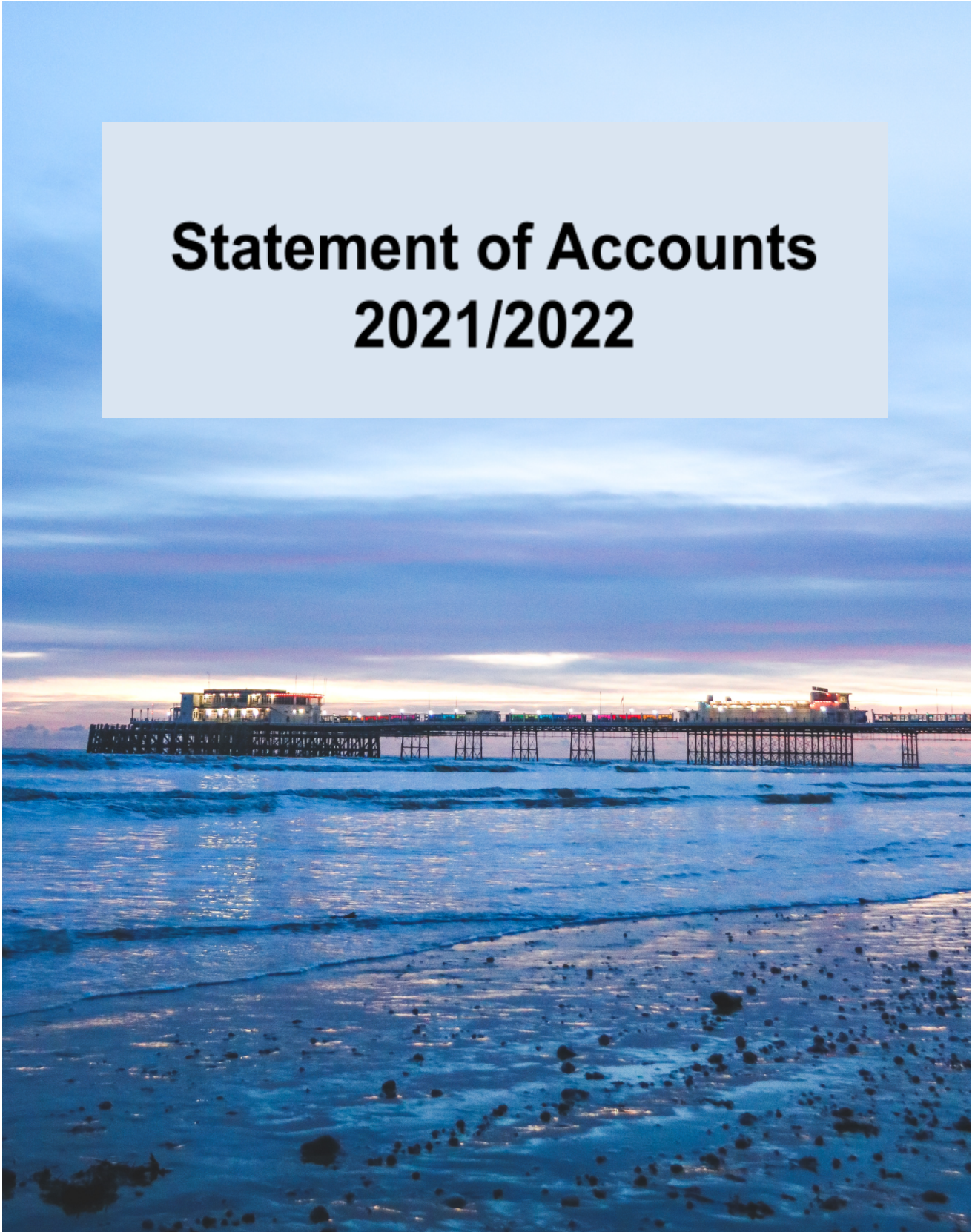




WORTHING BOROUGH  
COUNCIL

**Statement of Accounts  
2021/2022**



# WORTHING BOROUGH COUNCIL

## STATEMENT OF ACCOUNTS

for the year ended 31st March, 2022

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## NARRATIVE REPORT

### ***INTRODUCTION***

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

- Understand the financial position of the Council in 2021/22;
- Have confidence that the public money with which the Council has been entrusted has been used well and accounted for in an appropriate manner;
- Be assured that the overall position of the Council is sound and secure.

This is the narrative report to the Statement of Accounts for the year ended 31st March 2022. It provides a summary of the financial position as at 31st March 2022 and is structured as below:

- Introduction To Worthing as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2021/22
- The 2021/22 revenue budget process and medium term financial plan
- Financial Overview of the Council 2021/22
  - \* Revenue spend in 2021/22
  - \* Capital strategy and Capital Programme 2021/22 to 2023/24
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

### ***1. AN INTRODUCTION TO WORTHING AS A PLACE***

Worthing Borough Council is one of seven Local Authorities in West Sussex. It lies on the South Coast and covers an area of approximately 32.37km<sup>2</sup>. The Council shares its boundaries with Adur District Council to the east, and Arun District Council to the west. It is located at the foot of the South Downs at the southern edge of the beautiful South Downs National Park.



**Population:**

Worthing has a population of approximately 110,730 according to the Office of National Statistics with an age profile of:

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

There are 3,695 businesses within the area. Business Rate income was £25.7m in 2021/22. This was lower than in the years before 2020/21 which was due to the amount of additional business reliefs granted by the Government to support the local economy during the Covid 19 pandemic. The Council kept £3.4m of income related to Business Rates (including associated grants), 10% of the income was paid to the County Council with the remainder paid to the Government.

**2. KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL**

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

## Political Structure in the 2021/22 Municipal Year

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

<b>Conservative Party</b>	19 Councillors
<b>Labour</b>	15 Councillors
<b>Liberal Democrat Party</b>	3 Councillors

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

The leader of the Council during 2021/22 was Councillor Daniel Humphreys, following his resignation as leader a new leader, Councillor Kevin Jenkins, was elected by the full Council on 10th November 2021.

## Management Structure

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



## Worthing Borough Council:

- √ Holds £267m of assets to support services and provide income to fund service delivery
- √ Generates £22m of income from fees, charges and rents (net of Housing Subsidy) to help deliver services and keep council tax down
- √ Has set a balanced budget each year despite allocated funding from revenue support grants and retained business rates falling each year. In 2021/22 government funding (New Homes Bonus and Lower Tier Services Grant) made up 2.8% of total generated income (net of Housing Benefit Subsidy) .

## Working in partnership

Government initiatives have placed great emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To

achieve this goal Adur District and Worthing Borough Councils are part of an innovative partnership arrangement.

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net budget of £23.6m for 2021/22. The shared services are managed via a Joint Committee. This Joint Committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:-

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

### **The Covid-19 pandemic and the Council**

The Coronavirus pandemic is the largest global emergency that the country has had to face since 1945. The outbreak of the Coronavirus has been recognised as a pandemic by the World Health Organisation affecting many countries. The speed of the pandemic has led to unprecedented disruption globally with many countries requiring residents to stay at home and businesses to temporarily close. As a result of the pandemic, life within the UK became very difficult throughout 2021/22 due to various restrictions on our lives.

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

- Providing additional business rate reliefs to local businesses worth £5.9m;
- Across 10 different strands, paying business grants in accordance with the guidance issued by the Department for Business Enterprise and Industrial Strategy (BEIS). The Council has paid £6.9m in grants to local businesses in 2021/22;
- Supporting our high streets to reopen safely;
- Set up a network of community volunteers to support those who had to remain at home;
- Established a Community Response Team and supported people in need of help with food, isolation, money, and mental health;
- Established information and support around access to work;
- Supported the development of an Adur and Worthing Emergency Food Network;
- Awarded 4,115 additional Council Tax discounts of up to £150.00 to those residents in receipt of Council Tax support;
- Continued to administer the payment of self isolation grants to enable those residents to remain at home who would have otherwise had to go to work due to their financial circumstances.
- Provided accommodation for rough sleepers and all single people who became homeless to ensure that they were housed during the crisis.
- Throughout the pandemic, the council continued to keep its offices open offering face to face appointments to its most vulnerable residents.

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

2022/23 has seen a lessening of the impact of the pandemic, largely due to the success of the vaccine roll out which means that life has gradually returned to normal and the financial impact less significant in the year. That said, there is still a degree of uncertainty due to the impact of new variants of the virus on the health of the population.

However, due to the impact of both the pandemic and the war in Ukraine on our economy, there is now a new challenge of escalating inflation for our residents. For the forthcoming year there will be a focus on supporting the wellbeing of our residents and on economic recovery through a range of measures including:

- Continuation of additional Council Tax discounts of up to £150.00 for those residents in receipt of Council Tax support;
- Payment of energy grants of £150.00 to all residents in Council Tax bands A-D and a discretionary scheme for residents in other Council Tax bands;
- Range of projects to support the health and wellbeing of our residents
- Working with those at risk of homelessness to ensure that they remain housed.

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

### **3. COUNCIL PLANS AND PERFORMANCE**

#### **PLATFORMS FOR OUR PLACES - GOING FURTHER 2020 - 2022**

The Council's priorities are laid out in 'Platforms for our Places - Going further' which was agreed early in 2020. The plan details how over the period 2020-22 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities. In July 2020 (7 months into that programme) both Councils adopted a refreshed set of commitments to reflect the impact that the Pandemic was having on the Council's priorities. The Council is now developing our new corporate plan which will cover the period 2023 - 2026.

#### *Five Platforms for our Communities*

##### **Platform 1: Prosperous Places**

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

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

##### **Platform 2: Thriving People and Communities**

The key themes for this platform include:

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

### Platform 3: Tackling Climate change and supporting our natural environment

The themes for climate resilience include:

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

### Platform 4: Good services and new solutions

Themes for good services and new solutions include:

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

### Platform 5: Leadership of our place

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

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

## Achievements in 2021/22

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

### Platform 1: Prosperous Places

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



- **Development of Place:**

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



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

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

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

- **Supporting Local Business and Innovation:**

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

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

## Platform 2: Thriving People and Communities

- **Proactive**

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

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

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

- **Food strategy / system**

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

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

- **Homelessness:**

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

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

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

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

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

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

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

During 2022/2023 we will continue to deliver services for rough sleepers under the Rough Sleepers Initiative 'Journey to Zero' (rough sleepers), provide additional support through our COMF award whilst targeting those with security of tenure who have been impacted by the pandemic but have been protected from homelessness by the eviction ban which lifted on the 1st June 2021, this work will offer support to both tenant/owner occupiers and landlords and be delivered collaboratively with partners.

- **Housing Strategy 2020/2023:** We have seen progress in our ambitions to build temporary and emergency accommodation. 19 homes have been completed at Rowlands Road and 8 more homes have been completed as part of the Downview phase 2 development.

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



- **Opening Doors Scheme:**

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

We have also just completed a contract with a property developer, "Crowding Bricks" to secure 21 newly refurbished one-bed properties in Worthing that will be let through the Opening Doors service. Individual landlords are also still showing interest in the scheme, despite the fact that rents are continuing to rise and LHA rates remain frozen. We are also now working with our House in Multiple Occupation (HMO) emergency accommodation landlords to turn emergency accommodation placements into permanent offers of accommodation, where

appropriate, through the Opening Doors scheme. We have completed successfully on two of these with a further two in the pipeline. With rising numbers of single person placements and a lack of available 'move on' accommodation, this is proving to be a very useful method in securing long term accommodation for this group.

### ● **HealthyAW**

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

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

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

### ● **Creating a Space to Collaborate**

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

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

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

### ● **Safer Communities**

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

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

Some of our key metrics and achievements during this last period for safer communities include: co-delivering a Sussex wide conference to embed Contextual Safeguarding,

instigating a pilot to reduce school exclusions, contributing to the Social Care transformation process to safeguard children from exploitation, extending mentoring to children struggling to thrive at school, recruiting an additional officer to support those impacted by anti social behaviour, refreshing the Joint Action Group to be more data and intelligence led and training four Community Ambassadors to support communities impacted by youth violence and exploitation.

### **Platform 3: Tackling climate change and supporting our natural environments**

- **Sustainable Energy**

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

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

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

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

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

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

- **Waste and recycling**

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

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

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

- **Nature Restoration and Protection**

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

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

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

#### **Platform 4: Good services and new solutions**

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

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

## Platform 5: Leadership of our place

### • Critical Relationships

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

### • Community and Voluntary Sector

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

### • Community Participation

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

### • Emergency Planning and Civil Contingency Work

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

Monitoring our commitments:

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

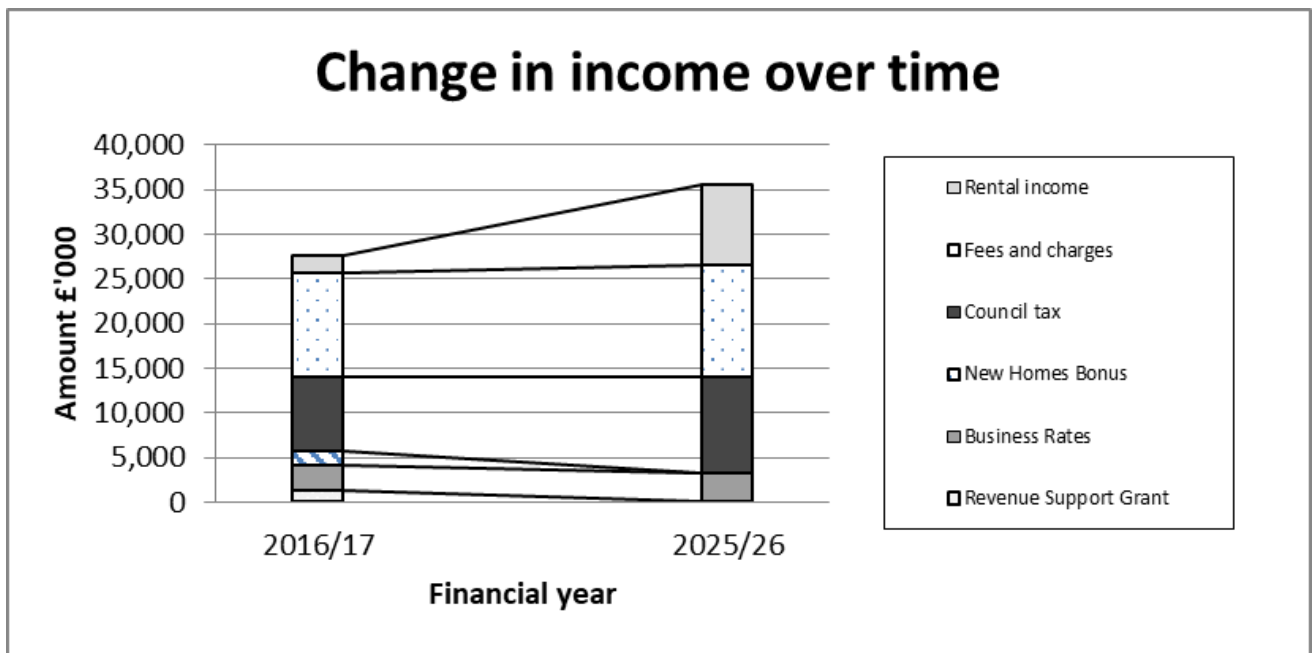
The programme of work is reported on twice a year. The full monitoring reports to JSC in 2021/22 may be viewed at:

Joint Strategic Committee report 13<sup>th</sup> July 2021 (6 month progress update)

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

##### **Revenue Budget 2021/22**

The budget for 2021/22 was compiled within the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government settlement. The Council has seen a significant decline in recent years in overall government income with increasing amounts of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property. This trend is expected to continue for at least the next 5 years in line with the Council 5-year forecast.



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

- inflation, the largest source of cost pressure;
- income generated by the Council which may be affected by lack of demand;
- impact of increasing demand for such services as homelessness;
- withdrawal of funding by partners, potentially losing funding for key priorities;

The Council has a working balance and other earmarked reserves to help mitigate these risks.

The Council agreed a budget strategy to meet this challenge in 2021/22 through 5 major work streams: developing commercial income: investing in property to support service objectives: tackling homelessness: reviewing and rationalising our property holdings; and the delivery of a new customer and digital strategy. In addition the Council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.149m as part of the 2021/22 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2021.

##### **Council Tax**



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

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

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

### **Council Tax base**

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

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

### **Budget Strategy for 2022/23 to 2025/26**

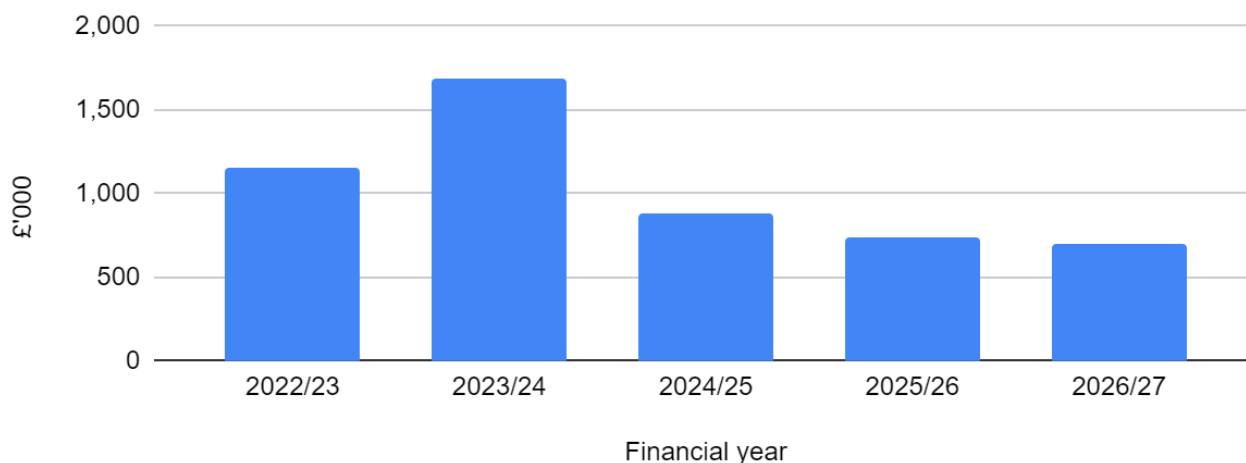
In preparing the budget strategy for 2022/23 to 2025/26, the aim was to deliver the Council's priorities outlined in 'Platforms for our Places'. The forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges. The budget strategy for the development of the 2022/23 budget was approved by Council on 13<sup>th</sup> July 2021 and it set the strategic direction to address the significant challenges not only for 2022/23 but onwards.

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

1. To transform services through the use of digital technology and by putting the customer at the heart of our business;
2. To invest in new property to generate income for the Council in the future;
3. To expand commercial activity;
4. To tackle the cost of homelessness through prevention work and commissioning better, more affordable accommodation

The Council has to identify significant budget reductions of £5.2m over the five years with a £1.2m challenge at that point expected for 22/23 as follows:

## Savings required per year



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

Further details around the most recent forecasts for both Councils is contained in the report 'Developing a revenue budget for 2023/24 against the backdrop of high inflation', which was considered on 5th July 2022 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the current high inflation rates are having on the Council's budgets. This can be found on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

### Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any particular areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

## 5. **FINANCIAL OVERVIEW**

A comprehensive summary of the financial performance of the partnership authorities (Adur District Council, Worthing Borough Council and the Joint Strategic Committee) is contained in the reports on financial performance for 2021/22 considered on 5<sup>th</sup> July 2022 by Joint Strategic Committee. There are two separate reports titled:

- Financial Performance 2021/22 - Revenue Outturn; and
- Financial Performance 2021/22 - Capital and Projects Outturn.

These are available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

## Revenue Spend in 2021/22

A more detailed summary of the Council's financial results for 2021/22 is given on the following pages but a brief outline of what we planned to spend and what we actually spent is given below.

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. In 2021/22 Worthing Borough Council reported a marginal overspend of £0.196m against a budget of £14,361,530.

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

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

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

In spite of an extremely difficult year from a financial perspective, the Council has supported the local community throughout the pandemic whilst maintaining services and delivered on major capital investments and has managed to contain spend to within 1.36% of the original budget.

### How the money was spent and how services were funded

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

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

## 1. Funding from Central Government

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

## 2. Funding from Local Taxpayers

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

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

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

## 3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £25.7m collected, after allowing for exemptions, reliefs and provisions, the Council kept 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool.

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

Total Funding from Taxation:

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

\* Net of budgeted Collection Fund surplus/deficit.

It must be noted that most of the difference in the Business Rates income budgeted and the deficit position is due to the introduction by the Government (after the 2021/22 budget had been set) of additional retail, leisure, hospitality and nursery business rate reliefs awarded to support businesses during the pandemic. The Council received compensating section 31 Grant from the Government.

The additional Section 31 grant of £1.9m reduced the call on the Business Rates Smoothing Reserve in 2021/22 which is retained to manage and smooth the future impact on the general fund of the losses shown in the Collection Fund due to the additional reliefs awarded.

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

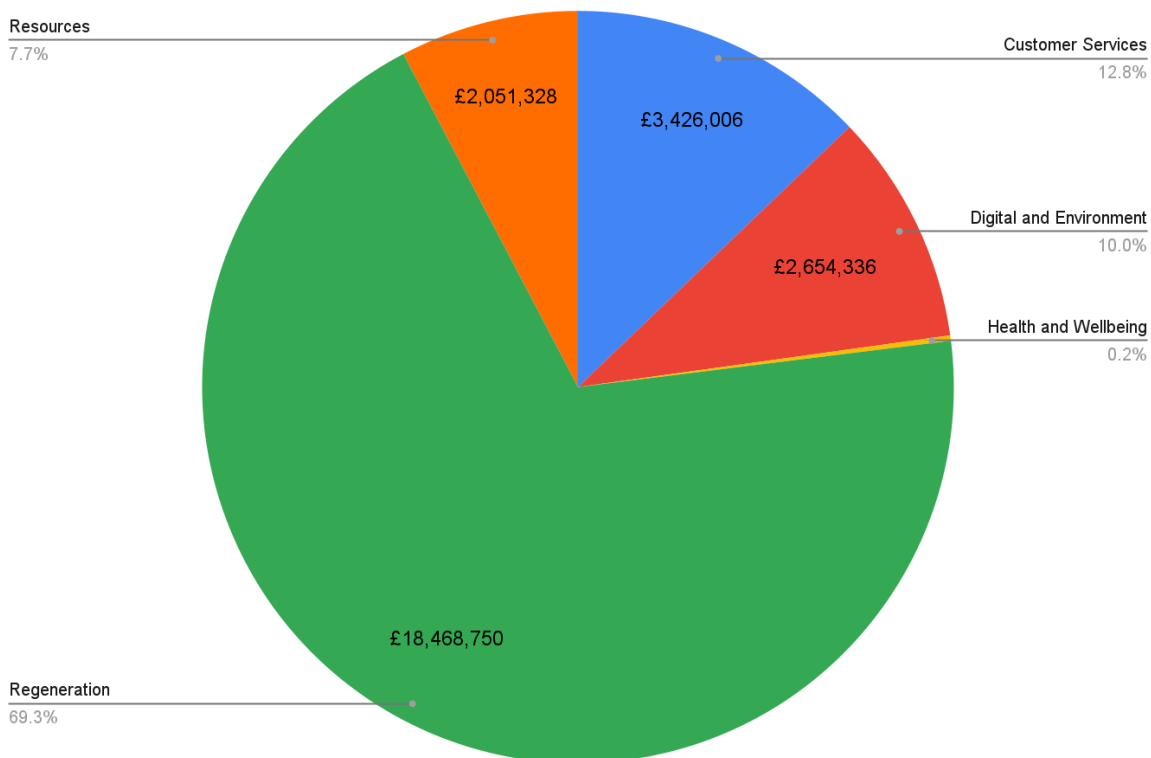
The outturn and indeed the monitoring reports all year were presented with the un-ringfenced grant received from Central Government offsetting overspending in Council Portfolio areas. This approach was chosen so the actual service impact could be seen compared to the original budget. In total additional grant totalling £0.297m was received and Sales, Fees and Charges compensation grant totalling £0.396m.

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

### CAPITAL INVESTMENT PLANS

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

Capital Outturn 2021/22



The capital investment programme for all Worthing Portfolios was originally estimated at £70,532,820. Subsequent approvals and re-profiling of budgets produced a total revised budget of £34,370,600. Actual expenditure in the year totalled £26,662,250, a decrease of £7,708,350 on the revised estimate, comprising a net budget brought forward from future years of £7,250,070 and a net underspend of £458,280. The major factors contributing to the re-profiling of the budgets were:

1. Schemes where the Council does not have direct control over the scheme progress. For example where the scheme is managed by another authority, or mandatory grant schemes where the spend is demand led and the Council has no control over when the grants will be paid.
2. Works completed in advance of budget profile.
3. Officer capacity has resulted in some schemes being unable to commence or complete within the financial year.
4. Negotiations required with other interested parties.
5. Identification of suitable opportunities to develop new commercial property.
6. The impact of Covid 19 on the ability to deliver some projects at the year end.
7. The impact of supply chain issues following the pandemic and Brexit on the delivery of some materials.

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

Expenditure in 2021/22 was financed as follows:

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

Significant investments in 2021/22 included:

- Redevelopment and refurbishment of two properties which are being converted into small homes for the purpose of providing temporary and emergency accommodation to residents who become homeless;
- Construction of a new integrated care centre;
- Acquisition of the Teville Gate site;
- Disabled adaptations to residents homes;
- Decarbonisation programme of works to improve the sustainability of our buildings;
- Adur and Worthing Workspaces project to co-locate the NHS with the Councils;
- Improvements to the Council's digital infrastructure;
- Continued repairs and improvements to the multi storey car parks.

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Financial Performance 2021/22 - Capital and Projects Outturn" which was considered on the 5th July 2022. This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

## Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks is contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 5th July 2022 Joint Strategic Committee report "Financial Performance 2021/22 - Capital and Projects Outturn". This report is

## Capital Investment Plans 2022/23 – 2024/25

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

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

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

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

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

## 6. TOP STRATEGIC RISKS

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

<b>Risk overview</b>	<p><b>Covid-19</b></p> <p>Risk that the pandemic will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery</p>
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<p><b>Commentary / Mitigation measures</b></p>	<p>Applications for £500 self isolation payments continued. Since the start of the scheme in September 2020 more than 5,800 applications have been assessed and awards totalling in excess of £700k have been made.</p> <p>Eligible businesses received additional business rate relief. 100% Business Rates Relief was awarded from 1 April 2020 and 1 April 2021, this reduced to 66% from 1 July 2021 and 50% from 1 April 2022.</p> <p>The Covid Business Grants closed in July 2022. Over £60m has been distributed through over 8,000 transactions in the last 18 months.</p> <p>Business and town centre activity has been monitored in the last 6 months; footfall levels are increasing and vacancy rates are competitive against the national average. Additional activity, such as events, are returning for 2022 which will boost further economic recovery.</p>
<p><b>Risk Rating:</b></p>	<p>Impact = Major, Likelihood = Very Likely  <b>Risk Assessment: High Risk</b></p>
<p><b>Risk overview</b></p>	<p><b><u>Council finances</u></b></p> <p>Risk that Council's finances will continue to be under pressure</p>
<p><b>Commentary / Mitigation measures</b></p>	<p>The Councils set a balanced budget for 2022/23. However new inflationary pressures including national and local pay award pressures, severely increased energy bills, reduced income in commercial waste and car parking and other income generating services are emerging which makes the position for 2023/24 difficult and which will need to be addressed over the next financial year.</p>
<p><b>Risk Rating:</b></p>	<p>Impact = Major, Likelihood = Very Likely  <b>Risk Assessment: High Risk</b></p>
<p><b>Risk Overview</b></p>	<p><b><u>Cost of living crisis</u></b></p> <p>The pandemic has already impacted residents who are experiencing health and wellbeing inequality and has increased those inequalities. Now other cost of living pressures such as higher energy bills and housing costs are further increasing those pressures which will increase demands for Council services.</p>
<p><b>Commentary / Mitigation measures</b></p>	<p>The Councils are continuing to work in a number of ways to support and assist residents that are experiencing difficulties. New data shows a real spike in the number of people coming under pressure and there is a concern for autumn 2022.</p> <p>Proactive Programme being used to assist and support residents. The approach uses the LIFT platform to identify households with low financial resilience and our Customer Service team members then telephone households to explore ways of increasing household income, reducing household debt and also addressing issues such as depression, anxiety and loneliness that often accompany financial exclusion.</p> <p>One Stop Money Coaches programme supporting the work of Proactive and supporting the community more widely. The situation in respect of the impact of Universal Credit on the live Housing Benefit caseloads remains</p>

	unchanged in that it is reducing by approximately 0.75% each month. The volume of new claims for Council Tax Support has reduced whilst the live Council Tax Support caseload in both Adur and Worthing is reducing and is now below preCOVID levels.
<b>Risk Rating:</b>	Impact = Major, Likelihood = Very Likely <b>Risk Assessment: High Risk</b>

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

<b>Risk overview</b>	<b><u>Locally hosted applications</u></b>  Risk that hosting applications locally carries increasing risks given the pace of technological change. As for most councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.
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<p><b>Commentary / Mitigation measures</b></p>	<p>The Revenues and Benefits core database was successfully migrated to the cloud in November 2021.</p> <p>The on premise VMWare and SAN had a significant hardware failure in March 2022 but all affected data and systems were successfully recovered, albeit with disruption to services and the need to invoke business continuity plans. This platform is end of life support and was planned for replacement in 2022/23. This project is now moving forwards as a priority and expected to be completed in Autumn 2022. Some systems and services will always need to be hosted on site, and the new platform will provide resilience, security and scalability. The current data network is also at end of life and is being replaced during 2022/23.</p>
<p><b>Risk Rating:</b></p>	<p>Impact = Extreme, Likelihood = Moderate  <b>Risk Assessment: High Risk</b></p>

<p><b>Risk overview</b></p>	<p><b><u>Major project delivery</u></b></p> <p>Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.</p>
<p><b>Internal controls / Mitigation measures</b></p>	<p>Recent inflation in build costs is likely to have an impact on a number of the major projects. Supply of certain materials such as steel, labour and timber has been difficult with a resultant increase in prices. A number of the major projects are market facing so dependent on rental income or disposable income to make their business cases suitable. Should inflation sustain without a commensurate increase in commercial income then the viability of some projects will be challenging.</p>
<p><b>Risk Rating:</b></p>	<p>Impact = Major, Likelihood = Likely  <b>Risk Assessment: High Risk</b></p>
<p><b>Risk overview</b></p>	<p><b><u>Climate emergency risk -</u></b></p> <p>Councils need to mitigate climate change, adapt to climate change and prepare for more frequent extreme climate events and impacts.</p>
<p><b>Internal controls / Mitigation measures</b></p>	<p>1) Mitigating climate change;  Significant work streams are being delivered to reduce council carbon emissions and support decarbonisation across Adur &amp; Worthing. Last year (2020/21), Council emissions fell by 7.4%. Govt data shows Adur &amp; Worthing carbon emissions continue to fall year on year, with housing and industry related emissions dropping faster than transport mainly due to decarbonisation of electricity. However, these reductions are not on track to achieve net zero and radical transformations are needed to accelerate reductions. Data is published 2 years in arrears.</p> <p>Adur DC and Worthing BC have signed up to the Net Zero pledge with UK100 Cities to work towards achieving net zero emissions across the Adur and Worthing area by 2045.</p> <p>The Carbon Reduction team has secured Public Sector Decarbonisation Funding and is delivering £2m of capital projects identified as part of the Carbon Neutral Plan work with Technical Services and Adur Homes. These are projected to reduce emissions from the Councils' estate by</p>

approximately 12% and a pipeline of future projects. Projects are nearing completion and include 2 large Heat pump projects, insulation and energy efficiency projects and solar PV installations.

The Worthing Heat Network project has reached the procurement launch and is at Selection Questionnaire stage. The Council is now in receipt of a £5m HNIP (BEIS) funding agreement for Commercialisation & Construction funding. The scheme proposes to deliver a Worthing town centre heat network that will enable heat decarbonisation at scale based on a 3MW sewer source heat pump or equivalent low carbon measure. The WHN consists of 28 connections of which 18 are public sector buildings or with 7 owners, 16 are WBC owned buildings or sites. The HN is expected to deliver 2,454 tonnes of CO2 savings per year when fully developed.

PV Sol Software has been acquired to support design work for solar PV installations in order to develop more opportunities without the need for external consultancy support.

The Councils are involved in consortia to deliver Green Homes Grant Local Authority Delivery programmes (LAD). These aim to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes rated D,E,F & G:

Work is progressing on a countywide electric vehicle charging network that would provide charge points across Adur & Worthing on street and in council car parks. This would deliver one consistent, accessible, renewable powered EV charging network for West Sussex through a concessionary contract that is due to begin installing charge points in summer 2022. Work is ongoing to collaborate with WSCC on the successful delivery of new cycling schemes located on county highways through the Councils' Sustainable Transport Group.

## 2) Adapting to climate change;

Development of opportunities on Council owned land, in and bordering Adur & Worthing for offsetting, biodiversity, rewilding and climate resilience schemes in particular New Salts Farm, Pad Farm, the Adur Estuary and Kelp restoration as part of Sussex Bay with external partners.

The Strategic Flood Risk Assessment has been updated and found that the following number of sites are predicted to be at risk of surface water flooding (Section 12): 41 development sites in A&W: due to climate change, 21 sites are predicted to be at risk of fluvial flooding and 18 sites are predicted to be at risk from tidal flooding in the future.

Parks are planning to review opportunities for flood mitigation through an increase in permeable surfaces and rain gardens. Ongoing collaboration with external partners to investigate restoration of kelp forests as part of Sussex Bay could reduce storm surge and tidal influence on the shore line by 70%; and to investigate an Adur Estuary project to provide flood mitigation and multiple additional benefits. The emerging Worthing Local Plan includes a new chapter on climate adaptation.

3) Preparing for more frequent extreme climate events and impacts: adverse weather impacts are considered by AWC Emergency Planning service based upon pan Sussex risks using the National Risk Register of

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

The most recent details about the Council's risks can be found in the report to the Joint Governance Committee "Risk and Opportunity Management updates" which was considered on the 27th May 2022. This report is available on the joint Adur District Council and Worthing Borough Council website [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk).

## **SUMMARY**

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

The overall minor overspend for 2021/22 needs to be viewed in the context of a difficult year. The Council continues to balance the need to invest in future service developments with new emerging financial challenges from inflation and the continued changes to government funding.

Looking ahead, 2022/23 will be another difficult year with uncertainty due to changes in how funding is allocated to Local Government together with new emerging cost pressures. The outturn position will inform the development of the 2023/24 budget. The intention is to address any budget issues as part of the development of the 2023/24 budget where possible.

## **FURTHER INFORMATION**

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

## **ACKNOWLEDGEMENTS**

The production of the Statement of Accounts is not possible without the dedication and hard work of staff across the Council, particularly within the Finance Department. I would like to thank all colleagues for their endeavours during the financial year and particularly at this time when all staff are working under difficult conditions due to the impact of the national emergency.



Sarah Gobey, Chief Financial Officer, CPFA

## **EXPLANATION OF ACCOUNTING STATEMENTS**

The statement of accounts sets out the Council's income and expenditure for the year and its overall financial position as at 31st March 2022. It comprises cost and supplementary statements together with disclosure notes.

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

Page:

**Statement of Responsibilities**

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**Movement in Reserves Statement**

34

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

**Comprehensive Income and Expenditure Statement**

35

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

**Balance Sheet**

36

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

**Cash Flow Statement**

37

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

**Note to the Accounts**

38-109

**Collection Fund**

110-112

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

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

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

### **Post-employment benefits**

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

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

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have decreased by £5.8m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from a change to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 37.

### **Provisions, contingencies and material events**

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

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

### **CHANGES TO ACCOUNTING POLICIES**

The accounting policies are laid out within Note 1 of the Accounts. These policies have been reviewed to ensure compliance with the 2021/22 Code of Practice Guidance Notes. There were no changes to policies in 2021/22.



**STATEMENT OF RESPONSIBILITIES FOR THE  
STATEMENT OF ACCOUNTS**

**STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH, 2022**

***The Council's Responsibilities:***

- (a) To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2021/22 that officer was the Chief Financial Officer.
- (b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- (c) To approve the Statement of Accounts.

***The Chief Financial Officer and Section 151 Officer's Responsibilities:***

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

In preparing the statement of accounts the Chief Financial Officer is to select accounting policies and apply them consistently, make judgements and estimates that are reasonable, and ensure that the Statement of Accounts complies with the Code of Practice on Local Authority Accounting.

The Chief Financial Officer also has to keep proper accounting records which are up to date and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March, 2022 and its income and expenditure for the year ended on that date.



**SARAH GOBEY**  
Chief Financial Officer

**Dated:**

***Certificate of Approval by Joint Governance Committee***

I confirm that these Accounts were approved by the Joint Governance Committee of Adur District Council and Worthing Borough Council on xxxx.

**Mike Barrett**  
Chairman, Joint Governance Committee

**Dated: xx/xx/xxxx**

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31.03.20 c/fwd	(1,543)	(3,328)	(2,183)	(3,249)	(10,303)	(108,332)	(118,635)
<b>Movement in Reserves during 2020/21</b>							
Total Comprehensive Expenditure and Income	(1,510)	-	-	-	(1,510)	2,282	772
Adjustments between accounting and funding basis under regulation (Note 7)	(7,082)	-	298	(1,226)	(8,010)	8,010	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(8,592)	-	298	(1,226)	(9,520)	10,292	772
Transfers to/from Earmarked Reserves (Note 8)	8,592	(8,592)	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	-	(8,592)	298	(1,226)	(9,520)	10,292	772
<b>Balance at 31.03.21 c/fwd</b>	<b>(1,543)</b>	<b>(11,920)</b>	<b>(1,885)</b>	<b>(4,475)</b>	<b>(19,823)</b>	<b>(98,040)</b>	<b>(117,863)</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Expenditure and Income	(6,572)	-	-	-	(6,572)	(11,694)	(18,266)
Adjustments between accounting basis and funding basis under regulation (Note 7)	11,541	-	(30)	(7,167)	4,344	(4,344)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	4,969	-	(30)	(7,167)	(2,228)	(16,038)	(18,266)
Transfers to/from Earmarked Reserves (Note 8)	(4,774)	4,774	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	195	4,774	(30)	(7,167)	(2,228)	(16,038)	(18,266)
<b>Balance at 31.03.22 c/ fwd</b>	<b>(1,348)</b>	<b>(7,146)</b>	<b>(1,915)</b>	<b>(11,642)</b>	<b>(22,051)</b>	<b>(114,078)</b>	<b>(136,129)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	Note
<b>NET EXPENDITURE ON SERVICES</b>							
The Leader	1,135	(181)	954	828	(15)	813	
Digital and Environment	9,566	(5,377)	4,189	10,453	(5,624)	4,829	
Health and Wellbeing	4,416	(1,849)	2,567	2,716	(1,386)	1,330	
Customer Services	40,036	(34,315)	5,721	40,429	(35,204)	5,225	
Regeneration	9,529	(4,410)	5,119	11,944	(3,229)	8,715	
Resources	5,438	(2,758)	2,680	5,925	(2,633)	3,292	
<b>Net Cost of Services</b>	<b>70,120</b>	<b>(48,890)</b>	<b>21,230</b>	<b>72,295</b>	<b>(48,091)</b>	<b>24,204</b>	
Other operating expenditure			2,275			(50)	9
Financing and Investment Income and Expenditure			(4,342)			(1,957)	10
Taxation and non-specific grant income			(25,735)			(23,707)	11
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(6,572)</b>			<b>(1,510)</b>	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(3,985)			322	22
(Surplus)/Deficit from investments in equity instruments designated at fair value			-			-	16
Remeasurements of the net defined pension benefit liability			(7,709)			1,960	22
<b>Other Comprehensive Income and Expenditure</b>			<b>(11,694)</b>			<b>2,282</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>(18,266)</b>			<b>772</b>	

## BALANCE SHEET

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

	Note	As at 31 March 2022	As at 31 March 2021
		£'000	£'000
<b>Long Term Assets:</b>			
Property, Plant & Equipment	12	176,233	153,665
Heritage Assets	13	13,242	12,991
Investment Properties	14	75,827	74,307
Intangible Assets	15	1,291	717
Long Term Investments	16	1,642	3,904
Long Term Debtors	17	14,739	15,009
<b>Total Long Term Assets</b>		<b>282,974</b>	<b>260,593</b>
<b>Current Assets:</b>			
Short Term Investments	16	24,250	29
Inventories		68	63
Short Term Debtors	17	20,319	29,926
Cash & Cash Equivalents	18	9,407	7,298
<b>Total Current Assets</b>		<b>54,044</b>	<b>37,316</b>
<b>Current Liabilities:</b>			
Short Term Borrowing	16	(23,789)	(20,035)
Short Term Creditors	19	(29,656)	(24,958)
Provisions	20	(304)	(832)
Grants Receipts In Advance - Revenue	33	(7,107)	(731)
<b>Total Current Liabilities</b>		<b>(60,856)</b>	<b>(46,556)</b>
<b>Long Term Liabilities:</b>			
Long Term Borrowing	16	(130,698)	(118,376)
Other Long Term Liabilities	36 & 37	(9,335)	(15,114)
<b>Total Long Term Liabilities</b>		<b>(140,033)</b>	<b>(133,490)</b>
<b>Net Assets</b>		<b>136,129</b>	<b>117,863</b>
<b>Financed By Reserves:</b>			
Usable Reserves		(22,051)	(19,823)
Unusable Reserves	22	(114,078)	(98,040)
<b>Total Reserves</b>		<b>(136,129)</b>	<b>(117,863)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2021/22	2020/21
		£'000	£'000
Net (surplus) or deficit on provision of services	23	6,572	1,510
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	16,032	21,935
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(12,807)	(9,467)
<b>Net cash flows from Operating Activities</b>	23	<b>9,797</b>	<b>13,978</b>
Investing Activities	24	(31,585)	(8,107)
Financing Activities	25	23,897	(4,530)
Net increase or decrease in cash and cash equivalents		2,109	1,341
Cash and cash equivalents at the beginning of the reporting period		7,298	5,957
<b>Cash and cash equivalents at the end of the reporting period</b>	18	<b>9,407</b>	<b>7,298</b>

## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **GENERAL PRINCIPLES**

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

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

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

#### **ACCRUALS**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. Sums due to or payable by the Council at the end of each financial year are brought into account (irrespective of whether cash has been received or payment has been made). Where actual costs are not available, accruals for debtors and creditors are made on a best-estimate basis.

At the end of each financial year an estimate is made of doubtful debts – amounts due to the Council, but unlikely to be received. The total value of these amounts is provided as a provision for bad debt and deducted from the debtors balance in the Balance Sheet. The current de minimis is £1,000.

#### **COUNCIL TAX AND BUSINESS RATES (ENGLAND)**

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

#### **Accounting for Council Tax and NDR**

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

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

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

## **REVENUE RECOGNITION**

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

## **SUPPORT SERVICES**

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

## **JOINT OPERATIONS**

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

## **VALUE ADDED TAX**

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

## **GRANTS AND CONTRIBUTIONS**

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

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

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

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

## **LEASES**

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

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

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

#### **The Council as Lessee - Finance Leases:**

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

Lease payments are apportioned between:

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

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

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

#### **The Council as Lessee - Operating Leases:**

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

#### **The Council as Lessor - Finance Leases:**

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

#### **The Council as Lessor - Finance Leases:**

A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e.



netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

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

### **The Council as a Lessor - Operating Leases:**

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

## **NON-CURRENT ASSETS**

### **Expenditure and Valuation principles**

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

### **Expenditure and Valuation principles**

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the International Financial Reporting Standards (IFRS) code.

The surpluses arising on the revaluation of property, plant and equipment are credited to the Revaluation Reserve. The exception to this is where previous revaluation losses have been debited to the Comprehensive Income and Expenditure Account. Where this has occurred the surplus on revaluation is credited to the Comprehensive Income and Expenditure Account up to the value of the

previous revaluation loss, less the value of depreciation, that would have been charged had there been no revaluation loss.

Surpluses arising on the revaluation of investment properties are credited to the Comprehensive Income and Expenditure Account. The Revaluation Reserve only includes gains since its inception from 1<sup>st</sup> April, 2007; prior gains were incorporated into the Capital Adjustment Account. The Council applies a five-year rolling programme of revaluations and at the end of each financial year the market value of each category of assets is reviewed. If there has been an increase or decrease of 5% or more during the year, the relevant asset category is revalued in line with the valuation change. The principal valuation bases used are:

- Property, Plant and Equipment assets are initially valued at cost and included in the balance sheet at current value. Where there is no open market value, assets are included in the balance sheet at depreciated replacement cost. Community assets and infrastructure assets are stated at depreciated historical cost, assets under construction are stated at cost. Donated assets are revalued at current value.
- Investment properties are included in the balance sheet at fair value and need to meet the criteria of property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Assets held for sale are included in the balance sheet if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.
- Assets are reclassified as Held for Sale when the following criteria are met:
  - i) The asset is available for sale in its present condition subject only to terms that are customary for sales of such assets (or disposal groups).
  - ii) The sale must be highly probable.
  - iii) The appropriate level of management must be committed to a plan to sell the asset (or disposal group).
  - iv) An active programme to locate a buyer and complete the sale must have been initiated.
  - v) The asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to the current value.
  - vi) The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification except where the sale is likely to proceed to a sale without significant changes to the plan of sale, or that significant changes to the plan will be made or that the plan will be withdrawn.

For 2021/22 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the council's Estates office. A de minimis value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and for new land and buildings. Assets valued below these limits are not included, unless they are included in the rolling revaluation programme.

### **Fair Value Measurement**

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

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

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

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

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

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

#### Disposals

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

#### **Charges to Revenue for Non-current Assets**

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

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset.

The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

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

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

#### **Disposals**

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

## **Impairment**

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

## **Depreciation**

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

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

## **Componentisation of Assets**

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost, the components are depreciated separately. The Council uses the straight line method of depreciation over the useful 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 1<sup>st</sup> April 2010.

The following component categories and useful lives are used:

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

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

## **INTANGIBLE ASSETS**

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

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

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

## **HERITAGE ASSETS**

### **Definition**

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

### **Recognition**

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

### **Valuation**

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

The unique nature of many heritage assets makes a reliable valuation complex. Therefore where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset is carried at historical cost (less any accumulated depreciation, amortisation and impairment losses). Valuations may be made by any method that is appropriate and relevant and are reviewed with sufficient regularity to ensure they remain current

### **Depreciation, amortisation and impairment**

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation of intangible assets is considered on an individual asset basis. Assets are reviewed for impairment where an asset has suffered physical deterioration or breakage, or where doubts arise as to the authenticity of the heritage asset.

### **Accounting**

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

## **INVESTMENT PROPERTIES**

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

## **CAPITALISATION OF BORROWING COSTS**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **INVENTORIES**

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

## **WORK IN PROGRESS**

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

## **RESERVES**

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

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

## **PROVISIONS**

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

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not

that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account.

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

## **CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

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

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

## **FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

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

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

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

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

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

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

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

### **Financial Assets Measured at Amortised Cost**

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

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

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

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

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

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

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



## **Financial Assets Measured at Fair Value through Profit or Loss**

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

### **Fair value measurement of financial assets**

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

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

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

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

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

### **Soft Loans**

The Code has specific accounting requirements in respect of "soft loans", being loans made to or from third parties at preferential rates of interest below market rates. The Code requires that when soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

The Council issues soft loans to employees in respect of car loans, cycle loans and professional fees loans and is eligible for interest free loans to finance capital expenditure on energy efficiency projects. No adjustment in respect of these loans is made to the accounts to reflect the requirements of the Code on the grounds that the adjustment would be immaterial or impractical.

## **DEBT REDEMPTION**

Statutory Guidance issued under s21(1A) of the Local Government Act 2003 places a duty on local authorities to make a prudent provision for debt redemption.

The provisions are made each year from the General Fund Revenue Accounts, which is then held in the Capital Adjustment Account (CAA). The accumulated provision held in the CAA is used to repay the principal amounts borrowed to finance capital investment.

In accordance with statutory guidance and the Council's statement for Minimum Revenue Provision (MRP), an amount is charged annually to revenue and set aside for the repayment of debt. The provision is made over the estimated life of the asset for which the borrowing is undertaken. Where appropriate, the Council may also make overpayments of MRP, which can be offset in future years.

## **INTERNAL INTEREST**

A contribution is made to some Reserve Account balances based upon the average rate of return on the Council's investments for the year.

## **CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are defined as 'short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value'. Accordingly, the investments that may fall within the definition are principally held for short-term cash management purposes, not for obtaining a significant return on investment.

For the purpose of classifying cash equivalents within Financial Instruments, the Council's accounting policy is to categorise all fixed term deposits as investments, not cash equivalents (irrespective of the duration of the investments). This is because in practice, such deposits would not satisfy the requirement to be readily convertible to cash and would incur a penalty (loss in value) for early redemption. Therefore, in practice the Council's policy restricts the composition of cash and cash equivalents to notes and coins, current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours' notice.

## **EXCEPTIONAL ITEMS**

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

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

An accrual is made where the adjustment will have a material effect on the accounts for the cost of holiday entitlements (or any form of leave, eg.time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Any accrual is made at the wage and salary rates applicable in the following accounting year, being the period in

which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The Council's annual cost of accumulated absences as defined by the IFRS code of practice is not considered material and therefore has chosen not to accrue these costs.

### **Termination Benefits**

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

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

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

### **Post Employment Benefits**

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

### **The Local Government Pension Scheme**

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of returns on bonds.
- The assets of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value which is the bid value as required by IAS19.

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

- Service Cost comprising:
  - The current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - The past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
- Re-measurements comprising:
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
  - Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **EVENTS AFTER THE REPORTING PERIOD**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those events that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.
- Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **CAPITAL RECEIPTS**

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2021/22 Code.

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

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

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

### **NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

#### **Critical Judgements**

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.
- The Council holds a significant portfolio of investment property and although in general terms economic activity is fragile, the Council judges that its portfolio is robust and that the assets will not be impaired as a result of a decrease in economic activity.
- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 37.

- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in note 20 and contingent liabilities in note 38.
- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 5% of the Council spending baseline which equates to £137k.

## Going Concern

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

The provisions in the CIPFA/LASAAC Code of Practice of Local Authority Accounting 2021/22 and the Financial Reporting Council's Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

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

The Council has seen the impact of the Covid-19 pandemic on its finances during 2021/22, with revenue from sales, fees and charges and local taxation having decreased. However it has received substantial emergency funding support from the Government in the form of new burden grants, tax income guarantee and sales, fees and charges compensation schemes plus a range of specific grants to support key areas of the resident and business community. Despite the challenges, with the funding to help offset the new pressures, the council reported a £196k overspend (1% against budget) for the financial period ending 31st March 2022.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2022/23, 2023/24 and beyond. This has included modelling scenarios that consider the impact on the following:

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

In February 2022 the Council approved a balanced budget for 2022/23. Known pressures from Covid 19 were built into the 2022/23 budget.

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

As at 31 March 2022 the Council has the following reserves to call on in delivering its services.

➤ General Fund Working Balance	£1.348m
➤ General Fund Earmarked Reserves	£7.146m
➤ Capital Grants	£11.642m
➤ Capital Receipts	£1.915m

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

The council has been closely monitoring its cash flow and investments to ensure it has sufficient liquidity to meet its commitments. The Council had investments of £24m and cash and cash equivalents of £9m at the end of March 2022 and has prepared a cash flow forecast to the end of March 2024 which is 12 months from the date the accounts are approved. The Council remains confident in its ability to maintain sufficient cash for its services throughout this period and is furthermore able to borrow short term for cash management if ever needed.

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

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

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

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

The items in the Council's Balance Sheet at 31st March 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property, Plant and Equipment</b>	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If the useful life of assets fell by one year there would be an increase in the depreciation charged in the C.I.E.S. For example the additional cost for Land and Buildings would be £166k.</p> <p>There would also be a corresponding decrease in the carrying amount of the assets.</p> <p>Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. In 2021/22 the assumptions include an estimation of the impact of the McCloud judgement.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2021/22, the Council's actuaries advised that the net pension liability has decreased by a net £5.78m. There was a £1.93m increase as a result of estimates being corrected as a result of experience, and a decrease of £7.71m attributable to updating of the assumptions.</p> <p>Refer to note 37 for more information.</p>
<b>Impairment Loss Allowance</b>	<p>At 31st March 2022 the Council had a net balance of debtors due (excluding government departments) of £15.3m. A review of significant balances suggested that an impairment for doubtful debt of £2.59m was appropriate.</p>	<p>Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.</p> <p>An increase in the net balance of debtors (excluding government departments) by 10% would increase the impairment for bad debts by £40k</p>



Item	Uncertainties	Effect if actual results differ from assumptions
<b>Business Rate Appeals Provision</b>	At March 2022 the total provision for the impact of appeals on business rate income is £0.587m, the Council share of this is £0.235m. The provision is based on the appeals lodged with the Valuation Office which is then reviewed to establish the likely impact of the appeals on the business rate income.	The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level of appeals and the estimated success rate.  If the success rate was to increase by 1% the impact on the provision would be an increase of £30k .The Council share of this would be £12k.
<b>Fair Value Investments</b>	<p>When the fair values of nonfinancial assets and financial assets/liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow (DCF) model). Where possible these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values.</p> <p>These judgements typically include considerations such as uncertainty and risk for financial assets and rent growth for non-financial assets.</p> <p>Where Level 1 inputs are not available the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for Investment Property, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 1 and 14.</p>	Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.

**NOTE 5: EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31st March 2022 and the date when the Statement of Accounts are authorised for issue.

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

**NOTE 6: EXPENDITURE AND FUNDING ANALYSIS**

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

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

	2021/22 Net Expenditure Chargeable to the General Fund Balance	2021/22 Adjust - ments between Funding and Accounting Basis (Note 7)	2021/22 Net Expenditure in the Comprehen- sive Income and Expenditure Statement	2020/21 Net Expenditure Chargeable to the General Fund Balance	2020/21 Adjust - ments between Funding and Accounting Basis (Note 7)	2020/21 Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
The Leader	886	68	954	766	47	813
Environment	2,725	1,464	4,189	2,179	2,650	4,829
Health & Wellbeing	2,114	453	2,567	1,155	175	1,330
Customer Services	4,455	1,266	5,721	3,812	1,413	5,225
Regeneration	2,775	2,344	5,119	3,633	5,082	8,715
Resources	2,184	496	2,680	2,608	684	3,292
<b>Net Cost of Services</b>	<b>15,139</b>	<b>6,091</b>	<b>21,230</b>	<b>14,153</b>	<b>10,051</b>	<b>24,204</b>
Other income and expenditure	(10,170)	(17,632)	(27,802)	(22,745)	(2,969)	(25,714)
<b>Surplus or deficit</b>	<b>4,969</b>	<b>(11,541)</b>	<b>(6,572)</b>	<b>(8,592)</b>	<b>7,082</b>	<b>(1,510)</b>
Opening balance on General Fund reserves as at 1 April	(13,463)			(4,871)		
Deficit/surplus on General Fund in Year	4,969			(8,592)		
<b>Closing balance on reserves as at 31 March *</b>	<b>(8,494)</b>			<b>(13,463)</b>		

## Adjustments between Funding and Accounting Basis

2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	5	63		68
Environment	1,432	32		1,464
Health & Wellbeing	45	408		453
Customer Services	831	435		1,266
Regeneration	1,736	608		2,344
Resources	419	77		496
<b>Net Cost of Services</b>	<b>4,468</b>	<b>1,623</b>	-	<b>6,091</b>
Other income and expenditure from the Funding Analysis	(13,587)	311	(4,356)	(17,632)
<b>Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(9,119)</b>	<b>1,934</b>	<b>(4,356)</b>	<b>(11,541)</b>

2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	7	40		47
Environment	2,658	(8)		2,650
Health & Wellbeing	54	121		175
Customer Services	2,376	(963)		1,413
Regeneration	4,763	319		5,082
Resources	793	(109)		684
<b>Net Cost of Services</b>	<b>10,651</b>	<b>(600)</b>	-	<b>10,051</b>
Other income and expenditure from the Funding Analysis	(10,845)	300	7,576	(2,969)
<b>Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(194)</b>	<b>(300)</b>	<b>7,576</b>	<b>7,082</b>

## Expenditure and income analysed by nature

	2021/22	2020/21
	£'000	£'000
Employee Expenses *	4,801	2,599
Depreciation, amortisation, impairment	900	8,401
Other service expenditure	66,988	64,511
<b>Total Expenditure</b>	<b>72,689</b>	<b>75,511</b>
Grants and contributions	(21,273)	(23,067)
Fees, charges and other service income	(47,496)	(44,246)
(Gain)/loss on disposal of non current assets	2,275	(50)
Changes in Fair Value to Investments and Investment Properties	(1,757)	(960)
Income from council tax and business rates	(5,798)	(3,776)
Interest and Investment Income	(5,212)	(4,922)
<b>Total Income</b>	<b>(79,261)</b>	<b>(77,021)</b>
<b>Deficit or surplus on Provision of Services</b>	<b>(6,572)</b>	<b>(1,510)</b>

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

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

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

2021/22 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non current assets (note 12 & 22)	(3,891)	--		3,891
Revaluation losses on Property Plant and Equipment (note 12 & 22)	1,563	--		(1,563)
Movements in the market value of investment Properties (note 14 & 22)	1,520	--		(1,520)
Amortisation of intangible assets (note 22)	(91)	--		91
Capital grants and contributions applied (note 22)	3,736	--		(3,736)
Revenue Expenditure funded from capital under statute (note 22)	(2,129)			2,129

Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 22)	(2,706)	-	-	<b>2,706</b>
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory provision for the financing of capital investment (note 22)	1,536	-	-	<b>(1,536)</b>
Capital expenditure charged against the General Fund (note 22)	287	-	-	<b>(287)</b>
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	8,503	-	(8,503)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	1,332	<b>(1,332)</b>
Appropriation of S106 contributions to Fund revenue expenditure	(4)	-	4	-
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	558	(558)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 22 & 34)	-	798	-	<b>(798)</b>
Loan repayment		(263)		<b>263</b>
Mortgage repayment		(7)		<b>7</b>
<b>Adjustments primarily involving the Financial Instruments Revaluation Reserve:</b>				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to DLUHC override	237			<b>(237)</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 37)	(6,096)	-	-	<b>6,096</b>
Employers' Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,162	-	-	<b>(4,162)</b>

<b>Adjustments involving the Collection Fund Adjustment Account:</b> Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (Note 22)	4,356	-	-	(4,356)
<b>TOTAL ADJUSTMENTS 2021/22</b>	<b>11,541</b>	<b>(30)</b>	<b>(7,167)</b>	<b>(4,344)</b>

<b>2020/21 USABLE RESERVES</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserves</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non current assets (note 12 & 22)	(3,656)	-	-	3,656
Revaluation losses on Property Plant and Equipment (note 12 & 22)	(4,522)	-	-	4,522
Movements in the market value of investment Properties (note 22)	(144)	-	-	144
Amortisation of intangible assets (note 22)	(79)	-	-	79
Capital grants and contributions applied (note 22)	6,263	-	-	(6,263)
Revenue Expenditure funded from capital under statute (note 22)	(2,325)	-	-	2,325
Revenue Expenditure funded from capital under statute Prior Year (note 22)	(156)	-	-	156
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 22)	(742)	-	-	742
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory provision for the financing of capital investment (note 34)	2,210	-	-	(2,210)
Capital expenditure charged against the General Fund (note 22)	151	-	-	(151)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	2,291	-	(2,291)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	1,065	(1,065)

<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	913	(913)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	1,211	-	(1,211)
<b>Adjustments primarily involving the Financial Instruments Revaluation Reserve</b>				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to DLUHC override	(10)			<b>10</b>
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(3,923)	-	-	3,923
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,223	-	-	(4,223)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (note 22)	(7,576)	-	-	7,576
<b>TOTAL ADJUSTMENTS 2020/21</b>	<b>(7,082)</b>	<b>298</b>	<b>(1,226)</b>	<b>8,010</b>

**NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

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

Movement in Earmarked Reserves	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Revenue Reserves</b>							
Capacity Issues Fund	1,361	(197)	396	1,560	(356)	103	1,307
Insurance	248	(73)	31	206	-	47	253
Joint Health Promotion *	1	-	-	1	(1)	-	-
Leisure Lottery & Other Partnerships	28	-	-	28	-	-	28
Grants & Contributions	806	(718)	1,349	1,437	(542)	172	1,067
Museum Reserve	106	(14)	14	106	-	-	106
Property Investment Risk Reserve	200	-	250	450	-	-	450
Building Maintenance Reserve	-	-	383	383	(57)	-	326
Theatres Capital Maintenance Reserve	109	(51)	-	58	(58)	-	-
Special & Other Emergency Expenditure *	3	-	-	3	(3)	-	-
<b>* these reserves have been consolidated into the Capacity Issues Fund</b>							
<b>Sub Total</b>	<b>2,862</b>	<b>(1,053)</b>	<b>2,423</b>	<b>4,232</b>	<b>(1,017)</b>	<b>322</b>	<b>3,537</b>
Reserves to manage Collection Fund timing difference:							
Business Rates Smoothing Reserve	437	-	6,548	6,985	(3,678)	-	3,307
Local Tax Income Guarantee	-	-	703	703	(401)	-	302
<b>Total General Fund</b>	<b>3,299</b>	<b>(1,053)</b>	<b>9,674</b>	<b>11,920</b>	<b>(5,096)</b>	<b>322</b>	<b>7,146</b>
<b>Capital Expenditure Reserve</b>	<b>29</b>	<b>(29)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Earmarked Reserves</b>	<b>3,328</b>	<b>(1,082)</b>	<b>9,674</b>	<b>11,920</b>	<b>(5,096)</b>	<b>322</b>	<b>7,146</b>

**Reserves and their purpose**

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

**Insurance Fund** - To fund uninsured losses



**Joint Health Promotion** - This reserve contains the balance of funding received for health promotion projects. The remaining balance has been transferred into the Capacity Issues Fund.

**Leisure Lottery & Other Partnerships**

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

**Grants & Contributions**

The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date.

**Museum Reserve**

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

**Property Investment Risk Reserve**

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

**Building Maintenance Reserve**

This will fund re-profiled expenditure on building maintenance.

**Theatres Capital Maintenance Reserve**

This reserve funded maintenance on Worthing theatres.

**Special & Other Emergency Expenditure Reserve**

This will fund expenditure such as seaweed removal, uninsured losses (e.g. storm damage) and any other strategic or unforeseen one-off expenditure which may arise. The balance has been transferred to the Capacity Issues Fund.

**Business Rates Smoothing Reserve**

This reserve is intended to smooth the impact of changes to reliefs in year. The Council received additional section 31 grants to compensate for losses in business rates income due to the extended reliefs given to retail, hospitality and leisure businesses to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit incurred as a result of the in year loss in business rate income will not be charged to the General Fund until 2022/23. The Business Rates Smoothing Reserve will fund the losses when they are incurred and are not available for other purposes.

**Local Tax Income Guarantee**

The Council received grant funding towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the losses are due to be funded by the General Fund over three years (2021/22- 2023/24). This reserve will be used to offset losses over that period.

**NOTE 9: OTHER OPERATING EXPENDITURE**

Other Operating Expenditure	31-Mar-22	31-Mar-21
	£'000	£'000
Gains/losses on the de-recognition and disposal of non-current assets	2,275	(50)
<b>TOTAL</b>	<b>2,275</b>	<b>(50)</b>

**NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Financing and Investment Income and Expenditure	2021/22	2020/21
	<b>£000</b>	<b>£000</b>
Interest Payable & similar charges (Note 16)	2,426	2,400
Net interest on net defined benefit liability (asset) (note 37)	311	300
Interest Receivable & similar income (note 16)	(640)	(630)
Income and expenditure in relation to investment properties (Note 14)	(4,436)	(3,931)
Changes in fair value to investment properties (Note 14)	(1,520)	144
Changes in fair value to investments (note 16)	(237)	10
Trading Operations (note 26)	(246)	(250)
<b>TOTAL</b>	<b>(4,342)</b>	<b>(1,957)</b>

**NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME**

Taxation and Non-Specific Grant Income	2021/22	2020/21
	<b>£'000</b>	<b>£'000</b>
Council Tax Income	(9,675)	(9,373)
Non Domestic Rates	(392)	5,597
Non-ringfenced Government Grants (note 32)	(5,405)	(13,551)
Capital Grants and Contributions (note 32)	(10,263)	(6,380)
<b>TOTAL</b>	<b>(25,735)</b>	<b>(23,707)</b>

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

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

**OPERATIONAL ASSETS**

	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
<b>Movements in 2021/22</b>							
<b>Cost or Valuation</b>							
At 1 April 2021	119,261	9,142	7,369	5,946	11,527	8,711	161,956
Historic Cost Adjustment	(2)	-	-	-	-	-	(2)
Additions	1,064	324	172	-	7,448	14,860	23,868
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,036	-	-	-	(1,281)	-	1,755
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,009	-	-	-	(328)	-	681
Disposals / Derecognition	(390)	(763)	(84)	-	-	(2,218)	(3,455)
Reclassifications between asset classes, including transfers to REFFCUS	4,259	-	164	-	270	(4,693)	-
<b>At 31 March 2022</b>	<b>128,237</b>	<b>8,703</b>	<b>7,621</b>	<b>5,946</b>	<b>17,636</b>	<b>16,660</b>	<b>184,803</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 1 April 2021	(598)	(5,011)	(2,682)	-	-	-	(8,291)
Historic Cost Adjustment	2	-	-	-	-	-	2
Depreciation charge	(2,854)	(729)	(307)	-	(1)	-	(3,891)
Depreciation recognised in the Revaluation Reserve	1,979	-	-	-	1	-	1,980
Deprecation written out to the Surplus/Deficit on the Provision of Services	882	-	-	-	-	-	882
Disposals / Derecognition	35	689	24	-	-	-	748
<b>At 31 March 2022</b>	<b>(554)</b>	<b>(5,051)</b>	<b>(2,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,570)</b>
<b>Net Book Value at 31 March 2022</b>	<b>127,683</b>	<b>3,652</b>	<b>4,656</b>	<b>5,946</b>	<b>17,636</b>	<b>16,660</b>	<b>176,233</b>
<b>Net Book Value at 31 March 2021</b>	<b>118,663</b>	<b>4,131</b>	<b>4,687</b>	<b>5,946</b>	<b>11,527</b>	<b>8,711</b>	<b>153,665</b>

## Comparative Movements 2020/21

<b>Movements in 2020/21</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Furniture and Equipment</b>	<b>Infra-structure Assets</b>	<b>Comm-unity Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Constr-uction</b>	<b>TOTAL</b>
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2020	110,893	9,272	6,986	5,946	8,238	16,130	157,465
Historic Cost Adjustment	-	77	-	-	-	-	77
Additions	4,423	756	297	-	4,381	5,169	15,026
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(879)	-	-	-	(2,100)	-	(2,979)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,701)	-	-	-	(3,071)	-	(5,772)
Disposals / Derecognition	(726)	(963)	(16)	-	-	-	(1,705)
Reclassifications between asset classes, including transfers to REFCUS	8,251	-	102	-	4,079	(12,588)	(156)
<b>At 31 March 2021</b>	<b>119,261</b>	<b>9,142</b>	<b>7,369</b>	<b>5,946</b>	<b>11,527</b>	<b>8,711</b>	<b>161,956</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 1 April 2020	(1,436)	(5,107)	(2,394)	-	-	-	(8,937)
Historic Cost Adjustment	-	(77)	-	-	-	-	(77)
Depreciation charge	(2,596)	(768)	(291)	-	(1)	-	(3,656)
Depreciation recognised in the Revaluation Reserve	2,156	-	-	-	1	-	2,157
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,250	-	-	-	-	-	1,250
Disposals / Derecognition	28	941	3	-	-	-	972
<b>At 31 March 2021</b>	<b>(598)</b>	<b>(5,011)</b>	<b>(2,682)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,291)</b>
<b>Net Book Value at 31 March 2021</b>	<b>118,663</b>	<b>4,131</b>	<b>4,687</b>	<b>5,946</b>	<b>11,527</b>	<b>8,711</b>	<b>153,665</b>
<b>Net Book Value at 31 March 2020</b>	<b>109,457</b>	<b>4,165</b>	<b>4,592</b>	<b>5,946</b>	<b>8,238</b>	<b>16,130</b>	<b>148,528</b>

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

<b>Movements in 2021/22</b>	<b>Vehicles, Furniture and Equipment</b>	<b>Assets Under Construction</b>	<b>TOTAL</b>
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2021	8,062	-	8,062
Assets transferred out of the Joint Service	(4)	-	(4)
Additions	283	-	283
Reclassifications between asset classes, including transfers to intangible assets	-	-	-
De-recognition	(444)	-	(444)
			-
<b>At 31 March 2022</b>	<b>7,897</b>	<b>-</b>	<b>7,897</b>
<b>Accumulated Depreciation</b>			
At 1 April 2021	(4,312)	-	(4,312)
Depreciation charge	(671)	-	(671)
Derecognition - Other	391	-	391
<b>At 31 March 2022</b>	<b>(4,592)</b>	<b>-</b>	<b>(4,592)</b>
<b>Net Book Value at 31 March 2022</b>	<b>3,305</b>	<b>-</b>	<b>3,305</b>
<b>Net Book Value at 31 March 2021</b>	<b>3,750</b>	<b>110</b>	<b>3,750</b>

**Comparative Movements 2020/21**

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

## Depreciation

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

- Other Land and Buildings: 6 – 60 years
- Vehicles, Plant, Furniture and Equipment: 1 – 25 years
- Infrastructure: 5 - 50 years

## Capital Commitments

At 31st March 2022 the council had entered into 3 significant contracts for the acquisition and enhancement of assets, these contracts are estimated to cost £22.7m. The significant commitments at 31st March 2021 were £3.1m.

The significant commitments at 31st March 2022 were:

Worthing Integrated Care Centre: £21,998,855

Portland House Refurbishment Works: £554,423

Teville Gate Groundworks: £161,316

## Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations were carried out by External Valuers Wilks, Head and Eve. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets and for vehicles, plant and equipment. Assets under construction are valued at cost.

The significant assumptions applied in estimating the current values are:

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

	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruktion	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>		3,652	4,656	5,946	3	16,660	30,917
<b>Valued at current value as at:</b>							
31st March 2022	13,143				17,633		30,776
31st March 2021	47,837						47,837
31st March 2021	24,306						24,306
31st March 2019	19,276						19,276
31st March 2018	23,121						23,121
<b>Total Cost or Valuation</b>	<b>127,683</b>	<b>3,652</b>	<b>4,656</b>	<b>5,946</b>	<b>17,636</b>	<b>16,660</b>	<b>176,233</b>

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

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2022 and 31st March 2021 are as follows:

Recurring fair value measurements as at 31st March 2022 using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2022
	£'000	£'000	£'000	£'000
Community Asset		113		113
Land		17,246		17,246
Office		180		180
Residential		7		7
Sub Stations		90		90
<b>TOTAL</b>	-	<b>17,636</b>	-	<b>17,636</b>

Recurring fair value measurements as at 31st March 2021 using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
Land	-	11,392	-	11,392
Office	-	42	-	42
Residential	-	7	-	7
Sub Stations	-	86	-	86
<b>TOTAL</b>	-	<b>11,527</b>	-	<b>11,527</b>

### Transfers between Levels of the Fair Value Hierarchy

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

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

There are no land or property assets within the council's surplus asset portfolio which are classed at Level 3 in the fair value hierarchy.

## Highest and Best Use of Surplus Assets

In estimating the fair value of the council's surplus assets, the highest and best use of the properties is their current use, apart from the following properties:

- Land at Fulbeck Avenue which is being held by the council for future housing.
- Coventry Plantation Plots which were acquired for future use in connection with the Crematorium.
- Land at Ripley Road is subject to access agreements which still have a number of years remaining.
- Land rear of the Dome Cinema which has access issues.
- Sub-stations which are all leased to the electricity company for continued use as sub-stations.
- Land at Hollyacres which has limited development potential due to the size of the land.

The highest and best use for the above properties would be for their development, either for residential or commercial use depending on their location.

## Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

## Valuation Process for Surplus Assets

The council carries out a rolling valuation programme which ensures all surplus assets are revalued at least every 5 years and are reviewed for significant increases/decreases at the reporting date. Valuations are either carried out by external valuers, Wilks, Head and Eve, or by the council's Estates Office. The valuations were made in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the council's Estates Office and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

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

## **NOTE 13: HERITAGE ASSETS**

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

Movements in 2021/22	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2021	491	3,978	4,210	1,688	1,917	707	12,991
Donated Assets	-	1	-	-	-	-	1
Revaluations	-	80	84	34	38	14	250
<b>At 31 March 2022</b>	<b>491</b>	<b>4,059</b>	<b>4,294</b>	<b>1,722</b>	<b>1,955</b>	<b>721</b>	<b>13,242</b>
<b>Net Book Value at 31 March 2021</b>	<b>491</b>	<b>3,978</b>	<b>4,210</b>	<b>1,688</b>	<b>1,917</b>	<b>707</b>	<b>12,991</b>



## COMPARATIVE MOVEMENTS 2020/21

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

### Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at valuation provided by an external valuer, Heptinstalls Jewellers of Worthing.

### Art and Sculpture

The council's collection of fine art, decorative art and sculpture is reported in the Balance Sheet at insurance valuation.

### Costume and Jewellery

This collection includes textiles, costumes, costume accessories and jewellery and is reported in the Balance Sheet at insurance valuation.

### Toys

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

### Social History

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

### Archaeology and Geology

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

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

## **NOTE 14: INVESTMENT PROPERTIES**

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

	2021/22	2020/21
	£'000	£'000
Rental income	(4,572)	(4,292)
Direct operating expenses	136	361
<b>Net (gain)/loss</b>	<b>(4,436)</b>	<b>(3,931)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

	2021/22	2020/21
	£'000	£'000
Balance at start of the year 1st April	74,307	74,450
Additions:	-	1
Net gains/(losses) from fair value adjustments:	1,520	(144)
<b>Balance at end of the year</b>	<b>75,827</b>	<b>74,307</b>

### Fair Value Measurement of Investment Property

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

Recurring fair value measurements at 31st March 2022 using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2022
	£'000	£'000	£'000	£'000
Community Facility	-	42	-	42
Office	-	45,619	-	45,619
Retail	-	17,582	-	17,582
Residential	-	2,460	-	2,460
Industrial	-	10,124	-	10,124
<b>TOTAL</b>	-	<b>75,827</b>	-	<b>75,827</b>

Recurring fair value measurements at 31st March 2021 using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
Community Facility	-	42	-	42
Office	-	45,578	-	45,578
Retail	-	15,494	-	15,494
Residential	-	2,613	-	2,613
Industrial	-	10,580	-	10,580
<b>TOTAL</b>	-	<b>74,307</b>	-	<b>74,307</b>

### Transfers between Levels of the Fair Value Hierarchy

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

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

### Significant Observable Inputs – Level 2

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

### Significant Unobservable Inputs – Level 3

There are no land or property assets within the council's asset portfolio which are classed at Level 3 in the fair value hierarchy.

## Highest and Best Use of Investment Properties

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

## Valuation Techniques

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

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

## Valuation Process for Investment Properties

The fair value of the council's investment property is measured annually on 31st March each year. All valuations are carried out by external valuers, Wilks, Head and Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the council's Estates Department and finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

## **NOTE 15: INTANGIBLE ASSETS**

	2021/22	2020/21
	£'000	£'000
<b>Balance at start of the year 1st April</b>		
Gross carrying amounts	969	648
Accumulated amortisation	(252)	(236)
<b>Net carrying amount at start of year</b>	<b>717</b>	<b>412</b>
<b>Additions:</b>		
Purchases	664	392
<b>Disposals:</b>	(57)	(71)
<b>Amortisation for the period:</b>	(91)	(79)
<b>Amortisation written off on disposal:</b>	58	63
<b>Net carrying amount at end of year</b>	<b>1,291</b>	<b>717</b>
<b>Comprising</b>		
Gross carrying amounts	1,576	969
Accumulated amortisation	(285)	(252)
	<b>1,291</b>	<b>717</b>

## NOTE 16: FINANCIAL INSTRUMENTS

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

### Financial Assets

	Non-Current				Current				Total 31Mar22 £000
	Investments		Debtors		Investments		Debtors		
	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	
Fair Value through Profit and Loss	1,592	1,354	-	-	-	-	-	-	1,592
Amortised Cost - Investments and debtors	-	2,500	14,739	15,009	24,220	10	2,191	5,988	41,150
Amortised Cost - accrued interest	-	-	-	-	30	19	-	-	30
Cash and Cash Equivalents	-	-	-	-	9,407	7,298	-	-	9,407
Fair Value through other comprehensive income - designated equity instruments	50	50	-	-	-	-	-	-	50
<b>Total Financial Assets</b>	<b>1,642</b>	<b>3,904</b>	<b>14,739</b>	<b>15,009</b>	<b>33,657</b>	<b>7,327</b>	<b>2,191</b>	<b>5,988</b>	<b>52,229</b>
Assets not defined as financial instruments	-	-	-	-	-	-	18,128	23,938	18,128
<b>Total</b>	<b>1,642</b>	<b>3,904</b>	<b>14,739</b>	<b>15,009</b>	<b>33,657</b>	<b>7,327</b>	<b>20,319</b>	<b>29,926</b>	<b>70,357</b>

### Financial Liabilities

	Non-Current				Current				Total 31Mar22 £000
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	31Mar22 £000	31Mar21 £000	
Amortised Cost - Principal	(130,698)	(118,376)	-	-	(23,052)	(19,349)	(5,154)	(3,884)	(158,904)
Amortised Cost - accrued interest	-	-	-	-	(737)	(686)	-	-	(737)
<b>Total Financial Liabilities</b>	<b>(130,698)</b>	<b>(118,376)</b>	<b>-</b>	<b>-</b>	<b>(23,789)</b>	<b>(20,035)</b>	<b>(5,154)</b>	<b>(3,884)</b>	<b>(159,641)</b>
Liabilities not defined as financial instruments	-	-	-	-	-	-	(24,502)	(21,074)	(24,502)
<b>Total</b>	<b>(130,698)</b>	<b>(118,376)</b>	<b>-</b>	<b>-</b>	<b>(23,789)</b>	<b>(20,035)</b>	<b>(29,656)</b>	<b>(24,958)</b>	<b>(184,143)</b>

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

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

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

### **Classification of Assets and Liabilities**

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

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

The Council's investment in the Local Authorities' Property Fund is classified as Fair Value through Profit or Loss and the value at 31 March 2022 of £1.592m is included in the Long Term Investments on the Balance Sheet. However due to statutory override, any unrealised gain or loss (shown in the table below) is not charged to the revenue account – it is posted to the Financial Instruments Revaluation Reserve. This investment is classified as a Level 1 input, as explained in the Accounting Policies (Note1), and the valuation technique used is the bid value of the units in the Fund as at 31 March 2022, supplied by the Local Authorities' Property Fund. Dividends are received quarterly and are credited to the revenue account.

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

- £50,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- 75,000 ordinary shares with the UK Municipal Bonds Agency, which was set up to provide financing choices for UK local authorities.

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

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

## Items of Income, Expense, Gains and Losses

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

	2021/22	2021/22	2020/21	2020/21
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
<b>Net (gains)/losses on:</b>				
Financial assets measured at fair value through profit or loss (change in value in the Council's investment in the Local Authorities' Property Fund)	(237)		10	-
Financial assets measured at amortised cost	49		178	-
<b>Total net (gains)/losses</b>	<b>(188)</b>	<b>-</b>	<b>188</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(587)		(571)	-
Other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(53)		(59)	-
<b>Total interest revenue</b>	<b>(640)</b>	<b>-</b>	<b>(630)</b>	<b>-</b>
<b>Interest expense</b>	<b>2,391</b>	<b>-</b>	<b>2,379</b>	<b>-</b>
<b>Fee income on financial assets that are not at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fee expense on financial liabilities that are not at fair value through profit or loss</b>	<b>35</b>	<b>-</b>	<b>21</b>	<b>-</b>

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

### Capitalisation of Interest

In 2021/22 the Council capitalised £89k of interest relating to borrowing for the development of the Worthing Integrated Care Centre that has not yet been completed.

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

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

The fair value of the reported carrying amounts at 31st March 2022 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

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

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

Financial Liabilities valued at amortised cost	31-Mar-22		31-Mar-21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	(114,958)	(111,165)	(109,273)	(112,505)
Non-PWLB Debt	(39,529)	(38,391)	(29,138)	(29,196)
Total Borrowing	(154,487)	(149,556)	(138,411)	(141,701)
Short Term Creditors	(5,154)	(5,154)	(3,884)	(3,884)
<b>Total Liabilities</b>	<b>(159,641)</b>	<b>(154,710)</b>	<b>(142,295)</b>	<b>(145,585)</b>

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2022) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £111.17m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £162.13m, which is calculated using early repayment discount rates. The Council has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

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

Financial Assets valued at amortised cost	31-Mar-22		31-Mar-21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	24,250	24,243	29	29
Long Term investments	-	-	2,500	2,527
Cash and cash equivalents	9,407	9,407	7,298	7,298
Short term debtors	2,191	2,191	5,988	5,988
Long term debtors	14,739	14,739	15,009	15,009
<b>Total</b>	<b>50,587</b>	<b>50,580</b>	<b>30,824</b>	<b>30,851</b>

The fair value of the financial assets is almost the same as the carrying amount because the Council's fixed rate investments held at 31st March 2022 are at interest rates similar to the rates for similar investments in the market at the Balance Sheet date.

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

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

### Nature and Extent of Risks Arising From Financial Instruments

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

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

### Overall procedures for managing risk

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

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website at: [Joint Treasury Management Strategy & Annual Investment Strategy 2022-23 to 2024-25](#)



## **Credit Risk Management Practices**

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

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

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

- Credit ratings of Short Term of F1, Long Term A-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Except for the UK, a minimum sovereign credit rating of AA- will be used.
- UK institutions provided with support from the UK Government
- The top five Building Societies by asset size

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

- Banks - £4m for a maximum of 5 years;
- Building Societies - £4m for the Nationwide and £2m for the others on the approved list, for a maximum of 5 years;
- Money Market Funds (MMF) AAA rated - £3m limit for any one MMF and total investments in MMFs shall not exceed £9m for more than one week at any one time.

The full investment strategy for 2021/22 was approved by the Council on 23rd February 2021 and is available on the Council's website.

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

## **Amounts Arising from Expected Credit Losses**

The Council's maximum exposure to credit risk in relation to its total investments of £10.045m in banks, building societies and local authorities, £11.7m in the government's Debt Management Office and £8.5m in money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2022 that this was likely to crystallise and there is no material Expected Credit Loss.

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

Credit Risk Exposure	Carrying Amount at 31/03/2022	Estimated Maximum Exposure to Loss at 31/03/2022	Estimated Maximum Exposure to Loss at 31/03/2021
	£'000	£'000	£'000
Lease debtors	210	80	73
Sundry debtors	1,981	432	390

This table excludes statutory debtors such as those relating to Council Tax and NNDR.

The Council has made a loan of £10m to Worthing Homes to support the provision of housing. The loan is secured on property valued in excess of £10m and the Council receives quarterly accounts and other regular updates on the profitability of Worthing Homes. The Council has also made a loan of £5m to GB Met College which is also fully secured on property. Therefore there is no quantifiable credit risk to the Council.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2022 as part of the final accounts process) are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and Note 17.

### Credit Risk Exposure

At 31st March 2022 the Council held £11.7m with the government's Debt Management Office for short term liquidity, £3m of bank investments at credit rating A+, £5m of bank investments at credit rating A, £1m of bank investments at credit rating AA- (and £5k which is in a call account so is classified as Cash and Cash Equivalents), £1m with a building society with a credit rating of A-, £30k in a notice account with a bank with a credit rating of A+ and £2.5m with another Local Authority due to be repaid in June 2022. £8.5m classified as Cash and Cash Equivalents was held in AAA rated money market funds. There has been no significant increase in credit risk since initial recognition and no credit impairment.

The Council has received large Covid Business Support Grants from the Government. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. The credit risk was mitigated by spreading the additional funds across counterparties with high credit ratings, using the usual criteria of "security, liquidity then yield" and no losses were incurred.

### Liquidity Risk

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

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

## Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs. The Council has set a maximum limit of 50% for investments for more than 1 year.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2022	Actual 31 March 2022	Actual 31 March 2021	Actual 31 March 2021
				£'000s		£'000s
Maturing within one year	0%	35%	15%	(23,789)	14%	(20,035)
Maturing in 1-2 years	0%	35%	12%	(18,456)	16%	(21,953)
Maturing in 2-5 years	0%	75%	15%	(22,771)	9%	(11,838)
Maturing in 5-10 years	0%	75%	27%	(40,984)	33%	(45,594)
Maturing in 10-20 years	0%	75%	14%	(22,012)	15%	(20,421)
Maturing in 20-30 years	0%	75%	4%	(6,125)	0%	(200)
Maturing in 30-40 years	0%	75%	9%	(14,200)	10%	(14,200)
Maturing over 40 years	0%	75%	4%	(6,150)	3%	(4,170)
<b>TOTAL</b>			<b>100%</b>	<b>(154,487)</b>	<b>100%</b>	<b>(138,411)</b>

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

## Market Risk

### Interest Rate Risk

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

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

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

According to this assessment strategy, at 31st March 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest receivable on variable rate investments - Impact on Surplus or Deficit on the Provision of Services	87
Decrease in fair value of fixed rate investment assets - Impact on Other Comprehensive Income and Expenditure	32
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	11,013

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

## Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. The Council held £1.592m in the Local Authorities' Property Fund as valued at 31 March 2022 and the value varies based on the value of the underlying assets. However any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

## Foreign Exchange Risk

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

## NOTE 17: DEBTORS

	31-Mar-22	31-Mar-21
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies *	5,063	11,048
Other Local Authorities *	10,886	6,379
NHS Bodies	382	50
Other Entities and Individuals **	3,988	12,449
<b>TOTAL</b>	<b>20,319</b>	<b>29,926</b>

\* The Central Government and Other Local Authorities figures include the Business rate preceptor balances. These figures are significant due to the reduction in business rate income, as a result of the additional reliefs awarded to businesses to support them during the pandemic, which has led to a substantial deficit on the Collection Fund to be repaid.

\*\* 2020/21 Includes £4.3m capital grants due at 31st March.

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

Overall Aged Debt Analysis	31-Mar-22	31-Mar-21
	£'000	£'000
Less than 1 Year	20,073	29,260
1-2 Years	130	526
2-3 years	21	27
Over 3 years	95	113
	<b>20,319</b>	<b>29,926</b>

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-22	31-Mar-21
	£'000s	£'000s
Council house purchase	-	7
Legal Charges	2	2
Worthing Homes Loan	10,000	10,000
GB Met Loan	4,737	5,000
<b>TOTAL</b>	<b>14,739</b>	<b>15,009</b>

**NOTE 18: CASH AND CASH EQUIVALENTS**

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

	31-Mar-22	31-Mar-21
	£'000s	£'000s
<b>The balance is made up of the following elements:</b>		
Cash held by the Council	16	16
Bank Current Accounts	866	1,282
Call Accounts and Money Market Funds	8,525	6,000
<b>Total Cash &amp; Cash Equivalents</b>	<b>9,407</b>	<b>7,298</b>

**NOTE 19: CREDITORS**

	31-Mar-22	31-Mar-21
	£'000s	£'000s
Central Government Bodies *	(19,711)	(17,443)
Other Local Authorities	(4,452)	(3,302)
Other Entities and Individuals	(5,493)	(4,213)
<b>TOTAL</b>	<b>(29,656)</b>	<b>(24,958)</b>

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

**NOTE 20: PROVISIONS**

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

	Balance at 31-Mar-21	Additional Provisions made in 2021/22	Amounts used in 2021/22	Unused amounts reversed in 2021/22	Balance at 31-Mar-22
	£'000	£'000	£'000	£'000	£'000
Mesothelioma Claim	(140)		97		(43)
Land Charges - Personal Search Fees	(13)				(13)
Leisure Contract Claim	(14)				(14)
Business Rate appeals	(665)			431	(234)
	<b>(832)</b>	-	<b>97</b>	<b>431</b>	<b>(304)</b>

**Mesothelioma Claim:** A provision has been made for a Mesothelioma claim against the council by the estate of a former employee.

**Land Charges Provision:** The Council is involved in litigation, concerning fees charged since 2005, for property searches. Local authorities have charged for property searches, but private search companies have now complained that the fees are compatible with the Environmental Information Regulations 2004. These regulations provide that environmental information should be made available for personal inspection at no charge. Numerous private property search companies have now issued and/or threatened claims against authorities for charges levied from 1<sup>st</sup> January 2005 onwards. In March 2011, central government provided £40,000 to each council to cover potential claims for refunds. Several claims have now been settled, leaving just interest and legal costs to be agreed.

**Leisure Contract:** A provision has been made for expenditure claims from the Council leisure provider per the service contract.

**Business Rates Appeals:** A provision has been made for appeals which are likely to be settled in favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future.

**NOTE 21: USABLE RESERVES**

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

**NOTE 22: UNUSABLE RESERVES**

Unusable Reserves	31-Mar-22	31-Mar-21
	£'000s	£'000s
Revaluation Reserve	(54,560)	(51,143)
Financial Instrument Revaluation Reserve	(42)	195
Capital Adjustment Account	(72,264)	(70,004)
Deferred Capital Receipts Reserve	-	(7)
Pension Reserve	9,178	14,953
Collection Fund Adjustment Account	3,610	7,966
<b>TOTAL UNUSABLE RESERVES</b>	<b>(114,078)</b>	<b>(98,040)</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2021/22	2020/21
	£'000	£'000
<b>Balance at 1 April</b>	(51,143)	(51,995)
Upward revaluation of assets	(6,510)	(5,548)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,525	5,870
<b>Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure</b>	<b>(3,985)</b>	<b>322</b>
Difference between fair value depreciation and historical cost depreciation	568	517
Accumulated gains on assets sold or scrapped	-	13
<b>Amount written off to the Capital Adjustment Account</b>	<b>568</b>	<b>530</b>
<b>Balance at 31 March</b>	<b>(54,560)</b>	<b>(51,143)</b>

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are:

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

The 2021/22 Code of Practice on Local Authority Accounting has adopted IFRS9 Financial Instruments. As a result of the implementation of IFRS9, the Available for Sale Reserve has been decommissioned and any balance held transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

## Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of long term assets consumed and the capital financing assets set aside to pay for them. It is written down by capital expenditure which does not result in the creation of a long term asset and the depreciated historical cost of assets when sold.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.



<b>Capital Adjustment Account</b>	<b>2021/22</b>	<b>2020/21</b>
<b>Balance at 1 April</b>	<b>(70,004)</b>	<b>(70,198)</b>
Charges for depreciation and impairment of non-current assets	3,891	3,656
Revaluation gains and losses on Property, Plant and Equipment	(1,563)	4,522
Amortisation of intangible assets	91	79
Revenue expenditure funded from capital under statute Prior Years	-	156
Revenue expenditure funded from capital under statute	2,129	2,325
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,706	742
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>7,254</b>	<b>11,480</b>
Adjusting amounts written out of the Revaluation Reserve	(568)	(530)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(535)	(1,211)
Use of the Capital Receipts Reserve to write down historic PWLB borrowing	(263)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,736)	(6,263)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,332)	(1,065)
Statutory provision for the financing of capital investment charged against the General Fund	(1,536)	(2,210)
Capital expenditure charged against the General Fund	(287)	(151)
	<b>(8,257)</b>	<b>(11,430)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,520)	144
Write Down in Long Term Debtors	263	-
	<b>(1,257)</b>	<b>144</b>
<b>Balance at 31 March</b>	<b>(72,264)</b>	<b>(70,004)</b>

### 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.

<b>Pension Reserve</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	14,953	13,293
Remeasurements of the net defined benefit liability / (asset)	(7,709)	1,960
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	6,096	3,923
Employer's pension contributions and direct payments to pensioners payable in the year	(4,162)	(4,223)
<b>Balance at 31 March</b>	<b>9,178</b>	<b>14,953</b>

### 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.

<b>Collection Fund Adjustment Account</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	7,966	390
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	16	120
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements *	(4,372)	7,456
<b>Balance at 31 March</b>	<b>3,610</b>	<b>7,966</b>

\* During 2020/21, as a consequence of the pandemic, the council granted substantial additional business rate reliefs to retail, leisure, hospitality and nursery businesses who were forced to close. This led to a significant in-year deficit on the Collection Fund.

### **NOTE 23: CASH FLOW OPERATING ACTIVITIES**

	<b>Net 2021/22</b>	<b>Net 2020/21</b>
	<b>£'000</b>	<b>£'000</b>
The cash flows for operating activities include the following items:		
Interest received	629	635
Interest paid	(2,375)	(2,365)
Dividends received	54	62
<b>Total</b>	<b>(1,692)</b>	<b>(1,668)</b>

	Net 2021/22	Net 2020/21
	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>6,572</b>	<b>1,510</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	3,891	3,656
Impairment and downward valuations	(1,563)	5,636
Amortisation	91	79
Increase/(Decrease) in Creditors	10,875	15,791
(Increase)/Decrease in Impairment for Bad Debts		
(Increase)/Decrease in Debtors	387	(3,369)
(Increase)/Decrease in Inventories	(5)	13
Movement in Pension Liability	1,934	(300)
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	2,706	742
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,284)	(313)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>16,032</b>	<b>21,935</b>
Capital Grants credited to surplus or deficit on the provision of services	(12,239)	(8,554)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(568)	(913)
	<b>(12,807)</b>	<b>(9,467)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>9,797</b>	<b>13,978</b>

**NOTE 24: CASH FLOW INVESTING ACTIVITIES**

	Net 2021/22	Net 2020/21
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(24,851)	(15,047)
Purchase of short-term and long-term investments	(188,640)	(128,800)
Other payments for investing activities		-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	574	913
Proceeds from short-term and long-term investments	166,930	129,790
Other receipts from investing activities	14,402	5,037
<b>Net cash flows from investing activities</b>	<b>(31,585)</b>	<b>(8,107)</b>

**NOTE 25: CASH FLOW FINANCING ACTIVITIES**

	Net 2021/22	Net 2020/21
	£'000	£'000
Cash receipts of short- and long-term borrowing	35,375	20,000
Repayments of short- and long-term borrowing	(19,349)	(10,346)
Other payments for financing activities	7,871	(14,184)
<b>Net cash flows from financing activities</b>	<b>23,897</b>	<b>(4,530)</b>

**NOTE 26: TRADING OPERATION**

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

	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Income	2020/21 Net Income
	£'000	£'000	£'000	£'000
Trade Refuse	1,248	(1,494)	(246)	(250)
	<b>1,248</b>	<b>(1,494)</b>	<b>(246)</b>	<b>(250)</b>

The trading account has been consolidated within the Comprehensive Income and Expenditure Statement under other operating expenditure. Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The charges are set at a commercial rate. Surpluses are shared and credited back to the Council.

**NOTE 27: AGENCY SERVICES**

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough. In 2021/22 income collected was £1.533m (£2.262m 2020/21) and expenditure was £1.012m (£1.191m 2020/21). The surplus of £0.521m (£1.071m 2020/21) is paid to West Sussex County Council.

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

**NOTE 28: MEMBERS' ALLOWANCES**

Total allowances paid to Members were as follows:

2021/22	2020/21
£	£
276,045	278,489

## **NOTE 29: OFFICERS' REMUNERATION**

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

The numbers of employees (including the senior officers who are also listed individually in the later tables) whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:-

Remuneration Bands	Number of Employees	
	2021/22	2020/21
£50,000 to £54,999	13	23
£55,000 to £59,999	15	5
£60,000 to £64,999*	5	1
£65,000 to £69,999	4	6
£70,000 to £74,999	3	4
£75,000 to £79,999	2	2
£80,000 to £84,999	3	4
£85,000 to £89,999	2	1
£100,000 to £104,999	2	2
£120,000 to £124,999	1	-
£125,000 to £129,999*	-	2
	<b>50</b>	<b>50</b>

\* These include redundancy, efficiency of service and settlement payments relating to 2020/21. Please see note 30 Exit Packages and Termination Benefits for a breakdown of these payments.

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

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

Note 1: There were no staff whose salary was more than £150,000 in 2021/22 and in 2020/21.

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

Note 2: The Chief Executive, Directors and Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing.

There were no bonuses paid to these staff in either 2021/22 or 2020/21

Remuneration Disclosures for Senior Officers						
	Salary, Fees & Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C & paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Council
<b>Chief Executive</b>						
2021/22	128,987	128,987	24,636	153,623	76,812	76,811
2020/21	125,406	125,406	25,207	150,613	75,307	75,306
<b>Director for Communities</b>						
2021/22	94,276	94,276	18,007	112,283	67,370	44,913
2020/21	78,795	78,795	15,499	94,294	56,577	37,717
<b>Director for Digital &amp; Resources</b>						
2021/22	103,868	103,868	19,839	123,707	74,224	49,483
2020/21	102,333	102,333	20,569	122,902	73,741	49,161
<b>Director for the Economy</b>						
2021/22	101,831	101,831	19,450	121,281	73,981	47,300
2020/21	100,326	100,326	20,166	120,492	73,500	46,992
<b>Head of Finance (S151 Officer)</b>						
2021/22	82,380	82,380	15,702	98,082	49,041	49,041
2020/21	80,794	80,794	16,240	97,034	48,517	48,517
<b>Head of Legal (Monitoring Officer)</b>						
2021/22*	64,032	64,032	12,230	76,262	40,503	35,759
2020/21	57,301	57,301	11,517	68,818	36,549	32,269
<b>Head of Planning &amp; Development (Strategic Planning)</b>						
2021/22	74,955	74,955	14,316	89,271	45,528	43,743
2020/21	73,666	73,666	14,807	88,473	45,121	43,352
<b>Head of Housing (Strategic Housing)</b>						
2021/22	82,208	82,208	15,702	97,910	33,290	64,620
2020/21	78,516	78,516	15,782	94,298	32,062	62,236
* from January 2022 the duties of the Head of Legal have been met by an interim locum whilst the Council undergoes a process to recruit						

**NOTE 30: OFFICER REMUNERATION - EXIT PACKAGES AND TERMINATION BENEFITS**

**Exit Packages**

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
							£	£
£0 - £20,000	-	1	2	3	2	4	19,626	20,335
£20,000 - £40,000	1	-	2	1	3	1	92,763	20,571
£40,000 - £60,000	-	-	-	1	-	1	-	47,000
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
<b>Total cost included in bandings</b>	1	1	4	5	5	6	112,389	87,906
<b>Total cost included in CIES</b>	1	1	4	5	5	6	112,389	87,906

\* These redundancy costs are shared between Worthing and Adur Councils in proportion to the service allocation. The total cost of **£112,389** in the table above includes **£62,269** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

### Termination Benefits

	Worthing
	£'000s
Redundancy costs	62,269
Enhanced Pension Benefits	47,309
Total termination benefit 2021/22	109,578
Termination benefits 2020/21	115,687

A total £62,269 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £47,309 is the 2021/22 working cost of enhanced pension benefits which is normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

### **NOTE 31: EXTERNAL AUDIT COSTS**

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

	2021/22	2020/21
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	61	43
Fees payable to external auditors for the certification of grant claims and returns for the year	16	36
	<b>77</b>	<b>79</b>

**NOTE 32: GRANT INCOME**

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

	2021/22	2020/21
	£'000s	£'000s
<b>Credited to Taxation and Non specific Grant Income:</b>		
<b>General Fund Grants &amp; Donations</b>		
New Homes Bonus Scheme	(408)	(961)
Section 31 Grant	(3,710)	(8,031)
Lower Tier Services Grant	(203)	-
DLUHC Sales, Fees and Charges	(396)	(2,096)
DLUHC New Burdens	(846)	(1,754)
DLUHC Tax Guarantee compensation grant	164	(703)
Other	(6)	(6)
	<b>(5,405)</b>	<b>(13,551)</b>
<b>Capital Grants &amp; Donations</b>		
S106 Developer Contributions: Affordable Housing	(2,116)	(40)
S106 Developer Contributions: Open Space / Transport / Air Quality	(447)	-
Adur District Council	(364)	(35)
Broadwater Community Centre	(13)	-
Community Infrastructure Levy	(1,062)	(702)
CLG Pocket Parks Community Grant	(24)	-
Department for Business, Energy and Industrial Strategy	(4,207)	(485)
Football Foundation	(564)	-
Homes England	(1,215)	-
Heritage Lottery Fund	(16)	(481)
National Health Service	(235)	-
Rampion InShore Windfarm	-	(20)
Local Enterprise Partnership	-	(4,617)
	<b>(10,263)</b>	<b>(6,380)</b>

DLUHC Tax Guarantee compensation grant in 2021/22 includes an adjustment for the over provision of grant due in 2020/21.



	2021/22	2020/21
	£'000s	£'000s
<b>Credited to Services:</b>		
<b>General Fund Grants</b>		
Department for Levelling Up, Housing and Communities	(1,597)	(2,050)
Cabinet Office	(30)	(8)
Department of Health & Social Care	(142)	-
Department for Work and Pensions	(310)	(129)
Department for Environment, Food & Rural Affairs	(4)	-
West Sussex County Council	(1,552)	(307)
Sussex Police and Crime Commissioner	(86)	-
Environment Agency	(27)	-
Business, Energy and Industrial Strategy	(280)	(155)
Heritage Lottery Fund	(99)	-
Historic England	(25)	-
South East Energy Hub	(34)	-
English Sports Council	(214)	-
Arun District Council - LEAP funding	-	(77)
Chichester District Council - Retail Training Programme	-	(50)
Horsham District Council - Journey to Work	-	(89)
National Heritage - Cutting Edge	-	(15)
Other Grants and Donations	(12)	(34)
Grants recognised in Joint Committee	-	(792)
	<b>(4,412)</b>	<b>(3,706)</b>
<b>Capital Grants &amp; Donations - Specific</b>		
West Sussex County Council	(583)	-
Local Enterprise Partnership	(6)	-
DEFRA/Environment Agency - Coast Protection	(19)	(18)
DLUHC Better Care Fund - Disabled Facilities Grant	(1,368)	(1,373)
	<b>(1,976)</b>	<b>(1,391)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that might require the monies or property to be returned to the giver. The balances at the end of the year were as follows:

	2021/22	2020/21
	£'000s	£'000s
<b>Revenue Grants Receipts in Advance</b>		
Department for Levelling Up, Housing & Communities (DLUHC)	-	(1)
Housing / Rough Sleeping protect and vaccinate	(212)	(154)
Council Tax Energy Rebate	(6,376)	-
Test and Trace	(17)	-
Cyber Grant	(100)	-
West Sussex County Council -	-	-
Covid 19 / Contain Outbreak Management Fund	(281)	(150)
Arun District Council - LEAP funding	(75)	(4)
English Sports Council - Leisure Recovery	-	(214)
Business, Energy and Industrial Strategy - Heat Network	-	(102)
Historic England - Heritage at Risk Fund	-	(19)
Other Grants and Donations	(23)	(25)
Grants recognised in the Joint Committee	(23)	(62)
<b>TOTAL</b>	<b>(7,107)</b>	<b>(731)</b>

### **NOTE 33: RELATED PARTIES**

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

#### **Central Government**

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31st March 2022 are shown in Note 32.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 27. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

The Council agreed a loan of £10m to Worthing Homes in 2016/17 for the purpose of building Social Housing in the Borough. In 2021/22 one Worthing member sat on the board of Worthing Homes Limited as nominated by Worthing Borough Council. They did not personally benefit from the loan.

#### **Officers**

There were no related party transactions declared by officers in 2021/22.

#### **Other Public Bodies**

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

#### **Entities Controlled or Significantly Influenced by the Council**

The Council has a 20 year agreement with South Downs Leisure Trust to manage two leisure centres. The support provided to South Downs Leisure Trust during the Covid 19 pandemic included an agreement that they would not pay the annual service payments of £83,016 for 2020/21 and 2021/22.

From 1st November 2019 the Council entered into a 25 year contract agreement with Worthing Theatres and Museum Trust to manage the Worthing theatres and museum. A contract payment of £1,477,900 was paid by Worthing Borough Council to the Trust to cover the period 1 April 2021 to 31 March 2022. The value of the contract receipt is material to WTM Trust.

**NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2021/22	2020/21
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>135,632</b>	<b>128,788</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	23,868	15,026
Intangible Assets	667	392
Revenue Expenditure Funded from Capital Under Statute	2,129	2,325
Investment Properties	-	1
<b>Sources of Finance</b>		
Capital receipts	(535)	(1,211)
Capital receipts write down of historic PWLB borrowing	(263)	-
Government grants and other contributions	(5,068)	(7,328)
Sums set aside from revenue:		
Direct revenue contributions	(133)	(60)
MRP/loans fund principal	(1,536)	(2,210)
Revenue funding	(154)	(91)
<b>Closing Capital Financing Requirement</b>	<b>154,607</b>	<b>135,632</b>
<b>Explanation of movements in year</b>		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	18,975	6,844
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>18,975</b>	<b>6,844</b>

**NOTE 35: LEASES****Operating Leases - Lessee**

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

**Operating Leases – Lessor**

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

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses;
- as part of the Council's Strategic Investment Policy to maximise rental income for the Authority (see note 14).

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

	31-Mar-22	31-Mar-21
	£'000	£'000
Not later than one year	5,248	5,243
Later than one year and not later than five years	20,158	19,051
Later than five years	37,584	40,853
	<b>62,990</b>	<b>65,147</b>

**NOTE 36: OTHER LONG TERM LIABILITIES**

Other Long Term Liabilities	31-Mar-22	31-Mar-21
	£'000s	£'000s
Commuted Sums	(157)	(161)
Pension Reserve Liability (see note 37)	(9,178)	(14,953)
<b>TOTAL</b>	<b>(9,335)</b>	<b>(15,114)</b>

**NOTE 37: DEFINED BENEFIT PENSION PLAN**

**Participation in Pension Plans**

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

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

**Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
			£'000s	£'000s
<b>Cost of services</b>				
Current service cost	234	5,464	5,698	3,623
Past service cost		87	87	-
(gain)/loss from settlements			-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
Net Interest cost	216	95	311	300
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	450	5,646	6,096	3,923
<b>Other post employment benefit charged to the CI&amp;E Statement</b>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	1,369	2,166	3,535	(29,652)
Actuarial gains and losses arising on changes in demographic assumptions	(444)	(574)	(1,018)	254
Actuarial gains and losses arising on changes in financial assumptions	(2,639)	(7,815)	(10,454)	32,735
Other (if applicable)	25	203	228	(1,377)
<b>Total remeasurements recognised in other comprehensive income</b>	(1,689)	(6,020)	(7,709)	1,960
<b>Total post-employment benefits charged to the CI&amp;E statement</b>	<b>(1,239)</b>	<b>(374)</b>	<b>(1,613)</b>	<b>5,883</b>

	Worthing 2021/22	Joint Committee 2021/22	Total 2021/22	Total 2020/21
	£'000s	£'000s	£'000s	£'000s
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(450)	(5,646)	(6,096)	(3,923)
<b>Actual amounts charged against the General Fund balance for pensions in the year:</b>			-	-
Employer's contributions payable to the scheme	1,741	2,215	3,956	3,998
Retirement benefits payable to pensioners	206	-	206	225
<b>Total charged against General Fund balance</b>	<b>1,947</b>	<b>2,215</b>	<b>4,162</b>	<b>4,223</b>

## Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(69,322)	(94,401)	(163,723)	(74,597)	(95,312)	(169,909)
Fair value of plan assets	60,526	94,019	154,545	62,615	92,341	154,956
<b>Net liability arising from defined benefit obligation</b>	<b>(8,796)</b>	<b>(382)</b>	<b>(9,178)</b>	<b>(11,982)</b>	<b>(2,971)</b>	<b>(14,953)</b>

## Pension Assets and Liabilities

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	62,615	92,341	154,956	51,244	71,285	122,529
Interest income	1,202	1,912	3,114	1,155	1,660	2,815
<b>Remeasurement gain / (loss):</b>						
The return on plan assets, excluding the amount included in the net interest expense	(1,369)	(2,166)	(3,535)	12,181	17,471	29,652
Contributions from employer	1,947	2,215	4,162	2,008	2,215	4,223
Contributions from employees into the scheme	25	781	806	22	739	761
Benefits paid	(3,894)	(1,064)	(4,958)	(3,996)	(1,029)	(5,025)
Rounding adjustment between scheme assets and liabilities			-	1	-	1
<b>Closing fair value of scheme assets</b>	<b>60,526</b>	<b>94,019</b>	<b>154,545</b>	<b>62,615</b>	<b>92,341</b>	<b>154,956</b>

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(74,597)	(95,312)	(169,909)	(67,852)	(67,970)	(135,822)
Current service cost	(234)	(5,464)	(5,698)	(129)	(3,494)	(3,623)
Interest cost	(1,418)	(2,007)	(3,425)	(1,516)	(1,599)	(3,115)
Contributions from scheme members	(25)	(781)	(806)	(22)	(739)	(761)
<b>Remeasurement (gains) and losses:</b>			-			
Actuarial gains / losses arising from changes in demographic assumptions	444	574	1,018	(127)	(127)	(254)
Actuarial gains / losses arising from changes in financial assumptions	2,639	7,815	10,454	(9,704)	(23,031)	(32,735)
Other experience	(25)	(203)	(228)	758	619	1,377
Past service cost		(87)	(87)	-	-	-
Benefits paid	3,894	1,064	4,958	3,996	1,029	5,025
Rounding adjustment between scheme assets and liabilities			-	(1)	-	(1)
<b>Closing balance at 31 March</b>	<b>(69,322)</b>	<b>(94,401)</b>	<b>(163,723)</b>	<b>(74,597)</b>	<b>(95,312)</b>	<b>(169,909)</b>

## Local Government Pension Scheme Assets Comprised:

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair Value of Scheme Assets					
	2021/22			2020/21		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	218.4	339.0	557.4	2,776.1	4,094.0	6,870.1
<b>Equity instruments:</b>						
Consumer	0.0	0.0	0.0	6,504.9	9,593.1	16,098.0
Manufacturing	0.0	0.0	0.0	3,655.2	5,390.6	9,045.8
Energy and Utilities	0.0	0.0	0.0	959.1	1,414.4	2,373.5
Financial Institutions	0.0	0.0	0.0	5,672.9	8,366.2	14,039.1
Health and Care	0.0	0.0	0.0	4,187.4	6,175.4	10,362.8
Information Technology	0.0	0.0	0.0	8,689.7	12,815.2	21,504.9
Other	0.0	0.0	0.0	2,075.0	3,060.1	5,135.1
<b>Sub-total equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>31,744.2</b>	<b>46,815.0</b>	<b>78,559.2</b>
<b>Debt Securities:</b>						
UK Government	0.0	0.0	0.0	795.2	1,172.6	1,967.8
<b>Investment Funds and Unit Trusts:</b>						
Bonds	20,921.2	32,498.6	53,419.8	21,070.8	31,074.4	52,145.2
Equities	28,321.9	43,994.8	72,316.7	0.0	0.0	0.0
Other investment funds	0.0	0.0	0.0	982.2	1,448.0	2,430.2
<b>Total assets in active markets</b>	<b>49,461.5</b>	<b>76,832.4</b>	<b>126,293.9</b>	<b>57,368.5</b>	<b>84,604.0</b>	<b>141,972.5</b>
<b>Local Government Pension Scheme assets comprised (quoted prices are not in active markets)</b>	<b>Worthing</b>	<b>Joint C'ttee</b>	<b>Total</b>	<b>Worthing</b>	<b>Joint C'ttee</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Private Equity:</b>						
All	1,236.8	1,921.1	3,157.9	997.6	1,471.3	2,468.9
<b>Real Estate:</b>						
UK Property	5,906.8	9,175.5	15,082.3	4,248.9	6,266.0	10,514.9
<b>Investment Funds and Unit Trusts</b>						
Infrastructure	2,601.8	4,041.6	6,643.4	-	-	-
Other	1,319.1	2,049.1	3,368.2	-	-	-
<b>Total assets - not in active markets</b>	<b>11,064.5</b>	<b>17,187.3</b>	<b>28,251.8</b>	<b>5,246.5</b>	<b>7,737.3</b>	<b>12,983.8</b>
<b>Total assets</b>	<b>60,526.0</b>	<b>94,019.7</b>	<b>154,545.7</b>	<b>62,615.0</b>	<b>92,341.3</b>	<b>154,956.3</b>

## Basis for Estimating Assets and Liabilities

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



The significant assumptions used by the actuary have been:

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

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

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Code	1%	846
1 year increase in member life expectancy	4%	2,773
0.1% increase in Salary Increase Rate	0%	7
0.1% increase in the Pension Increase Rate	1%	833

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

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

#### Impact on the Council's Cash Flow:

The Council anticipates paying £1.688m contributions to the Worthing scheme in 2022/2023, and approximately £2.048m contributions to the Adur-Worthing Joint Services scheme (60% share).

## **NOTE 38: CONTINGENT ASSETS AND LIABILITIES**

### **Contingent Assets**

Local Authority Leisure VAT Appeals - Worthing Borough Council has lodged a claim that is stood behind the three lead appeal cases regarding the VAT treatment of sport and leisure services. The appeals concern whether VAT is payable on the provision of local authority leisure services or treated as non-business as they are delivered under a special legal regime (SLR). The First-Tier Tribunal (FTT) has determined the appeals in favour of the local authorities. In addition to the question of SLR there is a requirement to establish that non-taxation of the services would not be likely to give significant distortions of competition. One claimant has successfully argued this issue before the FTT, the other two are still to be heard.

HMRC have applied to the FTT for leave to appeal the SLR finding in the case for the English local authority (accepting the findings for the local authorities in Scotland and Ireland). They have also applied for leave to appeal the finding on the competition issue. These appeals still have some way to go before a final judgement is made, however if successful the Council would receive a significant refund for the periods 2007 to 2015.

### **Contingent Liabilities**

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

In 2019/20 the Council entered into a long term contract for the provision of cultural services with Worthing Theatres and Museum Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE), however pension rights are not fully covered within TUPE regulations. The Council has provided a 5 year guarantee that in the event the Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

## **NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET**

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

### **Highdown Gardens**

This is a public garden that is on English Heritage's Register of Historic Parks and Gardens Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection. The cultural significance of this asset cannot be valued.

### **Memorials Monuments**

War Memorial Monument - is situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

Pigeon Memorial Monument - is situated in Beach House Green dedicated to the carrier pigeons who took part in the First World War. The cultural and historical significance of this monument cannot be valued.

### **The Miller's Tomb**

This is the famous grave of John Oliver, a miller in 1709, who it is thought was involved in smuggling. It is situated on a downland site, which is owned by the Council, that has been designated a site of nature and conservation due to the wealth of flora, including orchids. It is not possible to value the cultural and historical significance of this unique asset.

### **Amelia Park Gateway**

This is a listed building constructed between 1831 and 1833. It is not possible to value the cultural and historical significance of this unique asset.

### **Costume and Jewellery**

This is one of the most important costume collections of its kind in the country and since the 1960s the collection has grown to approximately 25,000 items of British clothing, accessories and ephemera, used and worn by both sexes, all ages and social levels.

### **Toys**

The juvenilia collection is one of the museum's particular strengths and is not only one of the largest collections of its kind outside London, but also includes pieces of superb quality and interest.

### **Social History**

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography.

The coin collection includes commemorative medals from Sussex, Iron Age and Roman coins, British coins of all periods, as well as those from British overseas territories, and a small but significant collection of tokens from Sussex as well as others from the rest of Britain.

Each of the main areas within the Social History section is supported by large holdings of printed ephemera and photographs. There is a collection of over 6,000 topographical photographs which illustrate how the local area has developed and provide a wealth of information.

### **Archaeology and Geology**

From the 1930s to the 1970s the Worthing Archaeological Society was responsible for a number of major excavations. Since the early 1970s most excavations in the area have been carried out by professional archaeological units. Material from all this work is housed in the Worthing Museum.

The Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.

## **HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS**

### **Heritage Assets of Particular Importance**

The archaeology collection is extensive and includes both excavated material and stray finds from all periods from the Palaeolithic to Post-Medieval. Notable exhibits include material from important Neolithic flint-mining sites, Bronze Age material, Iron Age material, Romano-British material, early Anglo-Saxon finds, late Saxon material and Medieval material.

### **Art and Sculpture**

The Museum has built up an extensive topographical collection of paintings, prints and drawings dating from 1800 to the present day. It also has a fine body of oil paintings by the British Post-Impressionist painters who were members of the Camden Town Group. The watercolours include works by some of the main water-colourists working from the eighteenth century onwards.

The Women's Costume collection is the largest section of costume, with examples of Haute Couture, dressmaker, home-made and mass-produced clothing with garments dating from 1700 and accessories dating from 1600.

A unique collection of items that include decorative art, local history and juvenilia was bequeathed to the Museum in 1999 by a local collector.

### **Preservation and Management**

The Council's Museum has a rolling programme of major repair and restoration of its artefacts which is charged to the Comprehensive Income and Expenditure Statement.

The Museum has a detailed Acquisitions and Disposals Policy which outlines the procedures for acquiring assets and disposing of assets.

### **NOTE 40: TRUST FUNDS**

The Council acts as the trustee for the following funds:

	<b>2021/22 Capital Value of Fund</b>	<b>2020/21 Capital Value of Fund</b>
	<b>£'000</b>	<b>£'000</b>
<b>Dr Chester's Charity</b>	31	31
<b>TOTAL</b>	<b>31</b>	<b>31</b>

This fund does not represent the assets of the Council and therefore they have not been included in the balance sheet.

The Council acts as a trustee for the Highdown Tower Gardens (registered charity number 305445). Capital funds were held by the Council on behalf of the Trustees until 2019/20, when an independent bank account was opened and the funds transferred.

**NOTE 41: JOINT BUDGETS**

Since July 2007, Adur District and Worthing Borough Councils have been working in partnership. Most services are provided by a joint officer structure. The Joint Strategic Committee Balance Sheet is consolidated into the Council's Balance Sheet.

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

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

These accounts represent the transactions of the Collection Fund which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Business Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

Worthing Borough Council						
Collection Fund - Business Rates and Council Tax						
	2021/22			2020/21		
	Business Rates	Council Tax	TOTAL	Business Rates	Council Tax	TOTAL
<b>INCOME (A)</b>	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Receivable	-	77,579	77,579	-	73,555	73,555
Business Rates Receivable	25,683	-	25,683	13,847	-	13,847
Transitional; Protection Payments Receivable	23	-	23	25	-	25
<b>TOTAL INCOME (C) = (A+B)</b>	<b>25,706</b>	<b>77,579</b>	<b>103,285</b>	<b>13,872</b>	<b>73,555</b>	<b>87,427</b>
<b>EXPENDITURE (D)</b>						
<b>Payment From Previous Year Surplus/ Contribution to Deficit (-)</b>						
Central Government	(8,417)	-	(8,417)	(47)	-	(47)
Worthing Borough Council	(6,734)	9	(6,725)	(38)	(31)	(69)
West Sussex County Council	(2,538)	53	(2,485)	115	(180)	(65)
Sussex Police and Crime Commissioner	-	8	8	-	(25)	(25)
	<b>(17,689)</b>	<b>70</b>	<b>(17,619)</b>	<b>30</b>	<b>(236)</b>	<b>(206)</b>
<b>Precepts, Demands and Shares (E)</b>						
Central Government	16,166	-	16,166	15,601	-	15,601
Worthing Borough Council	12,933	9,681	22,614	12,482	9,525	22,007
West Sussex County Council	3,233	59,110	62,343	3,120	56,499	59,619
Sussex Police and Crime Commissioner	-	8,410	8,410	-	7,850	7,850
	<b>32,332</b>	<b>77,201</b>	<b>109,533</b>	<b>31,203</b>	<b>73,874</b>	<b>105,077</b>
<b>Charges to Collection Fund (F)</b>						
Less: write offs of uncollectable amounts	168	157	325	284	151	435
Less: Incr. / Decr. (-) in Bad Debt Provision	66	285	351	124	730	854
Less: Incr. / Decr. (-) in Provision for Appeals	(1,077)	-	(1,077)	873	-	873
Less: Cost of Collection	122	-	122	125	-	125
	<b>(721)</b>	<b>442</b>	<b>(279)</b>	<b>1,406</b>	<b>881</b>	<b>2,287</b>
<b>TOTAL EXPENDITURE (G) = (D+E+F)</b>	<b>13,922</b>	<b>77,713</b>	<b>91,635</b>	<b>32,639</b>	<b>74,519</b>	<b>107,158</b>
<b>Surpl. / Def. (-) arising during the yr (C-G)</b>	<b>11,784</b>	<b>(134)</b>	<b>11,650</b>	<b>(18,767)</b>	<b>(964)</b>	<b>(19,731)</b>
<b>Surplus / Deficit (-) b/fwd. 1st April</b>	<b>(20,445)</b>	<b>(1,038)</b>	<b>(21,483)</b>	<b>(1,678)</b>	<b>(74)</b>	<b>(1,752)</b>
<b>Surplus / Deficit (-) c/fwd. 31st March</b>	<b>(8,661)</b>	<b>(1,172)</b>	<b>(9,833)</b>	<b>(20,445)</b>	<b>(1,038)</b>	<b>(21,483)</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 1: COUNCIL TAX**

Council Tax income is based on the value in 1991 of residential properties, which are classified into eight valuation bands, including a variant on Band A in respect of disabled relief. The total numbers of properties in each band are adjusted and then converted to a Band D equivalent, which when totalled and adjusted for valuation changes and losses on collection forms the Council's tax base. The Council Tax Base for 2021/22 was 39,131.00 and D equivalent.

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police and Crime Commissioner and Worthing Borough Council by the Council Tax Base calculated above.

	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	59,109,723	÷	39,131.0	=	1,510.56
Sussex Police & Crime Commissioner	8,409,643	÷	39,131.0	=	214.91
Worthing Borough Council	9,681,400	÷	39,131.0	=	247.41

### **NOTE 2: BUSINESS RATES**

The percentage share of business rate changed to 40% to Worthing and 10% to the County Council with the remaining 50% going to Central Government.

Business rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole, which was 49.9p in 2021/22 (49.9p in 2020/21). The overall rateable value for Worthing Borough Council as at 31st March 2022 was £80.0m (£81.1m as at 31<sup>st</sup> March 2021).

### **NOTE 3: BAD AND DOUBTFUL DEBTS**

A requirement of £3.6m and £1.6m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2021/22 in line with Worthing Borough Council's accounting policy for maintaining the provision. This is a movement on the 2020/21 provisions of £3.2m for Council Tax and £1.5m for Business Rates.

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

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

	West Sussex County Council	Sussex Police and Crime Commissioner	Worthing	TOTAL
	£	£		£
Apportionment based on 2022/23 Council Tax arrears	76.52%	11.06%	12.41%	99.99%
Provision for bad debts	5,440,941	786,662	862,369	7,089,972
Receipt in advance	(2,730,996)	(394,817)	(442,996)	(3,568,809)
(Surplus)/Deficit	(1,025,998)	(148,328)	(166,427)	(1,340,753)
	897,207	129,708	145,536	1,172,451
<b>Balance as on 31st March, 2022</b>	<b>2,581,154</b>	<b>373,225</b>	<b>398,482</b>	<b>3,352,861</b>

**NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES**

This note shows the apportionment of balances into the parts attributable to the major precepting authorities. There is an exceptionally large deficit attributable to the expanded reliefs, mainly for retail businesses. This is compensated by section 31 grants from DLUHC which are received in the General fund. See note 11 - Non ring fenced Government grants.

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
Business Rates Arrears	705,111	141,016	564,065	1,410,192
Provision for Bad Debts	(802,539)	(160,508)	(642,031)	(1,605,078)
Provision for Appeals	(1,506,964)	(336,286)	(1,205,572)	(3,048,822)
RV List Amendments	1,213,468	277,586	970,775	2,461,829
Receipt in Advance	(566,794)	(113,358)	(453,435)	(1,133,587)
(Surplus)/Deficit	4,330,190	866,038	3,464,155	8,660,383
<b>Balance as at 31st March 2022</b>	<b>3,372,472</b>	<b>674,488</b>	<b>2,697,957</b>	<b>6,744,917</b>



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## **WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT**

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### ***SCOPE OF RESPONSIBILITY***

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

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](http://www.adur.gov.uk) or [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk) or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

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

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

The governance framework has been in place at the Council for the financial year ended 31<sup>st</sup> March 2022 and up to the date of approval of the statement of accounts.

### ***THE GOVERNANCE FRAMEWORK***

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

## WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

### Key elements of the Council's Governance Framework

#### **Council, Executive and Leader**

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

#### **Decision making**

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

#### **Risk Management**

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

#### **Scrutiny and Review**

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

#### **Corporate Leadership Team**

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

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

**WORTHING BOROUGH COUNCIL  
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***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
<p><b>Principle A</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• The Monitoring Officer</li> <li>• Section 151 Officer</li> <li>• Codes of conduct</li> <li>• Whistleblowing Policy</li> <li>• Bribery Act 2010 policy guidance</li> <li>• Corporate anti-fraud work</li> <li>• Procurement Strategy</li> </ul>
<p><b>Principle B</b> Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• Consultations</li> <li>• Terms of reference for partnerships</li> <li>• Freedom of information requests</li> <li>• Complaints procedure</li> </ul>
<p><b>Principle C</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> <li>• Organisational goals</li> <li>• Service planning</li> <li>• Performance Management</li> <li>• Community Strategy</li> <li>• Procurement Strategy</li> </ul>
<p><b>Principle D</b> Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> <li>• Service planning</li> <li>• Performance Management</li> <li>• Options appraisals</li> <li>• Whole life costing</li> <li>• Equalities Impact Assessments</li> </ul>
<p><b>Principle E</b> Developing the Council's capability, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> <li>• Robust interview and selection process</li> <li>• Training and development</li> <li>• Workforce planning</li> <li>• Succession planning</li> <li>• Performance development reviews</li> <li>• Talent management</li> <li>• HR Policies &amp; procedures</li> </ul>
<p><b>Principle F</b> Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> <li>• Effective member scrutiny function</li> <li>• Financial management and MTFP</li> <li>• Corporate risk register</li> <li>• Annual audit plan</li> <li>• Information Security policies</li> <li>• Compliance with the requirements of the Public Service Network (PSN)</li> </ul>
<p><b>Principle G</b> Implementing good practices in transparency reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> <li>• Reports are held on the website</li> <li>• Annual audited financial statements are publically available</li> <li>• Annual Governance Statement</li> <li>• Effective Internal Audit Service</li> </ul>

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**WORTHING BOROUGH COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

**HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE**

Joint Governance Committee function and self-assessment; Corporate Governance Group; Scrutiny Reviews; Review of progress made in addressing issues; Performance monitoring; Review of compliance with corporate governance controls; Review of accounts; Employee opinion surveys; Internal audits and external audits; Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

**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.

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## WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

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### ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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

##### ***Codes of Conduct***

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

##### ***Whistleblowing***

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2018) <http://awintranet/media/media.125134.en.pdf> sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

##### ***Anti-fraud, bribery and corruption***

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

#### **B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

##### ***Transparency***

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

***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

**B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

***Transparency***

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

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

***Freedom of Information enquiries***

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

***Engagement and communication***

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

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

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

***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

**B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

***Consultations***

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

***Complaints***

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

***Partnership working***

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

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

***Joint Corporate Priorities***

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

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

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

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at [Platforms for our Places: Going further](#)

***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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

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

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

A new strategy will be developed during 2022.

***Community Strategy***

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

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

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

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

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

***Service planning and performance management***

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £5.3m by 2025/26 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.



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## **WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT**

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### ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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

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

##### ***Recruitment and induction***

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

##### ***Training and development***

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

##### ***Performance development and review***

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

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**WORTHING BOROUGH COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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

***Effective scrutiny***

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the area. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

***Financial management***

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with the finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have been recently updated by the s151 Officer so that the Council can meet all of its responsibilities under various laws and are annually reviewed. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

***Risk management***

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

***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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

***Joint Governance Committee***

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

***Internal audit***

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

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

For 2021/22 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Adur District Council for the year ended 31st March 2022 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 31<sup>th</sup> May 2022.

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

***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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

***Annual accounts***

The Council publishes full audited accounts each year which are published on the website at

<https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/> .

***REVIEW OF EFFECTIVENESS***

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, and the Joint Overview and Scrutiny Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The current detailed plan to address any weakness and improve the Council's governance was approved on the 31st May 2022 at the Joint Governance Committee in the report titled 'Annual Governance Statements 2021/22'. This can be found on the Council's intranet using the following link :

[https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020\\_21.pdf](https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020_21.pdf)

***Overall opinion:***

It is the opinion of the Council that the governance framework is satisfactory. The Council will continue to assess and make improvements to the governance framework.

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## WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

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### ***SIGNIFICANT GOVERNANCE ISSUES***

There is one significant governance issue either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer:

i) ICT Disaster Recovery Plans

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

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

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

### ***OTHER ISSUES***

The Governance Action Plan has been updated to deal with any issues brought forward from the 2018 review together with any issues which have been identified during the current review.

Part of the governance requirements as detailed in the 'Statement on the Role of the Chief Financial Officer in Public Services' are that:

- the Chief Financial Officer should be professionally qualified,
- report directly to the Chief Executive; and
- be a member of the leadership team, with a status at least equivalent to other members.

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

The Council complies with all other requirements of the statement.

### **Covid 19 Emergency**

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

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

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**WORTHING BOROUGH COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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***PROPOSED ACTION***

We propose over the coming year to keep our governance arrangements under review and to continuously improve them. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_



Rebecca Cooper  
Leader of the Council  
Worthing Borough Council

Signed: \_\_\_\_\_



Catherine Howe  
Chief Executive of  
Adur & Worthing Councils

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Annual Governance Statement Report:

[https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020\\_21.pdf](https://democracy.adur-worthing.gov.uk/documents/s5268/Item%208%20-%20Annual%20Governance%20Statements%202020_21.pdf)

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









## GLOSSARY OF ACCOUNTING TERMS

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

<b>ACCOUNTING PERIOD</b>	<p>The period of time covered by the accounts. The current year is 2021/22 which means the year commencing 1st April 2021 and ending 31st March 2022. The end of the accounting period is the date at which the balance sheet is drawn up.</p>
<b>ACCRUAL</b>	<p>An amount included in the accounts in respect of income or expenditure for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.</p>
<b>ACTUARIAL ASSUMPTION</b>	<p>An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits.</p>
<b>ACTUARIAL GAINS AND LOSSES</b>	<p>Actuarial gains and losses which may result from:</p> <ul style="list-style-type: none"><li>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</li><li>(b) the effects of changes in actuarial assumptions.</li></ul>
<b>ASSET</b>	<p>A resource that, as a result of a past event, is controlled and expected to give future benefits. It is not necessary to own an asset in order to control it, as assets may be acquired from other providers via credit arrangements such as leasing.</p>
<b>AMORTISED COST</b>	<p>The amount at which the financial asset or financial liability is measured. The measurement reflects the cost or transaction price at initial recognition, adjusted for principal payments and accrued interest at the balance sheet date. The measurement may also be adjusted by any difference between the initial amount and the maturity amount resulting from impairment or uncollectibility by applying the effective interest rate inherent over the term of the financial asset or liability.</p>
<b>BALANCE SHEET</b>	<p>A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.</p>
<b>CAPITAL CHARGE</b>	<p>A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.</p>

<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b>CAPITAL RECEIPTS</b>	The proceeds from the sale of fixed assets.
<b>CASH EQUIVALENTS</b>	Short-term investments that are readily convertible, without penalty, to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>COMMUNITY ASSETS</b>	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
<b>CONSISTENCY</b>	The concept that the accounting treatment of items within an accounting period and from one period to the next is the same.
<b>CONTINGENT LIABILITY</b>	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
<b>CREDITORS</b>	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
<b>CURRENT ASSETS/LIABILITIES</b>	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
<b>CURRENT SERVICE COST</b>	Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
<b>CURTAILMENT</b>	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
<b>DEBTORS</b>	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
<b>DEFINED BENEFIT SCHEME</b>	This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>DEPRECIATION</b>	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
<b>EXPENDITURE</b>	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

<b>FAIR PRESENTATION</b>	International Accounting Standard IAS 1 requirement that financial statements should not be misleading. To a large extent this means obeying the prevalent accounting standards, but the concept of fairness may transcend that, to include an assessment of the overall picture given by the financial statements.
<b>FAIR VALUE</b>	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
<b>FINANCE LEASE</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset from the provider (lessor) to the user (lessee). Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b>IMPAIRMENT OF ASSETS</b>	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
<b>INFRASTRUCTURE ASSETS</b>	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
<b>INTANGIBLE ASSETS</b>	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</b>	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
<b>INVESTMENTS</b>	Current asset investments that are readily disposable by the Council without disrupting its business.
<b>INVESTMENT PROPERTIES</b>	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
<b>LIQUID RESOURCES</b>	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
<b>NET BOOK VALUE</b>	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

<b>OPERATING LEASE</b>	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.
<b>POST BALANCE SHEET EVENTS</b>	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
<b>PROVISION</b>	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise.
<b>PRIOR YEAR ADJUSTMENT</b>	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
<b>PRUDENCE</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.
<b>PUBLIC WORKS LOAN BOARD (PWL B)</b>	The Public Works Loan Board (PWL B) is a statutory body operating within the Debt Management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.
<b>REMUNERATION</b>	Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.
<b>RESERVES</b>	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
<b>TO DEBIT</b>	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
<b>TO CREDIT</b>	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
<b>TRUE AND FAIR VIEW</b>	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
<b>VIREMENT</b>	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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