(72)	-	(72)	320	-	320
Past service cost	(124)	(1,028)	(1,152)	-	(44)	(44)
Losses/(Gains) on curtailment	-	-	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-	(839)	(839)
Benefits paid	4,446	685	5,131	4,240	591	4,831
Liabilities extinguished on settlements	-	-	-	-	-	-
Closing balance at 31 March	**(90,631)**	**(76,550)**	**(167,181)**	**(88,438)**	**(63,347)**	**(151,785)**

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					
	2018/19			2017/18		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,571.5	1,949.5	3,521.0	1,420.6	1,646.8	3,067.4
Equity instruments:						
Consumer	5,553.7	6,889.5	12,443.2	7,852.9	9,103.3	16,956.2
Manufacturing	3,276.7	4,064.8	7,341.5	5,045.3	5,848.7	10,894.0
Energy and Utilities	1,735.7	2,153.2	3,888.9	2,665.8	3,090.3	5,756.1
Financial Institutions	6,840.3	8,485.6	15,325.9	8,991.0	10,422.4	19,413.4
Health and Care	2,744.0	3,404.0	6,148.0	3,824.7	4,433.7	8,258.4
Information Technology	3,691.9	4,579.9	8,271.8	7,543.2	8,744.3	16,287.5
Other	3,257.7	4,041.3	7,299.0	2,543.2	2,948.2	5,491.4
Sub-total equity	**27,100.0**	**33,618.3**	**60,718.3**	**38,466.1**	**44,590.9**	**83,057.0**
Debt Securities:						
UK Government	1,617.8	2,006.9	3,624.7	1,023.5	1,186.5	2,210.0
Investment Funds and Unit Trusts:						
Bonds	19,224.3	23,847.9	43,072.2	6,916.7	8,018.0	14,934.7
Property:						
UK Property	0.0	0.0	0.0	4,353.1	5,046.3	9,399.4
Sub-total property	**0.0**	**0.0**	**0.0**	**4,353.1**	**5,046.3**	**9,399.4**
Private equity	0.0	0.0	0.0	2,373.0	2,750.8	5,123.8
Other investment funds	608.4	754.8	1,363.2	647.0	750.1	1,397.1
Derivatives	-	-	-	-	-	-
Total assets	**50,122.0**	**62,177.4**	**112,299.4**	**55,200.0**	**63,989.4**	**119,189.4**

Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	Fair value of scheme assets					
	2018/19			2017/18		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	1,584.0	1,964.9	3,548.9	-	-	-
Rweal Estate:						
UK Property	5,308.0	6,584.7	11,892.7	-	-	-
Total assets	**6,892.0**	**8,549.6**	**15,441.6**	**0**	**0**	**0**

Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners		
Male	23.6	23.6
Female	25	25
Longevity at 65 for future pensioners		
Male	26	26
Female	27.8	27.8
Rate of increase in salaries	3.2%	3.1%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

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

Change in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	7%	6,343
0.5% increase in Salary Increase Rate	0%	336
0.5% increase in the Pension Increase Rate	7%	5,944

Included in 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 £2,148,000 contributions to the Worthing scheme in 2018/2019, and approximately £1,938,000 contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 38: CONTINGENT LIABILITIES

Pension Guarantees - The Council entered into a long term contract for the provision of Leisure Services with South Downs Leisure Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However pension rights are not fully covered within TUPE regulations. The Council has provided a guarantee that in the event the Leisure Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

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

Highdown Gardens

This is a public garden that is on English Heritage's Register of Historic Parks and Gardens Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection. The cultural significance of this asset cannot be valued.

Memorials Monuments

War Memorial Monument - is situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

Pigeon Memorial Monument - is situated in Steyne Gardens dedicated to the pigeons who took part in the First World War The cultural and historical significance of this monument cannot be valued.

The Miller's Tomb

This is the famous grave of John Oliver, he was a miller in 1709 it is thought was involved in smuggling It is situated on a downland site, which is owned by the Council, that has been designated a site of nature and conservation due to the wealth of flora including orchids. It is not possible to value the cultural and historical significance of this unique asset.

Amelia Park Gateway

This is a listed building constructed between 1831 and 1833. It is not possible to value the cultural and historical significance of this unique asset.

Costume and Jewellery

This is one of the most important costume collections of its kind in the country and since the 1960s the collection has grown to approximately 25,000 items of British clothing, accessories and ephemera, used and worn by both sexes, all ages and social levels.

Toys

The juvenilia collection is one of the museum's particular strengths and is not only one of the largest collections of its kind outside London, but also includes pieces of superb quality and interest.

Social History

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography.

The coin collection includes commemorative medals from Sussex, Iron Age and Roman coins, British coins of all periods, as well as those from British overseas territories, and a small but significant collection of tokens from Sussex as well as others from the rest of Britain.

Each of the main areas within the Social History section is supported by large holdings of printed ephemera and photographs. There is a collection of over 6,000 topographical photographs which illustrate how the local area has developed and provide a wealth of information.

Archaeology and Geology

From the 1930s to the 1970s the Worthing Archaeological Society was responsible for a number of major excavations. Since the early 1970s most excavations in the area have been carried out by professional archaeological units. Material from all this work is housed in the Worthing Museum.

The Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.

HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

Heritage Assets of Particular Importance

The archaeology collection is extensive and includes both excavated material and stray finds from all periods from the Palaeolithic to Post-Medieval. Notable exhibits include material from important Neolithic flint-mining sites, Bronze Age material, Iron Age material, Romano-British material, early Anglo-Saxon finds, late Saxon material and Medieval material.

Art and Sculpture

The Museum has built up an extensive topographical collection of paintings, prints and drawings dating from 1800 to the present day. It also has a fine body of oil paintings by the British Post-Impressionist painters who were members of the Camden Town Group. The watercolours include works by some of the main water-colourists working from the eighteenth century onwards.

The Women's Costume collection is the largest section of costume with examples of Haute Couture, dressmaker, home-made and mass-produced clothing with garments dating from 1700 and accessories dating from 1600.

A unique collection of items that include decorative art, local history and juvenilia was bequeathed to the Museum in 1999 by a local collector.

Preservation and Management

The Council's Museum has a rolling programme of major repair and restoration of its artefacts which is charged to the Comprehensive Income and Expenditure Statement.

The Museum has a detailed Acquisitions and Disposals Policy which outlines the procedures for acquiring assets and disposing of assets.

NOTE 40: TRUST FUNDS

The Council acts as one of several trustees for the following funds:

	2018/19 Capital Value of Fund	2017/18 Capital Value of Fund
	£'000	£'000
Highdown Tower Gardens	31	31
Income used to make improvements to the garden		
Dr Chester's Charity	27	27
Aid to people in poverty		
TOTAL	**58**	**58**

In neither case do the funds represent the assets of the Council and therefore they have not been included in the balance sheet.

The Council acts as a trustee for the Highdown Tower Gardens (registered charity number 305445). Capital funds are held by the Council on behalf of the Trustees.

NOTE 41: JOINT BUDGETS

Since July 2007, Adur District 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 2018/19	Gross Income 2018/19	Net Expenditure 2018/19
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	21,137	(4,631)	**16,506**
Holding Accounts	11,232	(622)	**10,610**
NET COST OF SERVICES	**32,369**	**(5,253)**	**27,116**
Other operating expenditure			18
Financing and investment income and expenditure			-
Taxation & non-specific grant income			-
Funded by:			
Adur District Council			(9,567)
Worthing Borough Council			(14,075)
(Surplus) or Deficit on Provision of Services			**3,492**
Remeasurements of the net defined pension benefit liability			6,976
Other Comprehensive Income & Expenditure			**6,976**
Total Comprehensive Income and Expenditure			**10,468**

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

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						
	2018/19			**2017/18**		
	Business Rates	**Council Tax**	**TOTAL**	**Business Rates**	**Council Tax**	**TOTAL**
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	65,823	65,823	-	62,205	62,205
Business Rates Receivable	31,532	-	31,532	30,672	-	30,672
Transitional; Protection Payments	150	-	150	226	-	226
	31,682	**65,823**	**97,505**	**30,898**	**62,205**	**93,102**
Contribution Towards Previous Year Deficit (B)						
Central Government	-	-	-	-	-	-
Worthing Borough Council	-	-	-	-	-	-
West Sussex County Council	-	-	-	-	-	-
Sussex Police and Crime Commissioner	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
TOTAL INCOME (C) = (A+B)	**31,682**	**65,823**	**97,505**	**30,898**	**62,205**	**93,102**
EXPENDITURE (D)						
Payment From Previous Year Surplus						
Central Government	379	55	434	33	9	42
Worthing Borough Council	303	301	604	26	51	77
West Sussex County Council	76	37	113	7	6	13
Sussex Police and Crime Commissioner	-	-	-	-	-	-
	758	**393**	**1,151**	**66**	**66**	**131**
Precepts, Demands and Shares (E)						
Central Government	16,003	-	16,003	15,602	-	15,602
Worthing Borough Council	12,803	8,874	21,677	12,481	8,498	20,979
West Sussex County Council	3,201	50,558	53,759	3,120	47,498	50,618
Sussex Police and Crime Commissioner	-	6,365	6,365	-	5,822	5,822
	32,007	**65,797**	**97,804**	**31,203**	**61,818**	**93,022**
Charges to Collection Fund (F)						
Less: write offs of uncollectable amounts	333	37	370	24	87	111
Less: Incr. / Decr. (-) in Bad Debt Provision	(55)	278	223	225	208	433
Less: Incr. / Decr. (-) in Provision for Appeals	(41)	-	(41)	(362)	-	(362)
Less: Cost of Collection	130	-	130	128	-	128
	367	**315**	**682**	**15**	**295**	**310**
TOTAL EXPENDITURE (G) = (D+E+F)	**33,132**	**66,505**	**99,637**	**31,285**	**62,179**	**93,463**
Surpl. / Def. (-) arising during the yr (C-G)	**(1,450)**	**(682)**	**(2,132)**	**(387)**	**26**	**(360)**
Surplus / Deficit (-) b/fwd. 1st April	**(425)**	**411**	**(14)**	**(38)**	**385**	**347**
Surplus / Deficit (-) c/fwd. 31st March	**(1,875)**	**(271)**	**(2,146)**	**(425)**	**411**	**(13)**

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 2018/19 was 38,365.9 Band D equivalent.

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police and Crime Commissioner and Worthing Borough Council by the Council Tax Base calculated above.

	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	50,557,816	÷	38,365.9	=	1,317.78
Sussex Police & Crime Commissioner	6,365,286	÷	38,365.9	=	165.91
Worthing Borough Council	8,874,033	÷	38,365.9	=	231.30

NOTE 2: BUSINESS RATES

From 1st April 2015, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Worthing Borough Council, Adur District Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2018/19 is paid into the West Sussex County Council Pool and together the members share the levy and it is redistributed. Without the Pool, the levy would be paid to MHCLG and not retained in the area to the benefit of local residents.

The total amount contributed to the pool in 2018/19 is £3.2m. The amount the Council contributed to the Pool in 2018/19 was £465k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEP (Local Economic Partnership) and other invest to save initiatives. The contribution is shown within the Comprehensive Income and Expenditure Statement.

Business rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole which, was 49.1p in 2018/19 (46.6p in 2017/18). The overall rateable value for Worthing Borough Council as at 31st March 2019 was £82.80m (£82.74m as at 31st March 2018).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £2.4m and £1.5m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2018/19 in line with Worthing Borough Council's accounting policy for maintaining the provision.

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

	West Sussex County Council	Sussex Police and Crime Commisioner	Worthing	TOTAL
	£	£	£	£
Demand on Collection Fund 2019/20				**-**
Apportionment based on 2018/19	**76.39%**	**10.49%**	**13.13%**	**100.00%**
Council Tax arrears	3,616,242	496,371	621,494	**4,734,107**
Provision for bad debts	(1,828,609)	(250,998)	(314,268)	**(2,393,875)**
Receipt in advance	(888,662)	(121,979)	(152,727)	**(1,163,368)**
(Surplus)/Deficit	207,001	28,413	35,575	**270,989**
In year (Surplus)/Deficit	-	-	-	**-**
Balance as on 31st March, 2019	**1,105,972**	**151,807**	**190,074**	**1,447,853**

NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
Business Rates Arrears	1,123,632	224,725	898,905	**2,247,262**
Provision for Bad Debts	(732,382)	(146,476)	(585,906)	**(1,464,764)**
Provision for Appeals	(1,913,660)	(382,732)	(1,530,928)	**(3,827,320)**
RV List Amendments	982,241	196,448	785,793	**1,964,482**
Receipt in Advance	(803,408)	(160,682)	(642,726)	**(1,606,816)**
(Surplus)/Deficit	937,602	187,520	750,081	**1,875,203**
Balance as at 31st March 2019	**(405,975)**	**(81,197)**	**(324,781)**	**(811,953)**

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.worthing.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 2019 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 reviewing 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 2018/19.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework gives the Members and the Organisation, in a number of ways, the confidence and certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

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

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.

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

The Councils have agreed programmes of work for 2018/19 under five themes or ‘Platforms’ which set out their aspirations for the town.

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

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

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

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 £5.8m by 2023/24 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Recruitment and induction

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

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. 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 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Financial management

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with 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.

Risk management

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly reported to CLT and the Joint Governance Committee.

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

Joint Governance Committee

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA’s practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Internal audit

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

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

For 2018/19 the Head of Internal Audit's opinion stated that:

"We have noted an improvement in Worthing Borough Council's control environment during the audit year.

During the 2018/19 year, some 20 (76.9%) of internal audit projects were rated 'Satisfactory assurance' compared with 17 (73.9%) in the prior year. Three 'Full assurance' opinions were issued in 2018/19 compared to none in 2017/18.

We are pleased to report that we have not issued any 'No assurance' opinions in 2018/19. We issued three (11.55%) reports with 'limited assurance' opinions compared with six (26.1%) in the previous year."

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. Overall the Committee assessed that the governance framework was fit for purpose apart from the issues detailed below. A plan to address weaknesses and ensure continuous improvement of the system is in place.

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) Procurement and contract management procedures and processes:

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions have been taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;

- Development of contract management guidance; and

- The use of the Orbis partnership (East Sussex County Council, Surrey County Council, and Brighton and Hove City Council) to support procurement activity in the Council.

A review of progress following the appointment of Orbis will be undertaken in 2019/20 with a view to removing this item as a significant governance issue next year

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.

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 conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team where necessary.

PROPOSED ACTION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:
Councillor Daniel Humphreys
Leader of the Council
Worthing Borough Council

Dated: 30th May 2019

Signed:
Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 30th May 2019

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 2018/19 which means the year commencing 1st April 2018 and ending 31st March 2019. The end of the accounting period is the date at which the balance sheet is drawn up.
ACCRUAL	An amount included in the accounts in respect of income or expenditure for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.
ACTUARIAL ASSUMPTION	An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits.
ACTUARIAL GAINS AND LOSSES	Actuarial gains and losses which may result from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
ASSET	A resource that, as a result of a past event, is controlled and expected to give future benefits. It is not necessary to own an asset in order to control it, as assets may be acquired from other providers via credit arrangements such as leasing.
AMORTISED COST	The amount at which the financial asset or financial liability is measured. The measurement reflects the cost or transaction price at initial recognition, adjusted for principal payments and accrued interest at the balance sheet date. The measurement may also be adjusted by any difference between the initial amount and the maturity amount resulting from impairment or uncollectibility by applying the effective interest rate inherent over the term of the financial asset or liability.
BALANCE SHEET	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
CAPITAL CHARGE	A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	The proceeds from the sale of fixed assets.

CASH EQUIVALENTS	Short-term investments that are readily convertible, without penalty, to known amounts of cash and which are subject to an insignificant risk of changes in value.
COMMUNITY ASSETS	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
CONSISTENCY	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENT LIABILITY	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
CREDITORS	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
CURRENT ASSETS/LIABILITIES	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
CURRENT SERVICE COST	Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
CURTAILMENT	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
DEBTORS	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
DEFINED BENEFIT SCHEME	This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEPRECIATION	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
EXPENDITURE	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

FAIR PRESENTATION	International Accounting Standard IAS 1 requirement that financial statements should not be misleading. To a large extent this means obeying the prevalent accounting standards, but the concept of fairness may transcend that, to include an assessment of the overall picture given by the financial statements.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
FINANCE LEASE	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset from the provider (lessor) to the user (lessee). Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.
FINANCIAL INSTRUMENT	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
IMPAIRMENT OF ASSETS	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
INFRASTRUCTURE ASSETS	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
INTANGIBLE ASSETS	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
INVESTMENTS	Current asset investments that are readily disposable by the Council without disrupting its business.
INVESTMENT PROPERTIES	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
LIQUID RESOURCES	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
NET BOOK VALUE	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
OPERATING LEASE	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.

POST BALANCE SHEET EVENTS	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
PROVISION	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise.
PRIOR YEAR ADJUSTMENT	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
PRUDENCE	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.
PUBLIC WORKS LOAN BOARD (PWLB)	The Public Works Loan Board (PWLB) is a statutory body operating within the Debt management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.
REMUNERATION	Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.
RESERVES	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
TO DEBIT	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
TO CREDIT	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
TRUE AND FAIR VIEW	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
VIREMENT	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

Emma Thomas,
Chief Accountant,
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Chapel Road,
Worthing,
West Sussex, BN11 1HB

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Worthing Borough Council
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Chapel Road
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www.adur-worthing.gov.uk

To:
Ernst & Young
Wessex House,
19 Threefield Lane
Southampton
SO14 3QB
United Kingdom

Date: 19 July 2019
Service: Finance
Tel: 01903 221221
Email: Sarah.gobey@adur-worthing.gov.uk

Worthing Borough Council – Audit for the year ended 31 March 2019

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 2019. 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 2019 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 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2018/19, 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 2018/19, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - involving financial statements;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others; or

    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees held through the year to the most recent meeting on 30 July 2019.

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

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement

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

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
www.adur-worthing.gov.uk

G. 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. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

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

I. Use of the Work of a Specialist - Actuary

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

J. Use of the Work of a Specialist – Property Valuers

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investment property and operational 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.

K. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.

2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.

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

L. Retirement benefits

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

Signed on behalf of Worthing Borough Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 30 July 2019

Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date:

Name: Councillor Lionel Harman
Position: Chairman, Joint Governance Committee
Date:

Adur and Worthing Councils, Town Hall, Worthing, West Sussex BN11 1HS
www.adur-worthing.gov.uk

Adur District Council
Audit results report

Year ended 31 March 2019

July 2019

Building a better working world

Agenda Item 7

18 July 2019

Dear Joint Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Adur District Council for 2018/19.

We have substantially completed our audit of Adur District Council for the year ended 31 March 2019.
Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3, by the accounts publication date of 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Joint Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 30 July 2019.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented at the 22 January 2019 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, with the following exceptions:

- Changes in materiality. In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.1m. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure, we have updated our overall materiality assessment to £1.0m. This results in updated performance materiality, at 75% of overall materiality, of £761,000, and an updated threshold for reporting misstatements of £50,000.

Status of the audit

We have substantially completed our audit of Adur District Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding matters we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Testing of leases
- Completion of final pension liability procedures
- Completion of file by the Audit Manager
- Final review of the file by the Associate Partner
- Full review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter
- Approval of the accounts by the Committee on 30 July 2019, or later if delegated authority is required
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

A national issue has resulted in a relatively late change to the District Council accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be reasonably estimated and so included in the IAS19 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 4.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

Management have made two significant amendments to the financial statements.

The Council's actuary has reassessed defined benefit pension liabilities under IAS19 as result of the McCloud ruling. This has resulted in a number of amendments being made to the draft financial statements.

Further details are provided in Section 4 of this report on the items above.

We expect to identify no audit differences that management will not adjust.
A small number of other disclosure errors were identified as a result of our work which have been corrected.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Adur District Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified a significant risks over sustainable resource deployment. We have revisited this assessment and considered the wider results of our other audit procedures; we identified no further significant risks.

Our findings and conclusions in respect of this risk are set out at Section 5 Value for Money Conclusion Risks. We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive Summary

Other reporting issues
We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work. We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report. We have no other matters to report.

Independence
We have no matters to highlight on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the Joint Governance Committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.
- Reviewing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the Joint Governance Committee and the Head of Internal Audit in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business

Significant Risk

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.

From our risk assessment, we have assessed that the risk manifests itself through the inappropriately capitalisation of revenue expenditure to improve the financial position of the general fund, as there is an incentive to reduce expenditure which is funded from Council Tax.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focused on the following:

- For significant additions and Revenue Expenditure Funded from Capital under Statute (REFCUS) we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes; and
- Sample tested PPE additions and REFCUS to reflect the existence of this risk. Agreed samples to source documentation to ensure the classification was reasonable.

What are our conclusions?

We have not identified any issues with the classification of REFCUS or capital expenditure.

We have not identified any instances of inappropriate judgements being applied.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council’s financial position

Significant Risk

Significant risk

Risk of fraud in revenue and expenditure recognition, through inappropriate change in minimum revenue provision

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.

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19 to ensure compliance with new statutory guidance and to better match the cost and income streams.

What judgements are we focused on?

We focused on the following:

- Reviewing the revised MRP methodology and ensure that this is in line with the Local Authority Accounting Code of Practice;
- Considered using an internal specialist to review the Council's MRP calculations; and
- Assessing the material accuracy of the Council's MRP estimate and historic over or under provision.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Reviewed the MRP methodology and ensured that this was in line with the Local Authority Accounting Code of Practice; and
- Assessed the material accuracy of the Council's MRP estimate and historic over or under provision.

What are our conclusions?

We identified that the Council had not changed their methodology for calculating the MRP in 2018/19 but had tightened up their processes to ensure that their methodology was compliant with the latest statutory guidance. Therefore, we reassessed this risk and decided that it was no longer a significant risk.

We assessed that the MRP had been calculated accurately and in line with appropriate guidance.

Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Valuation of Land and Buildings The fair value of Land and Buildings in Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Given the increase in Investment Properties (IP) and the reclassification of a property from Land and Buildings, these properties were also considered in response to this risk	We have performed the procedures described in our original audit plan. We have: ▸ Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Reviewed assets not subject to valuation in 2018/19 to confirm that they have been appropriately indexed in line with the Council's new estimation technique to ensure that the remaining asset base is not materially misstated; ▸ Considered changes to useful economic lives as a result of the most recent valuation; and ▸ Tested to confirm that accounting entries have been correctly processed in the financial statements. We are satisfied that the asset valuations have been reflected in the financial statements and are based on accurate supporting information.

Other areas of audit focus

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 East Sussex County Council and the Firefighters' Pension Scheme. The Council's pension fund liabilities are material estimated balances and the Code requires that these liabilities be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £423 million. The information disclosed is based on the IAS 19 reports issued to the Council by the actuaries to the two pension schemes. Accounting for these schemes involves significant estimation and judgement and therefore management engages actuaries to undertake the calculations on its behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	Our planned work is as follows. Due to the IAS 19 reports being updated, this work is not yet complete. ▸ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Adur District Council and the Joint Committee; ▸ Assess the work of the LGPS Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. As considered more fully in Section 4 of this report the Council re-engaged the actuary to produce an updated IAS 19 valuation to consider the impact of the McCloud ruling. The actuary was also able to consider the following in the updated IAS 19 valuation: • The actual rather than estimated value of the Council's share of pension fund assets at year end. • Immaterial adjustments in respect of Guaranteed Minimum Pensions (GMP). We will perform the procedures set out above to ensure that we are satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements. Details of the amendments to be made are not yet available.

Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?	What did we do?
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.	We have: ▸ Assessed the Council's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Considered the classification and valuation of financial instrument assets; ▸ Reviewed the new expected credit loss model impairment calculations for assets; and ▸ Checked additional disclosure requirements. **Conclusion:** We concluded that IFRS 9 financial instruments had been applied correctly.
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	We have: ▸ Assessed the Council's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Considered application to the Council's revenue streams, and identified that there are no material income streams that are affected by IFRS 15; and ▸ Checked additional disclosure requirements. **Conclusion:** We concluded that IFRS 15 Revenue from contracts with customers had been applied correctly.

03 Audit Report

Audit Report

Draft audit report

Our proposed audit report

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

Opinion

We have audited the financial statements of Adur District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet-
- Cash Flow Statement-
- The related notes 1 to 42;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 12; and
- Collection Fund and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2019 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 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

Audit Report

Our proposed audit report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 27, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance 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 have no realistic alternative but to do so.

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

Audit Report

Our proposed audit report

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Adur District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Adur District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

Certificate

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

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £761,000 which have been corrected by management that were identified during the course of our audit:

- Some minor misstatements in disclosures
- Management adjustments:
  - Management reconsidered their estimate process regarding assets not revalued in year following audit discussions in previous years. They decided to implement a process of applying an indexation to these assets. The significant impact of applying this indexation has been to increase land and buildings by £1.6m, increase the revaluation reserve by £1.3m with the remaining £0.3m impacting the Housing Revenue Account reserves. There are also corresponding amendments to the Movement in Reserves statement; the General Fund and the Capital Adjustment Account of £0.3m.
  - Management identified that an investment property valued a £11.5m had been misclassified as an operational asset. A prior year adjustment was required to correct this misclassification and remove the depreciation charged in the prior year.

There were no uncorrected misstatements.

Audit Differences

McCloud ruling

A national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be reasonably estimated and so included in the IAS19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling by updating the IAS19 assessment for the Council. In doing this the IAS19 assessment was also updated for two other issues:

- GMP - All Pension schemes must equalise between males and females which generates additional liabilities. The impact on the Council is not material but has been adjusted for in the revised IAS19 valuation.
- As is usual practice the original IAS19 valuation was based on an estimate of fund assets at the end of the year. This has been updated to reflect the actual value of fund assets and returns in the 2018/19 West Sussex Pension Fund financial statements.

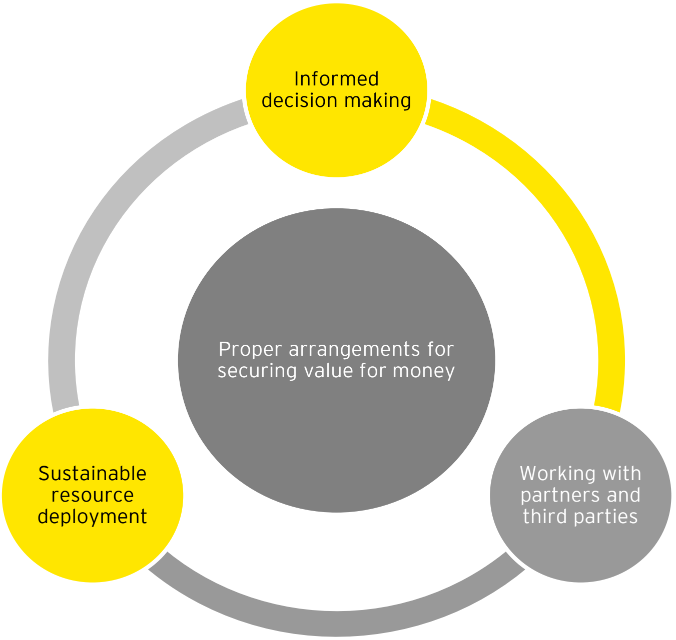
Adjustments made to the financial statements for the revised valuations are as follows:

- Re-measurements: Return on plan assets has increased by approximately £0.706 million.
- Past service cost including curtailments has increased by approximately £0.587million.
- The interest cost on the defined benefit obligation has increased by approximately £0.009 million.

Some other related disclosures changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events, have also been **made.**

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risks around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
Medium term financial position ***The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*** The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2018/19 budget. In the 2018/19 budget, the Council originally identified a budget gap of £11.9 million over the next 4 years. It has identified £7.6 million of savings to mitigate this gap, however, the leaves £4.3 million of savings yet to be identified. At 31 March 2018, the Council had £13.1 million of usable revenue reserves. This included your General Fund reserve of £518,000 which is just above the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved and leaves little resilience to meet unexpected issues.	Deploy resources in a sustainable manner	We have: ▸ Used the PSAA's value for money profile tool to assess Council spending against similar councils. ▸ Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial plan. ▸ Reviewed the outturn position against budget for 2018/19 and the Council's financial position at 31 March 2019. ▸ Reviewed the Council's monitoring of savings required in service budgets. We also ▸ reviewed the Council's strategy for purchasing commercial property ▸ considered the financial and governance procedures in place regarding this strategy ▸ considered whether the Council has obtained appropriate professional advice regarding purchases made within the strategy In summary, we remain satisfied that the assumptions used in updating the MTFS are reasonable and justified, including those regarding the purchase of commercial property to generate income. However, there is still significant uncertainty over future funding from Central Government. Therefore, the Council needs to continue to seek out methods to generate savings without impacting on services, increasing reserves and retaining a sustainable financial position. Our detailed findings are set out on the following pages.

Other matters to bring to your attention

What are our findings?

The Council is, and will continue to, face significant financial challenges. The Council carries very low reserves for an organisation of its size, although they are meeting their minimum stated General Fund reserve with a General Fund balance of £519,000. With earmarked revenue reserves there are total available revenue reserves of £2,130,000 as at 31 March 2019.

The Council's budget planning cycle for 2019/20 is now complete, having set a balanced budget. We ascertained that all the key assumptions used in creating the 2019/20 annual budget and beyond in the medium term financial strategy (MTFS) appear to be reasonable and justified.. There are sound internal and external justifications behind the changes in the assumptions for the future years (in inflation and Council Tax for example) and the Council appears to have conservatively estimated savings over the 4-year period of the MTFS.

The Council appears to be prioritising their savings items and giving these savings appropriate consideration at Committee level when making plans. They have forecast significant savings from commercial properties and have earmarked funds to help them achieve this.

However, in our view the Council need to be more transparent in setting out the savings they need to achieve in their medium term financial plan. The figure reported at the time of our review was £1.066m, however, when the additional "savings still to be found" from within the individual categories are added to this, we can see that in actual fact the Council needs to find £1.823m.

The Council has implemented a policy (originally established during 2017/18) and have purchased significant commercial property, some of which is outside its boundary. Significant purchases (£26.4m) were made in 2018/19 and more options are being evaluated. Borrowing has been used for investments.

The Council's strategy appears to be consistent across all main areas (investment, treasury, and commercial) –investment and commercial goals are aimed towards facilitating investment in commercial properties. Treasury management makes plans for this and works to balance the need to invest in properties that will generate future income, with the need to implement short term savings.

The Council has sought appropriate sufficient financial advice from third parties who are well qualified to issue it, including both external financial advice and Treasury Management support. With respect to property purchases throughout the year, they have sought and received external help from estate agents and property surveyors to help them to value the property financially and to evaluate it physically.

The Council appears to have a clear plan for risk management and oversight in place to prevent risk. Importantly they also have a risk response plan in place for when risks are discovered. The governance procedures in place to minimise risks associated with the individual property purchases appear to be robust – they have set timetables for updates to the committees and committee members appear to be engaged and questioning about the purchase plans.

To manage long term strategic risk, the Council has a standardised prescriptive procedure in place for identifying, categorising and managing risks. This helps departments to be more aware of the risks that they face and to be better prepared to manage them if they arise.

Financial risk management is predominantly based around ensuring the Council has sufficient funds to support itself on any occasions when spend is higher than anticipated. They are also working on building up their reserves over the next five years to support this.

Value for Money

Other matters to bring to your attention

What are our findings?
We recognise that the financial challenge to the Council remains, and there are still savings requirements in the next three years. While the Council's budget planning cycle for 2019/20 is now complete, the Council is continuously working to identify further potential savings for the future years under their MTFS. Based on previous experience of the Council's budget process, whereby the savings required have been detailed in the budget book and through budget monitoring procedures down to service or activity level, we have concluded that the saving requirements will be appropriately identified and monitored. Having reviewed the 2018/19 outturn and the MTFS, we judge the Council to be financially resilient for the foreseeable future, and that the measures taken during 2018/19 have been both robust and proportionate. It is important that the Council continues its track record of delivering its planned budget and savings, and maintains a focus on managing the risks associated with commercial property investments including, but not exclusively, to the proportionality of the commercial property investments to the activities of the Council..

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 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements. We have discussed with officers that they could reduce the volume of the financial statements in future years by removing immaterial notes that do not add value.

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 are currently concluding our work in this area, but anticipate having no matters to report as the Council is below the £500m threshold for undertaking detailed audit procedures.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Other Control issues

As part of our audit we identified that the Council needs to be more transparent in it’s application of the Capital Flexibilities Strategy and more precise in it’s documentation and strategy documents, to demonstrate their compliance with the Directions.

08 Data Analytics

Data analytics – Journal entries

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

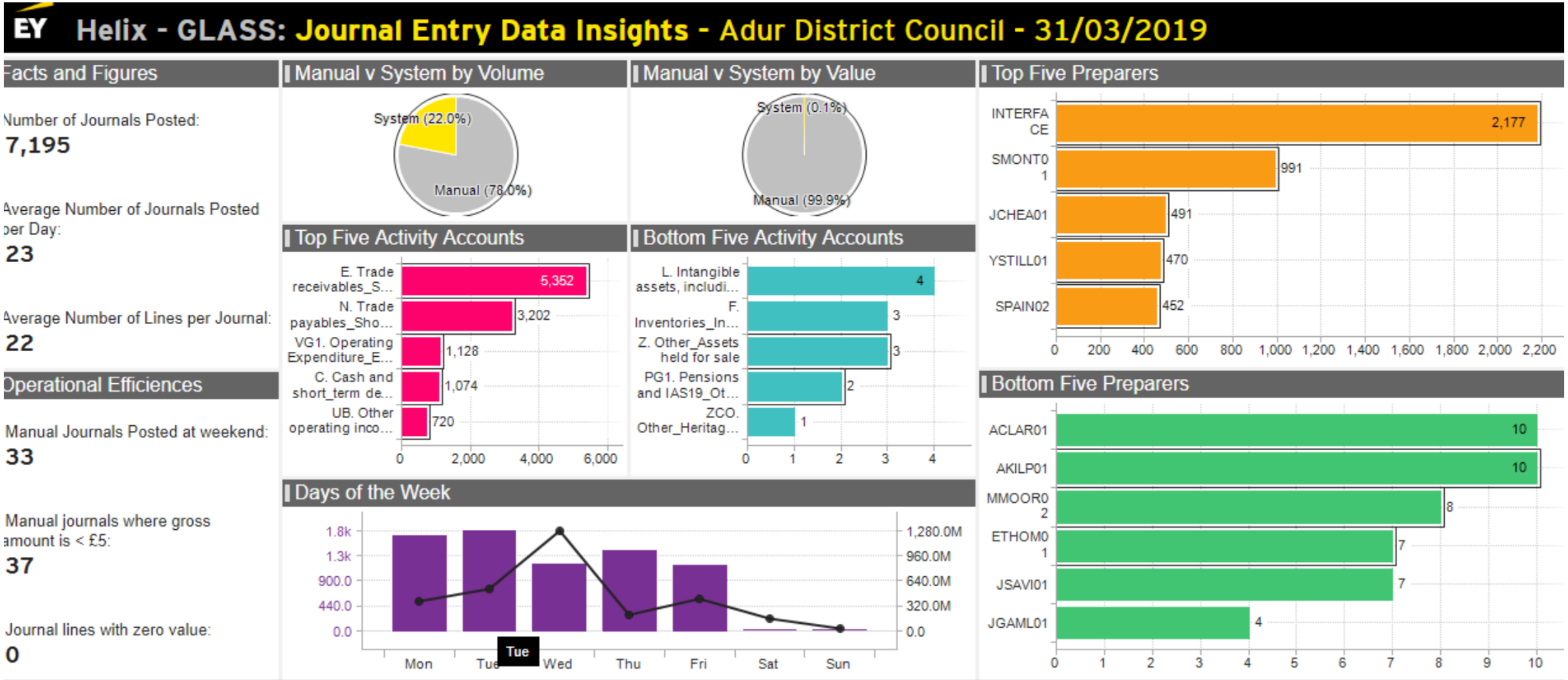
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples. We have also shared this information with management to provide additional insight and value from our audit procedures.



Journal Entry Testing

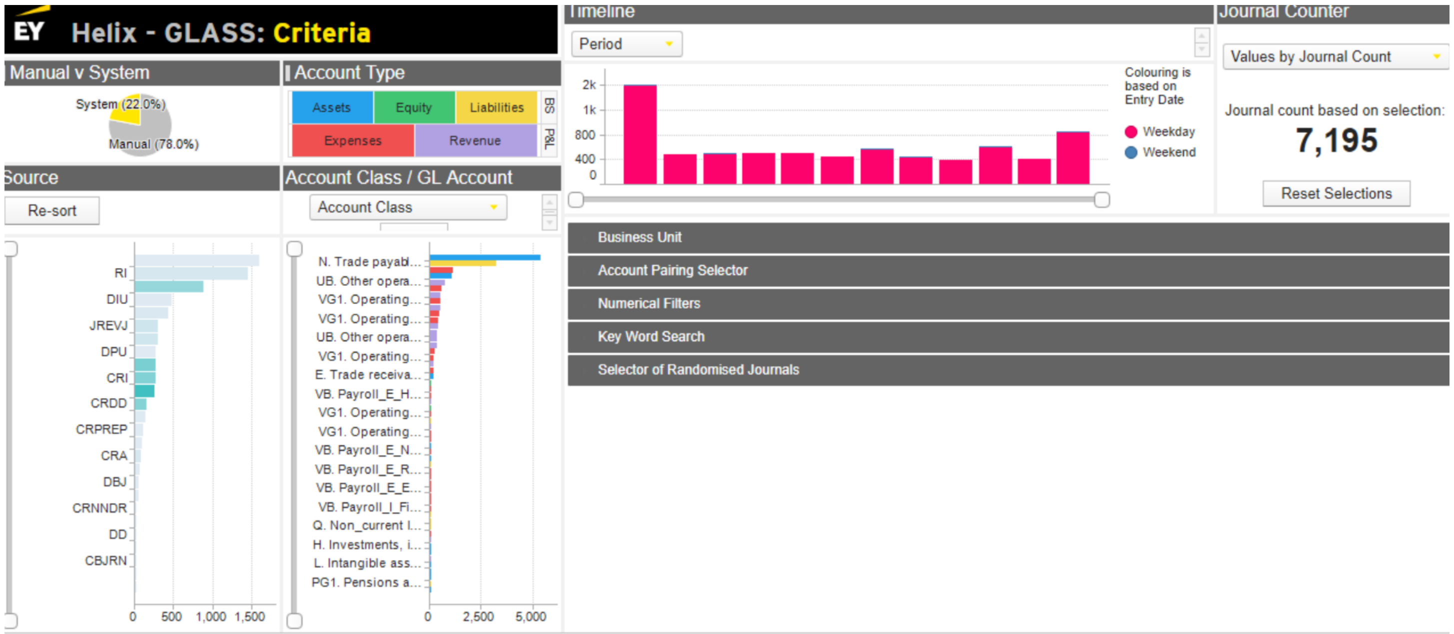
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2019



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

The graphic shows journals posted on weekends which was one of our criteria considered for unusual journals

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

9 Independence

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 8 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. **In** our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Joint Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Governance Committee on 30 July 2019.

We confirm we have not undertaken non-audit work outside the NAO Code requirements.

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 your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

As at the date of this report, we are contracted to provide audit services for a further four years from 1 April 2019. In addition, the Council has agreed to our proposal to provide the Housing Benefit Subsidy Assurance services for the same period.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	37,054	37,054	37,054	48,122
Non-audit work – Grant claims	TBC	14,506*	N/A	27,019
Work in progress: Certification of pooling of housing capital receipts subsidy claims for 2014/15, 2015/16 and 2016/17	-	-	-	12,000**
Total non-audit services	TBC	14,506	N/A	39,019
Total fees	**TBC**	**51,560**	37,054	87,141

* This is based on initial testing only and therefore will increase depending on the volume of additional testing required
** The work on the Certification of pooling of housing capital receipts subsidy claims for 2014/15, 2015/16 and 2016/17 is not yet complete and therefore this fee may increase

10 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Joint Governance Committee 22 January 2019.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Progress Report to the 26 March 2019 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	Progress Report to the 26 March 2019 Joint Governance Committee Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Adur District Council's ability to continue for the 12 months from the date of our report Audit Results Report presented at the Joint Governance Committee 30 July 2019
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report presented at the Joint Governance Committee 30 July 2019
Subsequent events	▸ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Request for the Joint Governance Committee to approve the letter of representation from management at the Joint Governance Committee meeting on 30 July 2019
Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: 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 Corporate Governance and Audit Committee responsibility.	Enquiries by letter to the Chair of the Joint Governance Committee dated 18 March 2019. Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Initial reporting in the Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Confirmation in the Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
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 audit committee may be aware of	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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	Request for the Joint Governance Committee to approve the letter of representation from management at the Joint Governance Committee meeting on 30 July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report presented at the Joint Governance Committee 30 July 2019
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Initial reporting in the Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Confirmation in the Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix B

Management representation letter

Management Rep Letter

To be prepared on Adur District Council's letterhead

XX July 2019

Ernst & Young
Wessex House,
19 Threefield Lane,
Southampton
SO14 3QB United Kingdom

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 2019. 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 2019 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 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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 2018/19, 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.

Management representation letter

Management Rep Letter

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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
    - involving financial statements;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees held through the year to the most recent meeting on 30 July 2019:

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Comparative information – corresponding financial information

1. The comparative amounts have been correctly restated to reflect the correct classification of an investment property capitalized incorrectly as an operational asset in 2017/18 and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

Management representation letter

Management Rep Letter

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

I. Reserves

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

J. Use of the Work of a Specialist – Actuary

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

K. Use of the Work of a Specialist – Property valuers

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investment property and operational 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.

L. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Management representation letter

Management Rep Letter

M. Retirement benefits

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

Signed on behalf of Adur District Council
I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 30 July 2019

Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date:

Name: Councillor Kevin Boram
Position: Chairman, Joint Governance Committee
Date:

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Worthing Borough Council
Audit results report
Year ended 31 March 2019

July 2019

Building a better working world

18 July 2019

Dear Joint Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Worthing Borough Council for 2018/19.

We have substantially completed our audit of Worthing Borough Council for the year ended 31 March 2019.
Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3, by the accounts publication date of 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Joint Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Joint Governance Committee meeting on 30 July 2019.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment (updated April 2018)’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented at the 22 January 2019 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, with the following exceptions:

- Changes in materiality. In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.4m. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure, we have updated our overall materiality assessment to £1.49m. This results in updated performance materiality, at 75% of overall materiality, of £1.1m, and an updated threshold for reporting misstatements of £74,000.

Status of the audit

We have substantially completed our audit of Worthing Borough Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding matters we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Testing of leases
- Completion of final pension liability procedures
- Completion of file by the Audit Manager
- Final review of the file by the Associate Partner
- Full review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter
- Approval of the accounts by the Committee on 30 July 2019, or later if delegated authority is required
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

A national issue has resulted in a relatively late change to the District Council accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be reasonably estimated and so included in the IAS19 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 4.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

We identified that the Council had not removed £1.1m of accounts receivable and accounts payable balances on consolidation of the Joint Committee. These have now been netted off against each other. Management have made one significant amendment to the financial statements.

The Council's actuary has reassessed defined benefit pension liabilities under IAS19 as result of the McCloud ruling. This has resulted in a number of amendments being made to the draft financial statements.

Further details are provided in Section 4 of this report on the items above.

We expect to identify no audit differences that management will not adjust.
A small number of other disclosure errors were identified as a result of our work which have been corrected.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Worthing Borough Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified a significant risks over sustainable resource deployment. We have revisited this assessment and considered the wider results of our other audit procedures; we identified no further significant risks.

Our findings and conclusions in respect of this risk are set out at Section 5 Value for Money Conclusion Risks. We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive Summary

Other reporting issues

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

We have no matters to highlight on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the Joint Governance Committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.
- Reviewing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the Joint Governance Committee and the Head of Internal Audit in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business

Significant Risk

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.

From our risk assessment, we have assessed that the risk manifests itself through the inappropriately capitalisation of revenue expenditure to improve the financial position of the general fund, as there is an incentive to reduce expenditure which is funded from Council Tax.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focused on the following:

- For significant PPE additions and Revenue Expenditure Funded from Capital under Statute (REFCUS) we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes; and
- Sample tested PPE additions and REFCUS to reflect the existence of this risk. Agreed samples to source documentation to ensure the classification was reasonable.

What are our conclusions?

We have not identified any issues with the classification of REFCUS or capital expenditure.

We have not identified any instances of inappropriate judgements being applied.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position

Significant Risk

Significant risk

Risk of fraud in revenue and expenditure recognition, through inappropriate change in minimum revenue provision

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.

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex and the Council is changing their methodology for calculating the provision in 2018/19 to ensure compliance with new statutory guidance and to better match the cost and income streams.

What judgements are we focused on?

We focused on the following:

- Reviewing the revised MRP methodology and ensure that this is in line with the Local Authority Accounting Code of Practice;
- Considered using an internal specialist to review the Council's MRP calculations; and
- Assessing the material accuracy of the Council's MRP estimate and historic over or under provision.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Reviewed the MRP methodology and ensured that this was in line with the Local Authority Accounting Code of Practice; and
- Assessed the material accuracy of the Council's MRP estimate and historic over or under provision.

What are our conclusions?

We identified that the Council had not changed their methodology for calculating the MRP in 2018/19 but had tightened up their processes to ensure that their methodology was compliant with the latest statutory guidance. Therefore, we reassessed this risk and decided that it was no longer a significant risk.

We assessed that the MRP had been calculated accurately and in line with appropriate guidance.

Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Valuation of Land and Buildings The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	We have performed the procedures described in our original audit plan. We have: ▸ Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Reviewed assets not subject to valuation in 2018/19 to confirm that they have been appropriately indexed in line with the Council's new estimation technique to ensure that the remaining asset base is not materially misstated; ▸ Considered changes to useful economic lives as a result of the most recent valuation; and ▸ Tested to confirm that accounting entries have been correctly processed in the financial statements. We are satisfied that the asset valuations have been reflected in the financial statements and are based on accurate supporting information.

Other areas of audit focus

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 East Sussex County Council and the Firefighters' Pension Scheme. The Council's pension fund liabilities are material estimated balances and the Code requires that these liabilities be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £32.596 million. The information disclosed is based on the IAS 19 reports issued to the Council by the actuaries to the two pension schemes. Accounting for these schemes involves significant estimation and judgement and therefore management engages actuaries to undertake the calculations on its behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	Our planned work is as follows. Due to the IAS 19 reports being updated, this work is not yet complete. ▸ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Worthing Borough Council and the Joint Committee; ▸ Assess the work of the LGPS Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. As considered more fully in Section 4 of this report the Council re-engaged the actuary to produce an updated IAS 19 valuation to consider the impact of the McCloud ruling. The actuary was also able to consider the following in the updated IAS 19 valuation: • The actual rather than estimated value of the Council's share of pension fund assets at year end. • Immaterial adjustments in respect of Guaranteed Minimum Pensions (GMP). We will perform the procedures set out above to ensure that we are satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements. Details of the amendments to be made are not yet available.

Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?	What did we do?
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.	We have: ▸ Assessed the Council's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Considered the classification and valuation of financial instrument assets; ▸ Reviewed the new expected credit loss model impairment calculations for assets; and ▸ Checked additional disclosure requirements. **Conclusion:** We concluded that IFRS 9 financial instruments had been applied correctly.
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	We have: ▸ Assessed the Council's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Considered application to the Council's revenue streams, and identified that there are no material income streams that are affected by IFRS 15; and ▸ Checked additional disclosure requirements. **Conclusion:** We concluded that IFRS 15 Revenue from contracts with customers had been applied correctly.

03 Audit Report

Audit Report

Draft audit report

Our proposed audit report

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

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet-
- Cash Flow Statement-
- The related notes 1 to 41; and
- Collection Fund and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2019 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 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

Our proposed audit report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 27, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance 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 have no realistic alternative but to do so.

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

Audit Report

Our proposed audit report

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Worthing Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

Certificate

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

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £1.1m which have been corrected by management that were identified during the course of our audit:

- We identified that the Council owed the Joint Committee £1.1m which should have been removed on consolidation of their share of the Joint Committee Balance Sheet. Therefore, both accounts receivable and accounts payable were overstated by £1.1m. It is our judgement that these balances should be net against each other.
- Some minor misstatements in disclosures
- Management adjustments:
    - Management reconsidered their estimate process regarding assets not revalued in year following audit discussions in previous years. They decided to implement a process of applying an indexation to these assets. The significant impact of applying this indexation has been to increase land and buildings by £8.5m, increase the revaluation reserve by £6.2m with the remaining £2.3m impacting the Comprehensive Income and Expenditure Statement. There are also corresponding amendments to the Movement in Reserves statement; the General Fund and the Capital Adjustment Account of £2.3m.

There were no uncorrected misstatements.

Audit Differences

McCloud ruling

A national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be reasonably estimated and so included in the IAS19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling by updating the IAS19 assessment for the Council. In doing this the IAS19 assessment was also updated for two other issues:

- GMP - All Pension schemes must equalise between males and females which generates additional liabilities. The impact on the Council is not material but has been adjusted for in the revised IAS19 valuation.
- As is usual practice the original IAS19 valuation was based on an estimate of fund assets at the end of the year. This has been updated to reflect the actual value of fund assets and returns in the 2018/19 West Sussex Pension Fund financial statements.

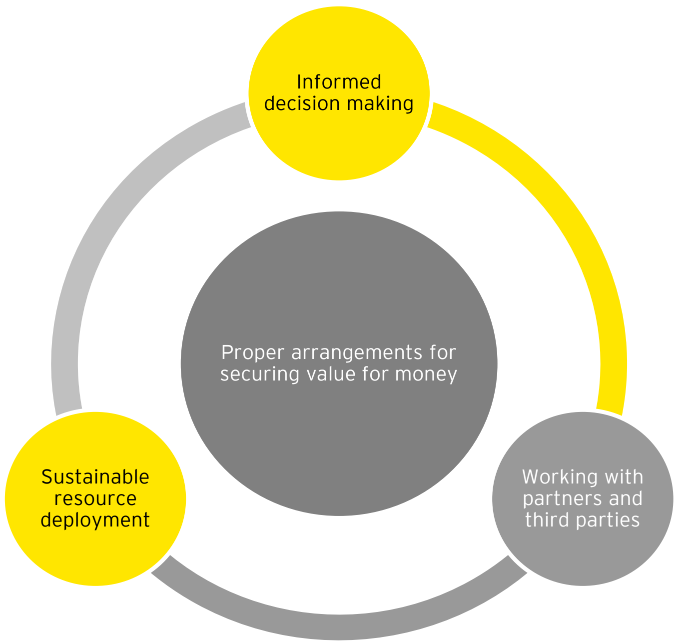
Adjustments made to the financial statements for the revised valuations are as follows:

- Re-measurements: Return on plan assets has increased by approximately £0.802 million.
- Past service cost including curtailments has increased by approximately £0.735million.
- The interest cost on the defined benefit obligation has increased by approximately £0.009 million.

Some other related disclosures changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events, have also been **made.**

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risks around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
Medium term financial position ***The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*** The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council's Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2018/19 budget. In the 2018/19 budget, the Council originally identified a budget gap of £19.8 million over the next 4 years. It has identified £10.4 million of savings to mitigate this gap, however, the leaves £9.4 million of savings yet to be identified. At 31 March 2018, the Council had £13.6 million of usable revenue reserves. This included your General Fund reserve of £844,000 which is just above the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved and leaves little resilience to meet unexpected issues.	Deploy resources in a sustainable manner	We have: ▸ Used the PSAA's value for money profile tool to assess Council spending against similar councils. ▸ Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial plan. ▸ Reviewed the outturn position against budget for 2018/19 and the Council's financial position at 31 March 2019. ▸ Reviewed the Council's monitoring of savings required in service budgets. We also ▸ reviewed the Council's strategy for purchasing commercial property ▸ considered the financial and governance procedures in place regarding this strategy ▸ considered whether the Council has obtained appropriate professional advice regarding purchases made within the strategy In summary, we remain satisfied that the assumptions used in updating the MTFS are reasonable and justified, including those regarding the purchase of commercial property to generate income. However, there is still significant uncertainty over future funding from Central Government. Therefore, the Council needs to continue to seek out methods to generate savings without impacting on services, increasing reserves and retaining a sustainable financial position. Our detailed findings are set out on the following pages.

Other matters to bring to your attention

What are our findings?

The Council is, and will continue to, face significant financial challenges. The Council carries very low reserves for an organisation of its size, although they are meeting their minimum stated General Fund reserve with a General Fund balance of £869,000. With earmarked revenue reserves there are total available revenue reserves of £4,823,000 as at 31 March 2019.

The Council's budget planning cycle for 2019/20 is now complete, having set a balanced budget. We ascertained that all the key assumptions used in creating the 2019/20 annual budget and beyond in the medium term financial strategy (MTFS) appear to be reasonable and justified. There are sound internal and external justifications behind the changes in the assumptions for the future years (in inflation and Council Tax for example) and the Council appears to have conservatively estimated savings over the 4-year period of the MTFS.

The Council appears to be prioritising their savings items and giving these savings appropriate consideration at Committee level when making plans. They have forecast significant savings from commercial properties and have earmarked funds to help them achieve this.

However, in our view the Council need to be more transparent in setting out the savings they need to achieve in their medium term financial plan. The figure reported at the time of our review was £4.8m, however, when the additional "savings still to be found" from within the individual categories are added to this, we can see that in actual fact the Council needs to find £6.2m. The Council have since demonstrated that they are regularly updating their savings plans and have identified further savings, reducing this budget gap to £2.9m.

The Council has implemented a policy (originally established during 2017/18) and have purchased significant commercial property, some of which is outside its boundary. Significant purchases (£26.7m) were made in 2018/19 and more options are being evaluated. Borrowing has been used for investments.

The Council's strategy appears to be consistent across all main areas (investment, treasury, and commercial) –investment and commercial goals are aimed towards facilitating investment in commercial properties. Treasury management makes plans for this and works to balance the need to invest in properties that will generate future income, with the need to implement short term savings.

The Council has sought appropriate sufficient financial advice from third parties who are well qualified to issue it, including both external financial advice and Treasury Management support. With respect to property purchases throughout the year, they have sought and received external help from estate agents and property surveyors to help them to value the property financially and to evaluate it physically.

The Council appears to have a clear plan for risk management and oversight in place to prevent risk. Importantly they also have a risk response plan in place for when risks are discovered. The governance procedures in place to minimise risks associated with the individual property purchases appear to be robust – they have set timetables for updates to the committees and committee members appear to be engaged and questioning about the purchase plans.

To manage long term strategic risk, the Council has a standardised prescriptive procedure in place for identifying, categorising and managing risks. This helps departments to be more aware of the risks that they face and to be better prepared to manage them if they arise.

Financial risk management is predominantly based around ensuring the Council has sufficient funds to support itself on any occasions when spend is higher than anticipated. They are also working on building up their reserves over the next five years to support this.

Value for Money

Other matters to bring to your attention

What are our findings?
We recognise that the financial challenge to the Council remains, and there are still savings requirements in the next three years. While the Council's budget planning cycle for 2019/20 is now complete, the Council is continuously working to identify further potential savings for the future years under their MTFS. Based on previous experience of the Council's budget process, whereby the savings required have been detailed in the budget book and through budget monitoring procedures down to service or activity level, we have concluded that the saving requirements will be appropriately identified and monitored. Having reviewed the 2018/19 outturn and the MTFS, we judge the Council to be financially resilient for the foreseeable future, and that the measures taken during 2018/19 have been both robust and proportionate. It is important that the Council continues its track record of delivering its planned budget and savings, and maintains a focus on managing the risks associated with commercial property investments including, but not exclusively, to the proportionality of the commercial property investments to the activities of the Council.

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 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements. We have discussed with officers that they could reduce the volume of the financial statements in future years by removing immaterial notes that do not add value.

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 are currently concluding our work in this area, but anticipate having no matters to report as the Council is below the £500m threshold for undertaking detailed audit procedures.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Other Control issues

As part of our audit we identified that the Council needs to be more transparent in it’s application of the Capital Flexibilities Strategy and more precise in it’s documentation and strategy documents, to demonstrate their compliance with the Directions.

08 Data Analytics

Data analytics – Journal entries

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

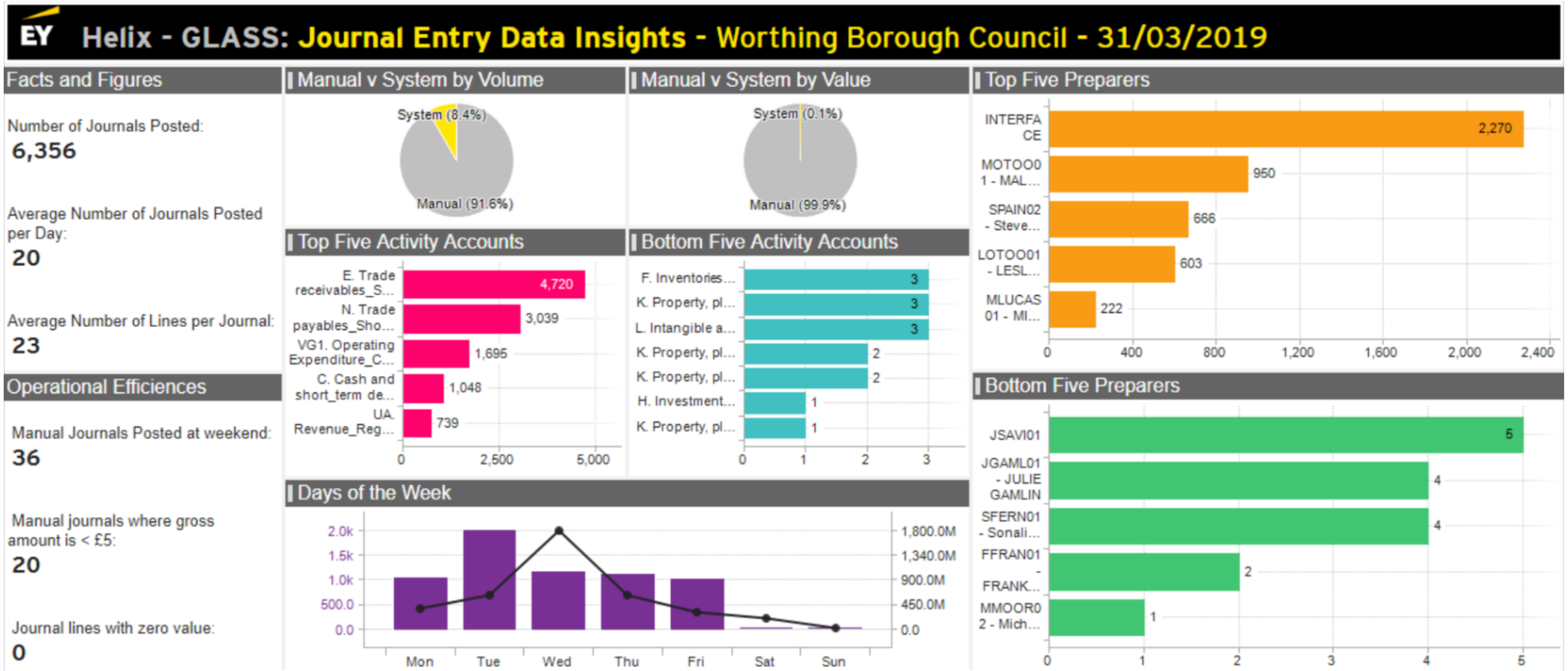
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples. We have also shared this information with management to provide additional insight and value from our audit procedures.



Journal Entry Testing

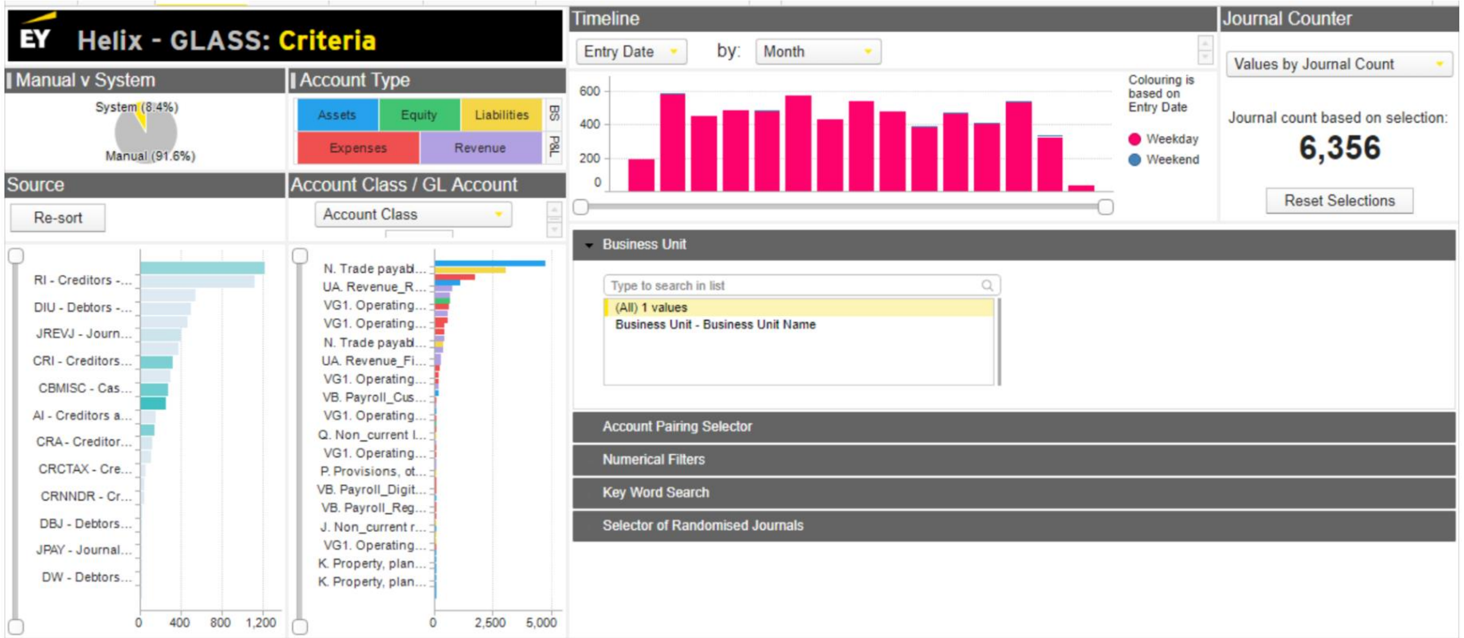
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2019



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

The graphic shows journals posted on weekends which was one of our criteria considered for unusual journals

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

9 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 8 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. **In** our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Joint Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Governance Committee on 30 July 2019.

We confirm we have not undertaken non-audit work outside the NAO Code requirements.

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 your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

As at the date of this report, we are contracted to provide audit services for a further four years from 1 April 2019. In addition, the Council has agreed to our proposal to provide the Housing Benefit Subsidy Assurance services for the same period.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	36,311	36,311	36,311	47,647
Non-audit work – Grant claims	TBC	10,860*	N/A	12,858
Total fees	**TBC**	**47,171**	36.311	60,505

* This is based on initial testing only and therefore will increase depending on the volume of additional testing required

10 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Joint Governance Committee 22 January 2019.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Progress Report to the 26 March 2019 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	Progress Report to the 26 March 2019 Joint Governance Committee Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Worthing Borough Council's ability to continue for the 12 months from the date of our report Audit Results Report presented at the Joint Governance Committee 30 July 2019
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report presented at the Joint Governance Committee 30 July 2019
Subsequent events	▸ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Request for the Joint Governance Committee to approve the letter of representation from management at the Joint Governance Committee meeting on 30 July 2019
Fraud	▸ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: 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 Corporate Governance and Audit Committee responsibility.	Enquiries by letter to the Chair of the Joint Governance Committee dated 18 March 2019. Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Initial reporting in the Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Confirmation in the Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
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 audit committee may be aware of	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report

Appendix A

Required communications	What is reported?	Our Reporting to you: When and where
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	Request for the Joint Governance Committee to approve the letter of representation from management at the Joint Governance Committee meeting on 30 July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report presented at the Joint Governance Committee 30 July 2019 We have no matters to report
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report presented at the Joint Governance Committee 30 July 2019
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Initial reporting in the Audit Planning Report presented at the Joint Governance Committee 22 January 2019. Confirmation in the Audit Results Report presented at the Joint Governance Committee 30 July 2019

Appendix B

Management representation letter

Management Rep Letter

To be prepared on Worthing Borough Council's letterhead

XX July 2019

Ernst & Young
Wessex House,
19 Threefield Lane,
Southampton
SO14 3QB United Kingdom

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 2019. 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 2019 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 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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 2018/19, 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.

Management representation letter

Management Rep Letter

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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees held through the year to the most recent meeting on 30 July 2019:

Appendix B

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. 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. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Management representation letter

Management Rep Letter

H. Reserves

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

I. Use of the Work of a Specialist – Actuary

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

J. Use of the Work of a Specialist – Property valuers

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investment property and operational 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.

K. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice of Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

L. Retirement benefits

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

Management representation letter

Management Rep Letter

Signed on behalf of Worthing Borough Council

I confirm that this letter has been discussed and agreed by the Joint Governance Committee on 30 July 2019

Signed:

Name: Sarah Gobey
Position: Chief Financial Officer
Date:

Name: Councillor Lionel Harman
Position: Chairman, Joint Governance Committee
Date:

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ED None

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Joint Governance Committee
30 July 2019
Agenda Item 8

ADUR & WORTHING
COUNCILS

Ward(s) Affected: All

Self Assessment

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 Members are asked to review and comment on the self-assessment of good practice questionnaire attached to this report which will allow them to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made to the Committee's overall effectiveness.

2. Recommendations

2.1 The Joint Governance Committee is recommended to:

i) Consider and comment as appropriate on the attached self-assessment of good practice and identify any amendments required.

ii) Identify if there is any further work or training required as a result of the completion of the self-assessment of good practice.

3. Context

3.1 An Audit Committee has a key function in ensuring that effective corporate governance, risk and control arrangements are in place in the Council. Within Adur and Worthing Councils, the functions of an Audit Committee are undertaken by the Joint Governance Committee.

3.2 The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements to enable an effective Audit Committee. By reviewing their effectiveness against a good practice self-assessment on a regular basis, the Committee can demonstrate a high degree of performance and evidence that the committee is soundly based with a knowledgeable membership that is effective. Completion of the self-assessment can also be used to support the planning of the Audit Committee work programme and training plans

3.3 Carrying out a self-assessment is also recommended good practice as set out in the Chartered Institute of Public Finance & Accountancy's (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition". CIPFA states that a regular self-assessment can be used to support the planning of the audit committee work programme and training plans.

4. Issues for consideration

4.1 The Section 151 Officer and the Interim Head of Internal Audit have completed an initial review of the self-assessment with knowledge of the Committee's compliance with recommended practices for members to consider, discuss and amend as they wish.

4.2 It was felt that this method of completing the questionnaire would minimise the input that members would initially have to make but would allow them to amend and agree at the meeting the final version of the assessment. A copy of the self-assessment is attached for Members to review at Appendix 1.

4.3 Compliance against most of the aspects of the self-assessment can be demonstrated. Depending on members' consideration of the outcomes of the self-assessment, there may be some recommendations or improvements that are identified that can further improve the effectiveness of the Audit

Committee. In particular, Members may wish to pay particular attention to the following questions when reviewing the assessment:

12. **Is the chair free of executive or scrutiny functions**?

The Adur Chair of the Governance Committee sits on the Joint Overview and Scrutiny Committee and Licencing Committee. However within smaller District and Borough Councils is may be difficult to get a strict separation between the Governance Committee and the other Committees of the Councils.

13. **Are Members sufficiently independent of the other key Committees of the Council**?

No member of the Executive sits on the Committee. However, members of the committee do sit on scrutiny and other non-executive committees. . However within smaller District and Borough Councils is may be difficult to get a strict separation between the Governance Committee and the other Committees of the Councils.

4.4 Members are also requested to consider what training they would like to receive in 2019/20 with respect to audit matters. Current planned sessions include:

Session	When	Aimed at
The Statement of Accounts	July prior to approving the Statement of Accounts	All members of the audit Committee
The role of the auditor	September / October (date to be confirmed)	New members of the audit Committee

To help inform the development of a training programme, a self assessment questionnaire will be sent to all members of the Committee. A copy of this proposed form is attached at Appendix 2.

5. Engagement and Communication

5.1 The interim Head of Internal Audit and other Officers of the Council have been consulted in the preparation of this report.

6. Financial Implications

6.1 There are no financial implications arising from the self-assessment.

7. Legal Implications

7.1 The Accounts and Audit Regulations 2015 place an obligation on the Councils to ensure that they have:

‘a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk.’

The Joint Governance Committee helps the Councils meet these obligations

Background Papers

CIPFA: Audit Committees in Local Authorities and Police, 2018 edition
CIPFA: Position Statement of Audit Committees in Local Government issued in 2018.

Officer Contact Details:-
Sarah Gobey
Chief Financial Officer
01903 221221
sarah.gobey@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**
Matters considered and no issues identified.

4. **Governance**
The report concerns a review of the effectiveness of the Audit Committee which should enhance our governance arrangements.

Appendix 1

SELF-ASSESSMENT CHECKLIST MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE				
ISSUE	**YES**	**NO**	**N/A**	**COMMENT**
Terms of Reference				
1. Have the Committee's terms of reference been approved by full Council?	x			
2. Do the terms of reference follow the CIPFA model?	x			
Internal Audit Process				
3. Does the Committee approve the strategic audit approach and the annual programme?	x			
4. Is the work of internal audit reviewed regularly?	x			
5. Are summaries of quality questionnaires from managers reviewed?		x		When questionnaires were issued very few responses were received. Questionnaires will be issued for all audits issued from 2019/20 and officers encouraged to respond.
6. Is the annual report, from the Head of Audit, presented to the Committee?	x			
External Audit Process				
7. Are reports on the work of external audit and other inspection agencies presented to the Committee?	x			
8. Does the Committee input into the external audit programme?	x			The Committee has the opportunity to comment on the plans of external audit.

SELF-ASSESSMENT CHECKLIST MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE				
ISSUE	**YES**	**NO**	**N/A**	**COMMENT**
External Audit Process				
1. Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations?	x			
2. Does the Committee take a role in overseeing: ▪ risk management strategies ▪ internal control statements ▪ anti-fraud arrangements ▪ whistle-blowing strategies?	 x x x x			
Membership				
3. Has the Membership of the Committee been formally agreed and a quorum set?	x			
4. Is the chair free of executive or scrutiny functions?		x		The Chairs on the Joint Governance Committee have fulfilled roles on other committees such as Joint Overview and Scrutiny Committee. However, such a separation of duties can be difficult to achieve in smaller authorities.
5. Are Members sufficiently independent of the other key Committees of the Council?		x		No member of the Executive sits on the Committee. However, members of the committee do sit on scrutiny and other non-executive committees.
6. Have all Members' skills and experiences been assessed and training given for identified gaps?		x		Ad hoc training is offered. Members are invited to consider the training programme for 2019-20. We will also issue out a 'Self Assessment' form for members of the Committee to complete so that we can further refine the training programme.

SELF-ASSESSMENT CHECKLIST MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE				
ISSUE	**YES**	**NO**	**N/A**	**COMMENT**
Meetings				
1. Can the Committee access other Committees as necessary?	x			
2. Does the Committee meet regularly?	x			
3. Are separate, private meetings held with the external auditor and the internal auditor?	x			Whilst the Chairs of the Committee can meet the auditors upon request, there are no planned meetings in the diary,
4. Are meetings free and open without political influences being displayed?	x			
5. Are decisions reached promptly?	x			
6. Are agenda papers circulated in advance of meetings to allow adequate preparation by Members?	x			
7. Does the Committee have the benefit of attendance of appropriate officers at its meetings?	x			Legal and Finance Officer regularly attend to discuss items raised. The committee can request other officers attend to discuss audit reports.
Training				
1. Is induction training provided to Members?	x			Information on the Joint Governance Committee is provided at member's induction training. Periodically training is given on the role of audit and the audit committee especially when there are several new members

SELF-ASSESSMENT CHECKLIST MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE				
ISSUE	**YES**	**NO**	**N/A**	**COMMENT**
Training				
2. Is more advanced training available as required?	x			Ad hoc specialist training is offered on issues such as the statement of accounts. The Public Sector Audit Appointments - Local Audit Quality Forum provides free training to the Chairpersons of the Audit Committee
Administration				
1. Does the authority's S151 Officer or deputy attend all meetings?	x			
2. Are the key officers available to support the Committee?	x			

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ADUR & WORTHING COUNCILS

Joint Governance Committee
30 July 2019
Agenda Item 9

Joint Strategic Committee
10 September 2019
Agenda Item XX

Key Decision : No
Ward(s) Affected: All

ANNUAL TREASURY MANAGEMENT REPORT 2018-19 ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL and REVISED TREASURY MANAGEMENT POLICY and PRACTICES

REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2018/19 as required by regulations issued under the Local Government Act 2003.

1.2 Members are recommended to approve the revised Treasury Management Policy and Practices, which have been updated to incorporate new CIPFA and MHCLG guidance and are attached as appendices 1 and 2

2. RECOMMENDATIONS

2.1 **Recommendation One**
The Joint Governance Committee is recommended to note the annual report and the revised Treasury Management Policy and Practices and refer any comments or suggestions to the next meeting of the Joint Strategic Committee on 10th September 2019.

2.2 **Recommendation Two**
The Joint Strategic Committee is recommended to note the annual report and to approve the revised Treasury Management Policy and Practices.

3. CONTEXT

3.1 This report presents the treasury management activities and portfolio positions for the 2018/19 financial year for Adur District Council and Worthing Borough Council.

3.2 This is one of three treasury management reports that are required to be presented during the financial year (see Para. 4.1).

3.3 The presentation of the Annual Report is required through regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2018/19. This report also meets the requirements of both the Treasury Management Code of Practice (The Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), both of which are issued by The Chartered Institute of Public Finance and Accountancy (CIPFA).

3.4 To put the report in context, Treasury Management is defined by CIPFA as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3.5 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Councils' priorities set out in Platforms for our Places.

4. ISSUES FOR CONSIDERATION

4.1 For 2018/19 the minimum reporting requirements specified within the treasury management policy is that the Councils should receive the following:

The Annual Treasury Management Strategy Statement (TMSS) in advance of the financial year – this was submitted to the meeting of Adur Council on 22nd February 2018 and to Worthing Council on 20th February 2018.

A mid-year treasury update report – a joint in-house operations report for both Councils was submitted to the meeting of JSC on the 4th December 2018 and JGC on 22nd January 2019.

An annual review (this report) - to be submitted by 30th September after the year end, which compares the actual activity with the planned strategy.

4.2 The regulatory environment places a significant onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.

4.3 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Joint Governance Committee and the Joint Strategic Committee before they were reported to the full Councils. Member training on treasury management issues was conducted on 19th June 2018 by the Councils' treasury advisors, Link Asset Services, in order to support members' scrutiny role.

5. The Councils' Capital Expenditure and Financing

5.1 The Councils undertake capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

5.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The difference between the budget and actual spend is due to re-profiling of the capital budgets.

Adur District Council General Fund	2017/18 Actual	2018/19 Budget	2018/19 Actual
Capital expenditure £m	**17.364**	**57.832**	**36.573**
Financed in year £m	**3.773**	**5.807**	**1.926**
Borrowing for capital expenditure £m	**13.591**	**52.025**	**34.647**

Adur District Council HRA	2017/18 Actual	2018/19 Budget	2018/19 Actual
Capital expenditure £m	**2.937**	**9.583**	**2.993**
Financed in year £m	**2.937**	**6.487**	**2.993**
Borrowing for capital expenditure £m	**0.000**	**3.096**	**0.000**

Worthing Borough Council	2017/18 Actual	2018/19 Budget	2018/19 Actual
Capital expenditure £m	**29.550**	**60.350**	**38.273**
Financed in year £m	**12.784**	**2.799**	**6.749**

Borrowing for capital expenditure £m	**16.766**	**57.551**	**31.524**

6. THE COUNCILS' OVERALL BORROWING NEED

6.1 The Councils' underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Councils should ensure that their gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year (2017/18), plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Councils are not borrowing to support revenue expenditure. This indicator allowed the Councils some flexibility to borrow in advance of immediate capital needs in 2018/19. The tables below highlight the Councils' gross borrowing positions against the CFRs. The Councils have complied with this prudential indicator.

Adur District Council General Fund	31 March 2018 Actual	31 March 2019 Strategy	31 March 2019 Actual
CFR General Fund (£m)	**28.500**	**79.785**	**63.147**
Gross borrowing position (£m)	**27.263**	**75.677**	**57.999**
Under/overfunding (-) of CFR (£m)	**1.237**	**4.108**	**5.148**

Adur District Council HRA	31 March 2018 Actual	31 March 2019 Strategy	31 March 2019 Actual
CFR HRA (£m)	**60.103**	**61.474**	**60.103**
Gross borrowing position (£m)	**57.875**	**60.971**	**58.168**
Under/overfunding (-) of CFR (£m)	**2.228**	**0.503**	**1.935**

As at 31 March 2019, for Adur District Council, the HRA was under borrowed by £1.935m. The General Fund was under borrowed by £5.148m due to the use of internal resources to support capital expenditure, which reduces the amount of interest payable on external borrowing. Interest rates on investments remain low in comparison the the rates charged on borrowed sums, so this is a cost-effective strategy reducing the overall net cost of borrowing. The difference between the budgets and the actual CFR figures is due to re-profiling of the Capital budgets.

Worthing Borough Council	31 March 2018 Actual	31 March 2019 Strategy	31 March 2019 Actual
CFR General Fund (£m)	**39.150**	**100.445**	**70.674**
Gross borrowing position (£m)	**41.564**	**93.585**	**67.250**
Under/overfunding of CFR (£m)	**(2.414)**	**6.860**	**3.424**

Worthing Borough Council was under-borrowed based on long term debt by £5.424m at 31 March 2019, but it also held temporary borrowing of £2m which was repaid in June.

6.2 The **authorised limit** is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Councils do not have the power to borrow above this level. The Councils did not breach the authorised limit during the year.

The **operational boundary** is the expected borrowing position of the Councils during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Adur District Council	**2018/19**
Authorised limit	**£146.000m**
Maximum gross borrowing position during the year	**£117.966m**
Operational boundary	**£141.000m**
GF Financing costs as a proportion of net revenue stream	**22.10%**
HRA Financing costs as a proportion of net revenue stream	**23.82%**

Adur's financing cost proportions are lower than the forecasts of 30.55% (General Fund) and 25.01% (HRA) due to re-profiling of the capital programme and the availability of loans at lower interest rates than forecast. The net revenue stream definition does not include the additional rental income received from the properties which were purchased through borrowing, adding to the financing costs. If the rental income is included, the financing cost proportion for the General Fund reduces to 7.79% - this figure is particularly low because MRP (see 12.1) is not payable in the year of purchase of the properties.

Worthing Borough Council	2018/19
Authorised limit	**£106.000m**
Maximum gross borrowing position during the year	**£67.450m**
Operational boundary	**£101.00m**
Financing costs as a proportion of net revenue stream	**11.09%**

Worthing's financing cost proportion is lower than the forecast of 18.65% due to re-profiling of the capital programme and the availability of loans at lower interest rates than forecast. As for Adur, the net revenue stream definition does not include the additional rental income received from the properties which were purchased through borrowing, adding to the financing costs. If the rental income is included, the financing cost proportion reduces to 2.40% - this figure is particularly low because MRP (see 12.1) is not payable in the year of purchase of the properties.

7. TREASURY POSITION AS AT 31 MARCH 2019

7.1 Adur District Council's position at the beginning and end of the year was as follows:-

	Principal at 31.03.18 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.19 £m	Average Rate of Return	Average Life in Years
Debt Portfolio						
PWLB	(67.198)	3.4%	24.2	(98.227)	2.9%	20.0
Other Borrowing	(17.940)	5.2%	48.0	(17.940)	5.2%	47.0
Total Debt	**(85.138)**			**(116.167)**		
CFR	**88.603**			**123.250**		
(Over)/under borrowing	**3.465**			**7.083**		
Investments						
Bonds	0.080	n/a	n/a	0.055	n/a	n/a
Property Fund	0.968	4.54%	n/a	0.983	4.37%	n/a
Long Term	0.000	n/a	n/a	0.000	n/a	n/a
Short Term	9.800	1.04%	< 1 year	9.514	0.97%	< 1 year
TOTAL INVESTMENTS	**10.848**			**10.552**		
NET DEBT	**(74.290)**			**(105.615)**		

Adur District Council Maturity Structure of Debt	**31 March 2018 actual**	**2018/19 original limits**	**31 March 2019 actual**
under 12 months	4%	20%	6%
12 months and within 24 months	3%	25%	5%
24 months and within 5 years	10%	30%	14%
5 years and within 10 years	16%	50%	19%
10 years and within 20 years	26%	60%	27%
20 years and within 30 years	8%	60%	4%
Over 30 years	33%	60%	25%

7.2 Worthing Borough Council's position at the beginning and end of the year was as follows:-

	Principal at 31.03.18 £m	**Average Rate of Return**	**Average Life in Years**	**Principal at 31.03.19 £m**	**Average Rate of Return**	**Average Life in Years**
Debt Portfolio						
PWLB	(31.536)	1.90%	12.02	(61.222)	1.87%	11.31
Other Borrowing	(10.028)	0.87%	1.05	(6.028)	1.21%	0.81
TOTAL BORROWING	**(41.564)**			**(67.250)**		
CFR	**39.150**			**70.674**		
(Over)/under borrowing	**(2.414)**			**(3.424)**		
Investments						
Bonds	0.075	n/a	n/a	0.075	n/a	n/a
Property Fund	0.484	4.54%	n/a	0.491	4.37%	n/a
Long Term	-	-	-	-	-	-
Short Term	11.000	0.54%	< 1 year	9.200	0.86%	< 1 year
TOTAL INVESTMENTS	**11.559**			**9.766**		
NET DEBT	**(30.005)**			**(57.484)**		

Worthing Borough Council Maturity Structure of Debt	**31 March 2018 actual**	**2018/19 original limits**	**31 March 2019 actual**
under 12 months	20%	45%	16%
12 months and within 24 months	10%	75%	12%
24 months and within 5 years	18%	75%	24%
5 years and within 10 years	39%	75%	31%
Over 10 years	13%	75%	17%

7.3 **Investments held by Adur District Council at 31 March 2019:**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Goldman Sachs Int Bank	03/04/2018	03/04/2019	£2,000,000	1.28%	A
Goldman Sachs Int Bank	24/04/2018	24/04/2019	£1,000,000	1.21%	A
Barclays Bank	26/04/2018	26/04/2019	£1,000,000	0.91%	A
Santander Bank	03/05/2018	03/05/2019	£1,000,000	0.90%	A
Lloyds Bank	26/06/2018	25/06/2019	£1,000,000	1.00%	A+
CCLA MMF	10/04/2018	n/a	£2,950,000	variable	AAA
Invesco MMF	01/02/2019	n/a	£553,900	variable	AAA
Handelsbanken	16/07/2018	n/a	£10,000	0.50%	AA-
CCLA Local Auth Property Fund	25/04/2017	n/a	£982,941	variable	n/a
Local Auth Cap Finance Co	30/09/2014	n/a	£25,000	n/a	n/a
Boom Credit Union & War Bond	06/03/2015	n/a	£29,630	n/a	n/a
TOTAL			**£10,551,471**		

Non-treasury investments

Adur District Council has approved a strategy to invest in commercial properties. Full details can be found in the Capital Strategy and Commercial Property Investment Strategy.

7.4 **Investments held by Worthing Borough Council at 31 March 2019:**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Santander Bank	09/05/2018	09/05/2019	£1,000,000	0.90%	A
Goldman Sachs Int Bank	09/07/2018	09/07/2019	£1,000,000	1.23%	A
Santander Bank	11/07/2018	11/04/2018	£1,000,000	0.93%	A
Santander Bank	19/07/2018	25/07/2019	£1,000,000	0.95%	A
Lloyds Bank	14/01/2018	05/04/2019	£1,000,000	1.00%	A+
Barclays Bank	19/04/2018	23/04/2019	£1,000,000	0.93%	A
Lloyds Bank	02/05/2018	16/05/2019	£1,000,000	1.00%	A+
CCLA MMF	03/04/2018	n/a	£2,200,000	variable	AAA
CCLA Local Auth Property Fund	25/04/2017	n/a	£491,472	variable	n/a
Local Auth Cap Finance Co	30/09/2014	n/a	£25,000	n/a	n/a
Boom Credit Union	06/03/2015	n/a	£50,000	n/a	n/a

TOTAL			£9,766,472		

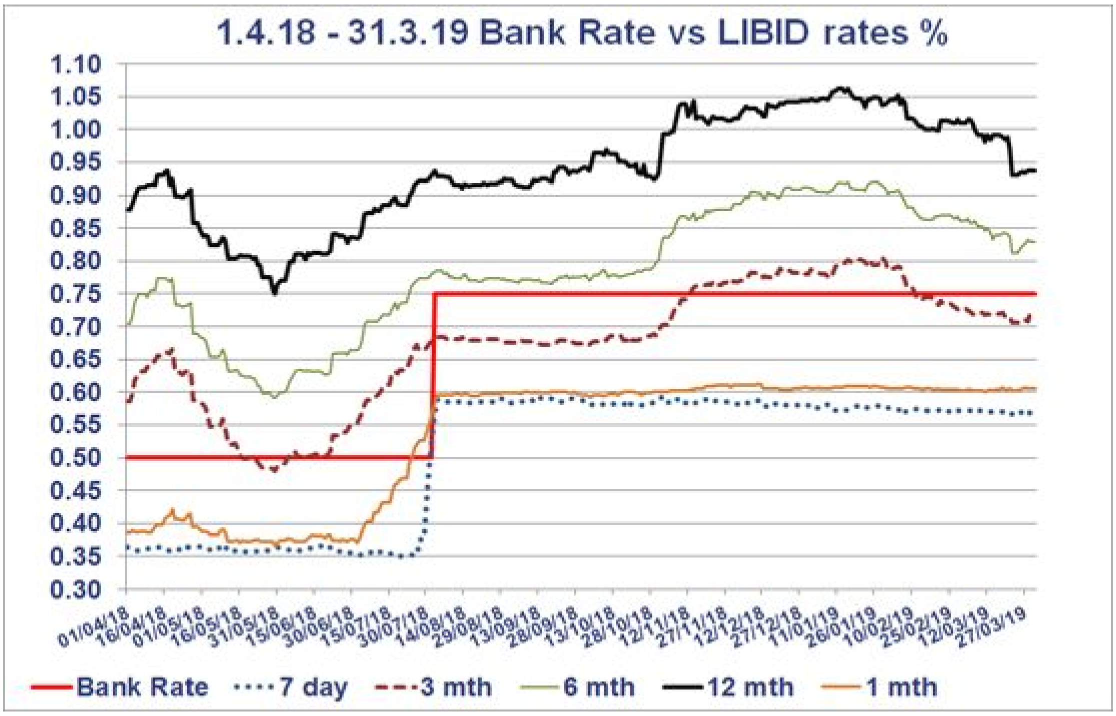
Non-treasury investments

Worthing Borough Council has made two loans of £5m each to Worthing Homes to support the building of homes. The Council receives £70k per annum net in interest over and above the cost to the Council of borrowing the £10m from the Public Works Loan Board.

Worthing Borough Council has approved a strategy to invest in commercial properties. Details can be found in the Capital Strategy and Commercial Property Investment Strategy.

8. THE STRATEGY FOR 2018/2019

Investment strategy and control of interest rate risk



Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

9. BORROWING STRATEGY and CONTROL of INTEREST RATE RISK

9.1 During 2018/19, the Councils maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Councils' reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low in relation to the cost of borrowing and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

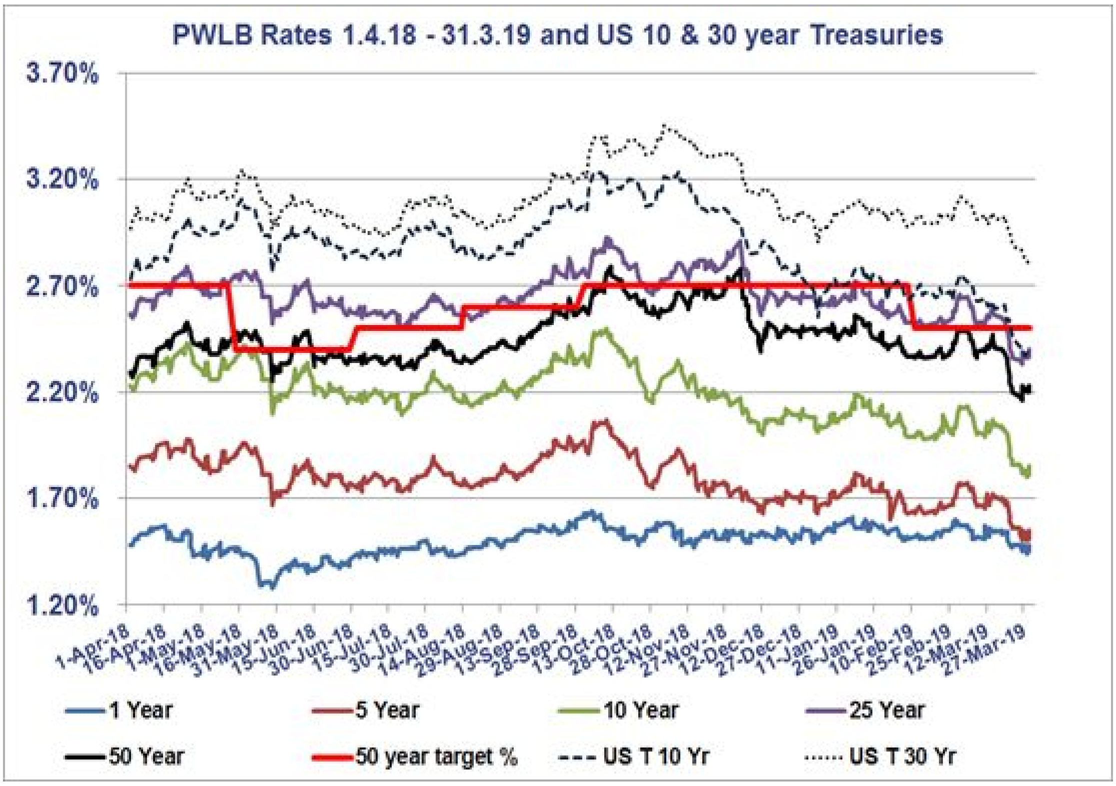
9.2 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Financial Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

9.3 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View 2.1.18													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%



Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields -which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making nine increases in all in this cycle, to reach 2.25% – 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

10. BORROWING OUTTURN

10.1 No debt was rescheduled during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

10.2 The following fixed interest rate loans were taken during the year:

Adur General Fund

Lender	Principal	Purpose of Loan	Interest Rate	Maturity
PWLB	£2m	Office Block Construction	2.44%	26/04/2038
PWLB	£2m	Office Block Construction	2.20%	21/06/2038
PWLB	£2.8m	Commercial property purchase	2.05%	06/09/2033
PWLB	£11.4m	Commercial property purchase	2.10%	14/09/2033
PWLB	£5m	Commercial property purchase	1.62%	17/01/2024
PWLB	£7.241m	Commercial property purchase	1.93%	17/01/2034
PWLB	£2m	HRA refinancing	2.00%	28/01/2035
PWLB	£1m	Office Block Construction	1.61%	28/01/2024
PWLB	£1m	Office Block Construction	1.75%	28/01/2029

Worthing Borough Council

Lender	Principal	Purpose of Loan	Interest Rate	Maturity
PWLB	£5m	Commercial property purchase	1.56%	17/07/2023
PWLB	£5m	Commercial property purchase	2.18%	17/07/2038
PWLB	£4.515m	Commercial property purchase	1.98%	31/10/2033
PWLB	£1.2m	Housing purchase - Temporary accommodation	1.79%	14/11/2027
PWLB	£5m	Commercial property purchase	1.58%	14/01/2024
PWLB	£6.812m	Commercial property purchase	1.89%	14/01/2034
PWLB	£1.62m	Housing purchase - Temporary accommodation	2.07%	04/02/2039
PWLB	£3.352m	Commercial property purchase	1.59%	14/03/2024
Yorkshire Purchasing Org	£2m	Capital programme financing	0.72%	18/06/2019

10.3 As shown above, the Councils have borrowed to fund the purchase of commercial properties. Members are reminded that in choosing to invest in Commercial Property, the Councils do not fully comply with the Prudential Code. This is allowable provided that the Councils have an Investment Strategy that explains:

- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and

- The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

The requirement is met through the publication of a Commercial Property Investment Strategy which sets out the Councils' approach to developing and managing the commercial property portfolio including how the associated risks will be managed. https://www.adur-worthing.gov.uk/media/media,152857,en.pdf

11. INVESTMENT OUTTURN

11.1 Investment Policy

The Councils' investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Councils had no liquidity difficulties.

11.2 Resources

The Councils' cash balances comprise revenue and capital resources and cash flow monies. The Councils' core cash resources comprised as follows:

Adur District Council

Balance Sheet Resources (£m)	31 March 2018	31 March 2019
General Fund Balances	(480)	156
HRA Balances	(3,616)	(5,081)
Earmarked reserves	(2,991)	(3,476)
Provisions	(853)	(802)
Usable capital receipts & grants	(5,678)	(9,012)
Total	(13,618)	(18,215)

Worthing Borough Council

Balance Sheet Resources (£m)	31 March 2018	31 March 2019
Balances	(730)	(83)
Earmarked reserves	(3,091)	(3,954)

Provisions	**(875)**	**(772)**
Usable capital receipts & grants	**(9,632)**	**(7,205)**
Total	**(14,328)**	**(12,014)**

11.3 **Investments held by Adur District Council:**

Adur District Council maintained an average balance of £8.849m of internally managed funds, which earned an average rate of return of 1.32%. The comparable performance indicator is the average 6 month LIBID rate, which was 0.79%. This compares with a budget assumption of an average £16.683m investment balance earning an average rate of 1.15%. The difference between the budget and actual balances is partly due to the use of internal funds in preference to external borrowing. Adur benefited from a long term £2m investment taken out in 2013 at 1.9%.

The treasury investment returns included in the reported income of Adur Council for 2018/19 amount to £180k, which exceeded the budget by £4k.

11.4 **Investments held by Worthing Borough Council:**

Worthing Borough Council maintained an average balance of £16.087m of internally managed funds, which earned an average rate of return of 0.89%. Those figures exclude the £10m loan to Worthing Homes, which earned 0.70% above the rate at which the funds were borrowed from the PWLB, amounting to £70k. The comparable performance indicator is the average 6 month LIBID rate, which was 0.79%. This compares with a budget assumption of £10.262m investment balance earning an average rate of 0.90%. The difference between the budget and actual balances is partly due to funding received from the LEP in relation to several schemes, including some funds paid in advance.

The Treasury investment returns included in the reported income of the Council for 2018/19 amount to £148,884, excluding Worthing Homes, £61k over budget, due to the rise in Base Rate, the higher than forecast average balance and the high return on the Local Authorities' Property Fund investment.

12. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

12.1 The Councils, in accordance with legislation, make a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year.

12.2 For 2018/19 an amount of £1.016m has been provided in the Adur District Council General Fund. No voluntary amount has been set aside for the HRA.

12.3 For 2018/19 an amount of £1.111m has been provided in the Worthing Borough Council revenue accounts, including £300k of voluntary revenue provision, which can be used to reduce the provision in future years.

13. CURRENT PERIOD TREASURY MATTERS

13.1 Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, (MHCLG), on IFRS9, the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency. This applies to Adur and Worthing Councils in respect of the investments in the Local Authorities' Property Fund.

14. ENGAGEMENT AND COMMUNICATION

14.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years.

14.2 Information and advice is supplied throughout the year by Link Asset Services Ltd, the professional consultants for the Councils' shared treasury management service.

15. FINANCIAL IMPLICATIONS

This report has no quantifiable additional financial implications to those outlined above. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget.

16. LEGAL IMPLICATIONS

The presentation of the Annual Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2018/19.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2018/19 to 2020/21 – Joint Governance Committee 30 January 2018, Joint Strategic Committee, 1 February 2018

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2018 for Adur District Council and Worthing Borough Council – Joint Strategic Committee, 4 December 2018 and Joint Governance Committee, 22 January 2019

Link Asset Services Annual Report Template 2018/19

CIPFA Code of Practice on Treasury Management

CIPFA Code for Capital Finance in Local Authorities

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SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

The treasury management function ensures that the Councils have sufficient liquidity to finance their day to day operations. Borrowing is arranged as required to fund the capital programmes. Available funds are invested according to the specified criteria to ensure security of the funds, liquidity and, after these considerations, to maximise the rate of return.

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. ENVIRONMENTAL

Matter considered and no issues identified.

4. GOVERNANCE

4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Councils' priorities contained in Platforms for our Places.

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2018/19 - 2020/21, submitted and approved before the commencement of the 2018/19 financial year.

4.3 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit-worthiness of the Councils' investment counterparties.

ADUR & WORTHING
COUNCILS

TREASURY MANAGEMENT POLICY STATEMENT

1. This organisation defines its treasury management activities as:

   "The management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

4. The organisation's high level policies for borrowing and investments, and approach to risk management are contained in the Treasury Management Strategy Statement, which is updated and approved by the Councils before the start of each financial year.

ADUR & WORTHING
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TREASURY MANAGEMENT PRACTICES

Contents

TMP1 Risk Management

The Treasury Management Joint Service for Adur, Worthing and Mid Sussex Councils (the Service) regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment including investment properties.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the Treasury Management Strategy Statements and Annual Investment Strategies, (TMSS) which are approved by the Councils before the beginning of each financial year.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the Service under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

This Service regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the TMSS. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

Specified and unspecified investments will be detailed in the TMSS, which will be approved by the Councils each year.

1. The Service will use credit criteria in order to select creditworthy counterparties for placing investments.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the Service.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.
5. Credit ratings for individual counterparties can change at any time. The Chief Financial Officer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

6. This Service will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
    - The quality financial press
    - Market data
    - Information on government support for banks and
    - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are detailed in the TMSS.
8. Diversification: this Service will avoid concentrations of lending and borrowing by adopting a policy of diversification as set out in the TMSS.
9. The definition of **'high credit quality'** in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out in the TMSS.
10. Full individual listings of counterparties and counterparty limits are set out in the TMSS.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Councils' business/service objectives will be thereby compromised.

This Service will ensure that the Councils have adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of the business/service objectives.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall monitor the balances held in the Councils' main bank accounts each working day. The Councils' bankers pay interest on the Councils' current accounts, which increases in line with Bank Rate. The potential gain from investing overnight in Money Market Funds will be compared with the charges involved in making a transfer, in order to maximise the benefit to the Councils.

1.2.2. Urgent payments

Officers of the Councils are aware that the treasury staff should be given as much notice as possible for same day or large payments and that it will not be possible to access additional funds once the Money Market Funds have closed for the day.

1.3 Interest Rate Risk Management

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Councils' finances, against which the Service has failed to protect itself adequately. This Service will manage the exposure to fluctuations in interest rates with a view to containing the interest costs, or securing interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6. Reporting requirements and management information arrangements.
It will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

This should be the subject to the consideration of and, if required, approval of any policy or budgetary implications.

1.3.1 Policies concerning the use of instruments for interest rate management.

a. forward dealing
Consideration will be given to dealing from forward periods dependant upon market conditions, with the approval of the Chief Financial Officer.
b. callable deposits
The Service may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.
c. All borrowing must be approved by the Chief Financial Officer.

1.4 Exchange Rate Risk Management

The Councils do not currently have any exposure to fluctuations in exchange rates through investment in currencies other than sterling.

1.5 Refinancing Risk Management

This refers to the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Councils for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This Service will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Councils as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.5.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Councils will establish through the Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;
b) to reduce the average interest rate;
c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the appropriate Council and committee at the meeting immediately following its action.

1.5.2. Projected Capital Investment Requirements

The responsible officers will prepare a three year plan for capital expenditure for the Councils. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.
In addition, the responsible officers will draw up a capital strategy report which will give a longer term view

The definition of capital expenditure and long term liabilities used in the strategies will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.5.3. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of capital plans, the Councils will consider all the resources currently available and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and for Adur District Council only, on housing rent levels. The Councils will also take into account affordability in the longer term beyond this three year period.

The Councils will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

1.6 Legal and Regulatory Risk Management

This refers to the risk that the Service itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Councils suffer losses accordingly.

This Service will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 Credit and Counterparty Risk Management it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Service, particularly with regard to duty of care and fees charged.

This Service recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Service.

1.6.1 References to Relevant Statutes and Regulations

The treasury management activities of the Councils shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Councils. These are:

Statutes

Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.

Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

Local Government Act 2003

S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03

S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03

S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04

S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04

S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004

S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006

S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007

Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP

S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008

S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009

S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010

Localism Act 2011

S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012

S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012

S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012

S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013

S.I. 2015 no. 234 Accounts and Audit Regulations 2015

There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016

Guidance and codes of practice

CIPFA's Treasury Management Codes of Practice and Guidance Notes 2011,

CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011

CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013

CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2014 Edition

CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996

CIPFA Standard of Professional Practice on Treasury Management 2002

CIPFA Standard of Professional Practice on Continuous professional Development 2005

CIPFA Standard of Professional Practice on Ethics 2006

The Good Governance Standard for Public Services 2004

CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017,

CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017

CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013

MHCLG Revised Guidance on Investments Feb 2017
MHCLG guidance on minimum revenue provision – Feb 2017

LAAP Bulletins
IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

PWLB circulars on Lending Policy
The UK Money Markets Guide. (was formerly known as the Financial Conduct Authority's Code of Market Conduct

The Council's Standing Orders relating to Contracts
The Council's Financial Regulations
The Council's Scheme of Delegated Functions

1.6.2 Procedures for Evidencing the Councils' Powers/Authorities to Counterparties

The Councils' powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition, they will make available on request the following: -

a. the scheme of delegation of treasury management activities which is contained in the TMSS, which states which officers carry out these duties
b. the document which sets which officers are the authorised signatories.

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Councils' treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 Statement on the Councils' Political Risks and Management of Same

The responsible officer shall take appropriate action with the Councils and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officers

The monitoring officer of the Councils has the duty to ensure that the treasury management activities of the Councils are lawful.

1.6.5. Chief Financial Officers

The Chief Financial Officer has the duty to ensure that the financial affairs of the Councils are conducted in a prudent manner and to make a report to the appropriate Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

This refers to the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Service will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Service will therefore:-

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Councils' Financial Regulations.

Procedures

The banking and treasury management system procedures are detailed in a live document – the Treasury Management Procedure Notes, which is immediately accessible by treasury staff.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Logotech system.
- A written acknowledgement of each deal is checked promptly with the lending or borrowing institution where transactions are done directly with the Service.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Principal Accountant or Group Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Principal Accountant or Group Accountant for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Logotech system prompts the Treasury Officers that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Councils invest with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Councils' bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- The Treasury Officers are not authorised signatories.
- The Logotech and banking systems can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The Logotech system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A debt charge/investment income listing is produced every month and year end when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Logotech system.
- The Logotech system automatically calculates periodic interest payments of PWLB and other long term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates and debt management expenses are calculated at the year end using information from the financial ledger and the Logotech system.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund and the Housing Revenue Account recharge.

1.7.2. Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

The Business Continuity plan is maintained by the Emergency Planning Officer. The Councils' bankers are aware of the plan and have agreed to cooperate as appropriate to ensure continuity of banking and payment requirements. The priority is to ensure that benefit and other recipients of Council payments are not disadvantaged and that the Councils are able to continue to provide services.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites and staff members have laptops.

1.7.3. Insurance Cover Details

Fidelity Insurance

The Service has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees.

Officials Indemnity Insurance

The Service also has a 'Professional Indemnity' insurance policy with Zurich Municipal which covers loss to the Councils from the actions and advice of its officers which are negligent and without due care.

Business Interruption

The Service also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal.

1.8 Market Risk Management

This is the risk that, through adverse market fluctuations in the value of the principal sums a council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This Service will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The Service has a number of approaches to evaluating treasury management decisions:

a. weekly reviews carried out by the treasury management team and the Chief Financial Officer – notes of the meeting are sent to the Mid Sussex team for approval
b. reviews with our treasury management consultants
c. annual review after the end of the year as reported to full Councils
d. half yearly review to full Councils
e. monthly monitoring reports to the Councils' leadership teams
f. comparative reviews
g. strategic, scrutiny and efficiency value for money reviews

2.1.1 Periodic reviews during the financial year

The Chief Financial Officer holds a treasury management review meeting with the Group Accountant or Principal Accountant every week. The cash flows are used to plan future investment or borrowing needs and suitable counterparties are selected based on the TMSS.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

2.1.3 Review reports on treasury management

An Annual Treasury Report is submitted to the Councils each year after the close of the financial year, which reviews the performance of the debt and investment portfolios. This report contains the following: -

a. total debt and investments at the beginning and close of the financial year and average interest rates
b. borrowing strategy for the year compared to actual strategy
c. investment strategy for the year compared to actual strategy
d. explanations for variance between original strategies and actual
e. debt rescheduling done in the year
f. actual borrowing and investment rates available through the year
g. comparison of return on investments to the investment benchmark
h. compliance with Prudential and Treasury Indicators
i. other relevant information

In addition, half yearly reports will be submitted to the Councils each year to provide updates on the above.

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from Link Asset Services, including the Benchmarking Club.

2.2 Benchmarks and Calculation Methodology:

The performance of investment earnings will be measured against the following benchmarks: -

- Weighted average maturity
- Weighted average credit risk
- Weighted average rate of return

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis with the option to extend for 2 years, if approved by the Councils. The process for advertising and awarding contracts will be in line with the Councils' Contract Standing Orders.

2.3.2 Banking services

The Councils' banking arrangements are to be subject to competitive tender every 5 years (subject to a 2 year extension option) unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Councils may use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

2.3.4 Consultants'/advisers' services

This Service's policy is to appoint professional treasury management consultants.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Service's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The Treasury section has a computerised treasury management system (Logotech) in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained -

- Daily cash balance reconciliations
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Service will:

a) Above all be clear about the nature and extent of the risks to which the Councils may become exposed

b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained

c) Be content that the documentation is adequate both to deliver the Councils' objectives and protect the Councils' interests, and to deliver good housekeeping

d) Ensure that third parties are judged satisfactory in the context of the Councils' creditworthiness policies, and that limits have not been exceeded

e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Service will:

a) consider the ongoing revenue liabilities created, and the implications for the Councils' future plans and budgets
b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use

3.1.3.3 In respect of investment decisions, the Service will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Councils to changes in the value of capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Councils' capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

4.2 Approved Instruments for Investments

Please see the Treasury Management Strategy Statement and Annual Investment Strategy.

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team is authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

A file is maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution and instrument. The list is included in the TMSS and AIS.

4.3 Approved Techniques

- Forward dealing
- The use of structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Councils have a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal Bond Agency	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
PFI/PPP
Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

4.7 Non-treasury management investments

The Councils have appropriate strategies, such as the Capital Strategy and the Commercial Property Investment Strategy, relating to non-treasury management investments.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Councils

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual Treasury Management Strategy Statement and Annual Investment Strategy
- approval of MRP Statement
- approval of Capital Strategy

(ii) Joint Strategic Committee (Adur and Worthing Councils)

- approval of amendments to the Service's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.
-

(iii) Joint Governance Committee

Receiving and reviewing the following and making recommendations to the Joint Strategic Committee

- regular monitoring reports on compliance with the Treasury Management Strategy, practices and procedures.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal Receipt and checking of brokers confirmation note against loans diary Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart

Chief Financial
Officer
I
Group Accountant
|
Principal
Accountant
I
Treasury Officers

5.4 Statement of the treasury management duties/responsibilities of treasury posts

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function - the Chief Financial Officer. This person will carry out the following duties: -

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
b) submitting regular treasury management policy reports
c) submitting budgets and budget variations
d) receiving and reviewing management information reports
e) reviewing the performance of the treasury management function
f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
g) ensuring the adequacy of internal audit, and liaising with external audit
h) recommending the appointment of external service providers.
i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Chief Accountant, the Group Accountants, the Principal Officer or the Treasury Officers must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Councils' legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Councils' Financial Regulations
m) It is also the responsibility of the responsible officer to ensure that the Councils comply with the requirements of The UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Treasury Management Team

The responsibilities of the Group Accountant will be: -

a) execution of transactions
b) adherence to agreed policies and practices on a day-to-day basis
c) maintaining relationships with counterparties and external service providers
d) supervising treasury management staff
e) monitoring performance on a day-to-day basis
f) submitting management information reports to the responsible officer
g) identifying and recommending opportunities for improved practices

The treasury management team additionally includes accountancy trainees who may prepare daily cash reconciliations and payments, which will be checked by the Principal Accountant or Group Accountant.

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented
b) Ensuring that the responsible officer reports regularly to the full Councils on treasury policy, activity and performance.

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
c) Giving advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.
b) Reviewing division of duties and operational practice.
c) Assessing value for money from treasury activities.
d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

There are sufficient trained officers within the Accountancy section to cover sickness and holiday.

5.6 Approved Brokers

The Councils have opted up to professional status with a selection of brokers.

5.7 Policy on Brokers' Services

It is the policy of the Service to contact different brokers to obtain the best interest rates.

5.8 Policy on Taping of Conversations

It is not this Service's policy to tape brokers conversations.

5.9 Direct Dealing Practices

The Service will deal directly with counterparties if it is appropriate and the Service believes that better terms will be available. There are certain types of accounts and facilities where direct dealing may be required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.10 Settlement Transmission Procedures

For payments a transfer will be made through the Lloyds Bank online banking system.

5.11 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.12 Arrangements Concerning the Management of Third-Party Funds.

The Councils hold a number of trust funds and Parish Council funds. The cash in respect of these funds is held in the Councils' bank accounts but interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

a) Annual reporting requirements before the start of the year: -
- review of the Service's approved clauses, treasury management policy statement and practices
- **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- **capital strategy** to cover the following: -

   i. give a long term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning.
   ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between them
   iii. The authorities' risk appetite and specific policies and arrangements for non-treasury investments
   iv. Schedule of non-treasury investments

b) Mid-year review

c) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Joint Governance Committee, the Joint Strategic Committee and then to the full Councils for approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, the Councils may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
   a) Prudential and Treasury Indicators
   b) current Treasury portfolio position
   c) borrowing requirement
   d) prospects for interest rates
   e) borrowing strategy
   f) policy on borrowing in advance of need
   g) debt rescheduling
   h) investment strategy
   i) creditworthiness policy
   j) policy on the use of external service providers
   k) any extraordinary treasury issue
   l) the MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the appropriate Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Councils' risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
c) Which specified and non specified instruments the Councils will use
d) Whether they will be used by the in house team, external managers or both (if applicable)
e) The Councils' policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Councils will use
g) How the Councils will deal with changes in ratings, rating watches and rating outlooks
h) Limits for individual counterparties and group limits
i) Country limits
j) Levels of cash balances
k) Interest rate outlook
l) Budget for investment earnings
m) Use of a cash fund manager (if applicable)
n) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Councils will make revenue provision for repayment of borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. The Councils approve before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Councils.

6.6 Mid year review

The Councils will review the treasury management activities and strategy on a six monthly basis. This review will consider the following: -

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management indicators for local authorities.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Joint Governance Committee, the Joint Strategic Committee and then to the full Councils at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

a) transactions executed and their revenue (current) effects
b) report on risk implications of decisions taken and transactions executed
c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
d) performance report
e) report on compliance with CIPFA Code recommendations
f) monitoring of treasury management indicators

6.8 Budget Monitoring Reports

Budget monitoring reports will be prepared every month by the Principal Accountant and Group Accountant and will be presented to the Chief Accountant for inclusion in the monthly budget monitoring report to the Council Leadership Team.

These reports will set out the interest receivable and payable, the MRP and other treasury costs and income, and compare them with the budget.

6.9 Publication of Treasury Management Reports

All reports to the Councils' committees are published on the Councils' websites.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.
The Councils have also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to these Councils' treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Chief Financial Officer will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Group Accountant will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the Logotech reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Chief Accountant, whilst a quarterly budget monitoring report goes to Joint Strategic Committee. The report is intended to highlight any variances between budgets and spend in order that the Councils can assess the financial position.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly, weekly and daily. The annual and monthly cash flow projections are prepared from the previous year's cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Councils receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by the appropriate accountant.

8.3 Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors within 30 days of receipt of an undisputed invoice, or on specific terms agreed with the supplier and this effectively schedules the payments. Certificated payments to sub-contractors must be paid on similar terms.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Creditors section is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a weekly basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Councils will without unreasonable delay be passed to the cashiers to deposit in the Councils' banking accounts.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Councils have no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- establish internal procedure with respect to money laundering
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly the Councils will do the following: -

a) evaluate the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under POCA
e) appoint a member of staff to whom they can report any suspicions. This person is the Money Laundering Reporting Officer.
f) in order to ensure compliance is appropriately managed, the Councils will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Money Laundering Reporting Officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity Of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of Treasury activities, the Councils will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk).

All transactions will be carried out by CHAPS or direct debit for making deposits or repaying loans.

TMP 10 Training and Qualifications

The Councils recognise that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Service
b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Councils operate a professional development review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Group Accountant to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and Members will go on courses provided by our treasury management consultants, CIPFA, money brokers, treasury management system provider etc.

10.2 Records of Training Received by Treasury Staff

The Group Accountant will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section in order to gain first hand experience of treasury management operations.

10.4 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to Members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

MP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

The Service will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Service, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

11.1.1 Banking Services

a) The name of the supplier of service is Lloyds Bank.
b) Regulatory status – banking institution authorised to undertake banking activities by the FCA

c) The branch address is:
City Office,
PO Box 1000
Andover
BX1 1LT
Tel :- 0345 072 5555

d) Contract commenced 01/04/2015 and runs for 5 years until 31/03/2020, with an option to extend for 2 years
e) Cost of service is variable depending on schedule of tariffs and volumes
f) Payments due monthly

11.1.2 Money-Broking Services

The Service may use money brokers for temporary borrowing and investment and long term borrowing.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services and Leasing Consultancy Service

The Service will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Chief Financial Officer every year to check whether performance has met expectations.

a) Name of supplier of service is Treasury Solutions. Their address is 65 Gresham Street London EC2V 7NQ
b) Regulatory status: investment adviser authorised by the FCA
c) Contract commenced 01/04/2017 and runs for 3 years to 31/03/2020.

11.1.4 Credit Rating Agency

The Service receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1.1 List of Documents to be Made Available for Public Inspection

a. The Service is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection: -

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue provision policy statement
Annual Treasury Review Report
Treasury Management half yearly monitoring reports

Annual accounts and financial instruments disclosure notes
Annual budget
3 Year Capital Plan
Capital Strategy
Commercial Property Investment Strategy

Minutes of Council / Cabinet / committee meetings

Schedule of all external funds managed by the Councils on behalf of others and the basis of attributing interest earned and costs of these investments.

Management practices for non-treasury investments

The Councils recognise that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity can include loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Councils will ensure that all the Councils' investments are covered in the Capital Strategy and Commercial Property Investment Strategy or equivalent, and will set out, where relevant, the Councils' risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Councils will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Councils' risk exposure.

Joint Governance Committee
30 July 2019
Agenda Item 10

ADUR & WORTHING
COUNCILS

Ward(s) Affected: Cokeham, Peverel, Churchill,
Manor, Mash Barn & Widewater

Joint Governance Committee Appointments: Parish Councillors

Report by the Monitoring Officer

Executive Summary

1. Purpose

1.1. This report advises Members of the Joint Governance Committee of the nominations from Lancing Parish Council and Sompting Parish Council for Parish representatives to be appointed to the Joint Governance Committee as co-opted Members in accordance with the Constitution.

2. Recommendations

Members of the Joint Governance Committee are asked to:

2.1. note the nomination from Lancing Parish Council of the appointment of Cllr Ann Bridges as a Co-Opted Member of the Joint Governance Committee for 19/20 and recommend the appointment to Adur District Council and Worthing Borough Council;

2.2. note the nomination from Sompting Parish Council of the appointment of Cllr Caroline Baxter as a Co-Opted Member of the Joint Governance Committee for 19/20 and recommend the appointment to Adur District Council and Worthing Borough Council

3. Background

3.1. The Joint Governance Committee is a Committee of the Council governed by the Joint Committee Agreement between Adur District Council and Worthing Borough Council. It is established by section 101(5) of the Local Government Act 1972.

3.2. Within the terms of reference of the Joint Governance Committee are:

- standards, ethics and probity;
- audit and accounts activity; and,
- the constitutional framework.

3.3. The Joint Governance Committee consists of:

- 16 Elected Members (8 from Adur District Council and 8 from Worthing Borough Council);
- Up to 3 Independent Persons;
- One Member of Lancing Parish Council; and
- One Member of Sompting Parish Council.

3.4. The role of the Parish Councillors on the Joint Governance Committee is two fold. Firstly, their role is to advise the full Committee, when it is considering Parish matters. Secondly, their role is to advise the Committee (or its Sub-Committee) when hearing and determining an allegation that a Parish Councillor has breached their Parish Council Code of Conduct. In respect of the second aspect of their role, if a Lancing Parish Councillor is the Subject Member of a standards complaint being heard by the Sub Committee, a Sompting Parish Councillor will be invited to sit on the Sub Committee that hears and determines the allegation; and vice versa.

3.5. Both Parish Councillors appointed to the Joint Governance Committee will be non-voting co-opted Members of the Committee, acting in an advisory capacity to the Committee or its Sub Committee.

3.6. Parish Councillors are nominated by the Parish for the appointment, which is considered by the Joint Governance Committee. Should the Joint Governance Committee support their appointment, they will be invited to make appropriate recommendations to each full Council. The appointments must be made by Adur District Council and Worthing Borough Council.

4. Issues for consideration

4.1. Lancing Parish Council have nominated Parish Councillor Ann Bridges to be appointed the Lancing Parish Councillor co-opted Member of the Adur and Worthing Joint Governance Committee.

4.2. Sompting Parish Council have nominated Parish Councillor Caroline Baxter to be appointed the Sompting Parish Councillor co-opted Member of the Adur and Worthing Joint Governance Committee.

5. Engagement and Communication

5.1. Consultation has taken place with both Lancing Parish Council and Sompting Parish Council.

6. Financial Implications

6.1. There are no financial implications arising as a result of this report.

7. Legal Implications

7.1. Paragraph 5.12 of Part 3 of the Constitution sets out the terms of reference for the Joint Governance Committee and states that “The Joint Committee shall also co-opt one Member of Lancing Parish Council and one Member of Sompting Parish Council to advise the Committee on Parish matters when considering such matters”.

7.2. The Council’s Standards Procedure Rules in Part 4 of the Constitution set out the arrangements adopted by the Councils when dealing with allegations regarding a breach of the Code of Conduct and states at paragraph 2.7 “Parish Representative means a Parish Councillor appointed by the Council to advise the Joint Governance Committee and its Sub-Committee in relation to cases involving Parish Councillors.”

7.3. The Joint Governance Committee is established in accordance with section 101 Local Government Act 1972 and is governed by the Joint Committee Agreement in Part 9 of the Constitution.

7.4. Standards matters for both Councils are governed by the Standards Procedure Rules adopted by both Councils which comply with sections 26-37 of the Localism Act 2011.

Background Papers

- Worthing Borough Council Constitution
- Adur District Council Constitution
- Localism Act 2011

Officer Contact Details:-

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Solicitor to the Councils & Monitoring Officer
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susan.sale@adur-worthing.gov

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

- These appointments are in accordance with the Constitutions, adopted to uphold high and robust standards of governance throughout the Councils.

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Joint Governance Committee
30 July 2019
Agenda Item 11

ADUR & WORTHING
COUNCILS

Ward(s) Affected: All

The Councils' Surveillance Powers, Policy and Procedures

Report by the Monitoring Officer

Executive Summary

1. Purpose

1.1. The purpose of this report is to advise Members of the Monitoring Officer's review of the Councils' Surveillance Policy and Procedure and update Members on the Councils' use of its powers under surveillance legislation.

2. Recommendations

The Joint Governance Committee is asked to:

2.1. Note that neither Council has used its surveillance powers under the Regulation of Investigatory Powers Act 2000 in the year 2018/19.

2.2. Note that the Councils' Joint Surveillance Policy and Procedure of September 2017 has been reviewed but no revisions are recommended.

3. Background

3.1. The Regulation of Investigatory Powers Act 2000, as amended, provides a scheme whereby surveillance can be carried out by the Councils, in accordance with an authorisation granted under the Act, and the appropriate judicial approval, and that such surveillance shall be lawful for all purposes. Failure with compliance with the statutory framework could lead to evidence obtained by way of surveillance being inadmissible in Court and/or the Councils facing civil or criminal action for breach of statutory or common law rules relating to the privacy of individuals.

3.2. The surveillance must be necessary for the purpose of preventing or detecting conduct which constitutes a criminal offence which is punishable by a maximum sentence of a prison term of at least 6 months, or relates to the investigation into alleged underage sales of alcohol and/or tobacco.

3.3. An authorisation may be given for directed surveillance which is:

- For the purposes of a specific investigation,
- Covert rather than overt, and
- Is likely to result in the obtaining of private information about a person

3.4. An authorisation is not generally required for general observations, drive by's or attendance at trouble hot spots, nor for overt surveillance such as CCTV systems where notice is given to the public, nor for cases where an immediate response is necessary to an occurrence.

3.5. Authorisations will, in some circumstances, be required when social media is used in investigations and either the Council breaches privacy controls, there is repeated or targeted monitoring of an individual's social media profile, or a covert human intelligence source (CHIS) is used to interact and communicate with an individual through social media.

3.6. An authorisation may also be given for the use of a covert human intelligence source, whereby a person covertly uses an existing or newly established relationship with an individual in order to provide information to the Council.

3.7. Since the introduction of the Protection of Freedoms Act 2012 an authorisation for directed surveillance or the use of a covert human intelligence source will not take effect until such time as the relevant judicial authority, a Justice of the Peace, has made an order approving the grant of the authorisation.

3.8. Each Council adopted a surveillance policy in 2002 to ensure compliance with the Regulation of Investigatory Powers Act 2000. In 2012 the Councils agreed to adopt a revised single surveillance policy. In September 2017 the Joint Governance Committee considered a substantial review and rewrite of the Policy and at their meeting on 26th September 2017, agreed, on behalf of each Council to formally adopt the revised Policy.

3.9. The Councils' policies, practices and procedures are subject to review by the Office of the Surveillance Commissioner and the last inspection was carried out in July 2017. The Commissioner suggested some amendments to the Councils' policy relating in particular to its use of Social Media in investigations, and these were addressed in the 2017 revision to the Policy.

3.10. Since September 2017 training has been provided to a significant number of Officers across the Council, as well as to the Authorising Officers, and the revised Policy was widely communicated and published on the Council's website.

4. Issues for consideration

4.1. The Home Office Covert Surveillance and Property Interference Code of Practice 2014 paragraph 3.35 states that "Elected Members of a Local Authority should review the Authority's use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on the use of the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose".

4.2. At the 2017 inspection the Surveillance Commissioner further highlighted the long standing role of Elected Members and the provision of information to them, which applies to non-use as well as actual use. In his report following the inspection, The Chief Surveillance Commissioner, referred to the Code of Practice and stressed the need for Members to regularly consider the Council's use of their powers and set the Policy.

4.3. Neither Council has authorised any surveillance under this Policy or the 2000 Act during the financial year 18/19 nor since. Indeed the powers under the 2000 Act are rarely used by the Councils and when they have been used in the past they were generally in relation to Benefit Fraud investigations, which are now undertaken by the Department of Work and Pensions.

4.4. Nevertheless, it remains imperative that the Councils have a robust, fit for purpose policy in place, and that Officers involved in investigations and authorising surveillance keep up to date with knowledge and receive regular training. The Solicitor to the Council has reviewed the existing Policy adopted in September 2017 and is confident that it remains up to date, robust and fit for purpose and has no revisions to recommend to the Committee.

5. Engagement and Communication

5.1. Engagement has been undertaken with Mr Paul Brewer, Director for Digital and Resources, who is the Councils' Senior Responsible Officer for matters relating to the Regulation of Investigatory Powers Act.

6. Financial Implications

6.1. There are no financial implications arising from this report.

7. Legal Implications

7.1. 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.

7.2. The Investigatory Powers Act 2016 made some amendments to the earlier legislation but these primarily dealt with communications data interception powers relevant to the security and intelligence agencies.

Background Papers

- Regulation of Investigatory Powers Act 2000
- Adur and Worthing Councils Surveillance Policy and Procedure
- Report to Joint Governance Committee 26th September 2017

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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