

Worthing
BOROUGH COUNCIL

***Statement of
Accounts
2008/2009***

WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2009

C O N T E N T S

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Explanatory Foreword

1. *Introduction*

The purpose of the Statement of Accounts is to provide information on the ways the Council has utilised financial and other resources available to it in the provision of the services it provides to the residents of Worthing. The Statement of Accounts is required to be produced by law and sets out the various statutory accounting statements together with other relevant information.

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2008/09. In addition, an outline of the overall financial position of the Council is given.

There were a number of minor changes in the 2008 SORP which have been accommodated within the final accounts process.

2. *Explanation of Accounting Statements*

In addition to the foreword, the Statement of Accounts consists of:

	Page No:
Statement of Responsibilities This statement sets out the respective responsibilities of the Borough Council and the Executive Head of Financial Services in respect of the Council's accounts.	9
Statement of Accounting Policies This details the accounting policies that have been adopted in preparing the Statement of Accounts. The purpose of this statement is to enable a fuller understanding of the accounts and specifically to describe the policies that have been adopted for all material items.	10 – 15
The Income & Expenditure Account This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed from central government grants, national non-domestic rates and income from local council taxpayers.	16 – 18
Statement of Movement in the General Fund Balance The accounting basis for the Income and Expenditure Account does not take into account the statutory provisions when setting local taxes. This statement provides a reconciliation of the necessary adjustments.	17 – 18

Explanatory Foreword

2. ***Explanation of Accounting Statements*** (continued)

	Page No:
The Statement of Total Recognised Gains & Losses	19
<p>The statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease/increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.</p>	
The Balance Sheet	20
<p>This sets out the financial position of the Council on the 31st March 2009. The Balance Sheet reflects the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in all of its operations, together with summarised information on the fixed assets held.</p>	
The Cashflow Statement	21
<p>This summarises the Council's cash transactions for the year.</p>	
Notes to Core Financial Statements	22 – 57
The Collection Fund	58-60
<p>The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for their distribution to preceptors (West Sussex County Council and The Sussex Police Authority) and the Council's own General Fund. The Fund also records the Council's contribution to the National Non-Domestic Rating Pool. The Collection Fund is incorporated in the Balance Sheet and The Cash Flow Statement.</p>	

Also included is the Annual Governance Statement (pages 61 63), which has been completed under the Corporate Governance Requirements. This gives reasonable assurance that an effective system of internal control is maintained and operated in connection with the resources concerned.

3. ***Revenue Spending in 2008/09***

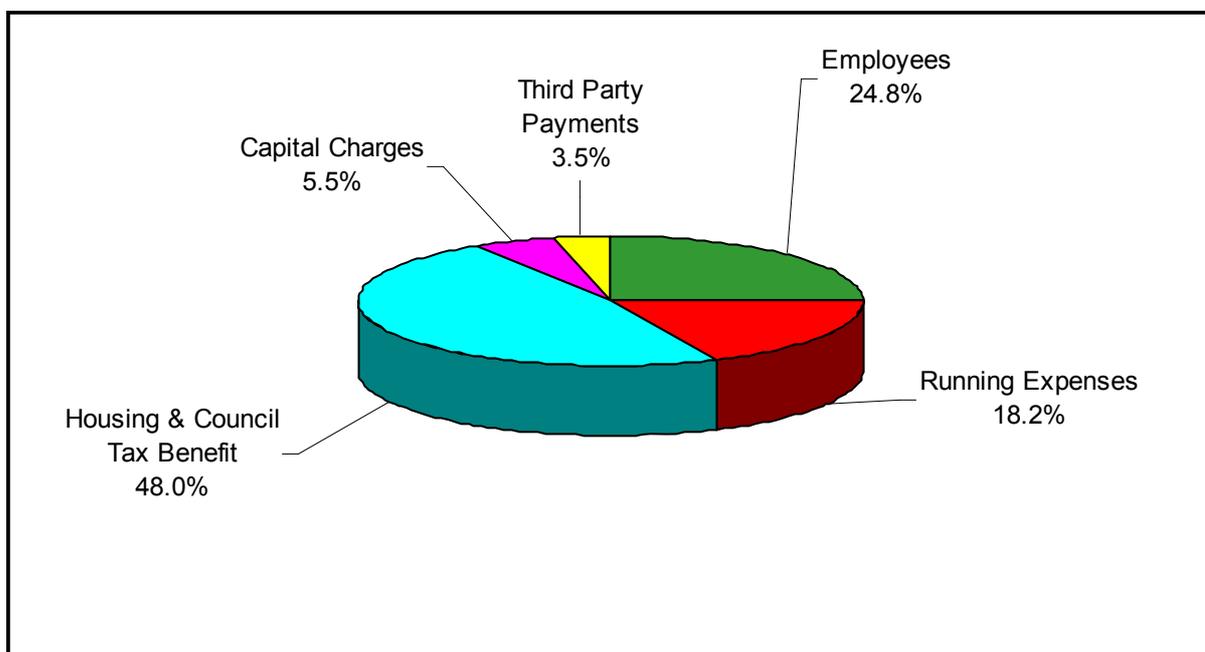
Revenue spending is the day-to-day expenditure incurred by the Council to deliver its services. This expenditure is financed from a variety of sources including Council Tax, Government Grant, charges for services, interest and rents. Total revenue expenditure amounted to £83.2m, of which £32.2m (39%) was on Housing and Council Tax Benefits. However, this expenditure was met by a specific government grant of £33.8m.

Explanatory Foreword

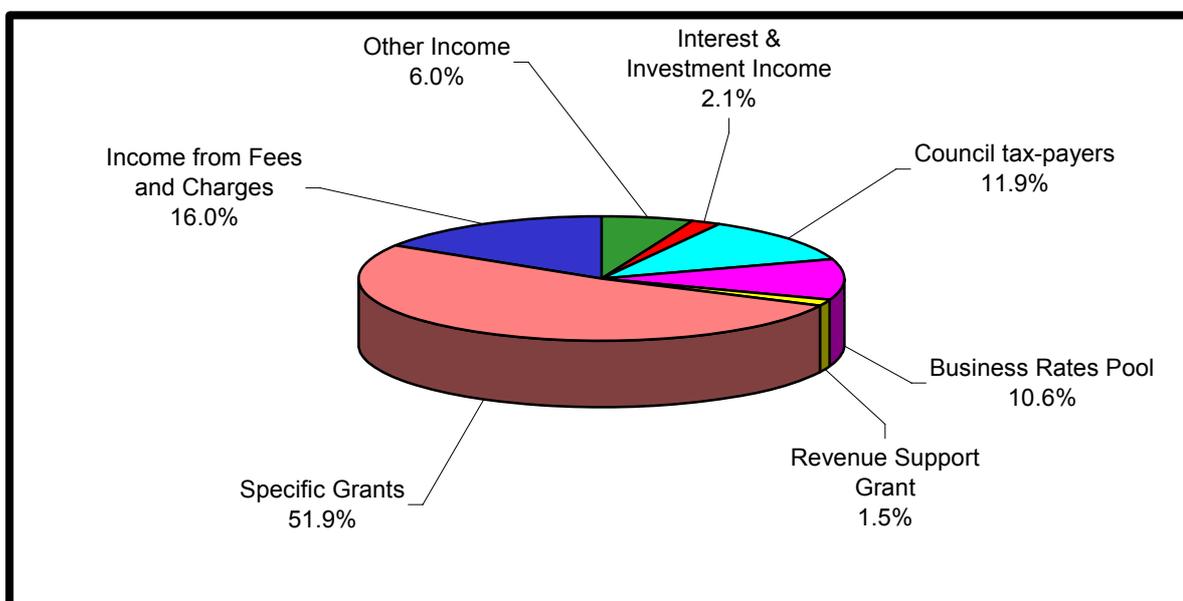
3. ***Revenue Spending in 2008/09*** (continued)

The tables below give a breakdown of expenditure excluding impairment incurred and the sources of overall income.

Expenditure by Type



Types of Income



Net operating expenditure within the Income and Expenditure Account amounted to £37.540m. This is £19.066m higher than the 2008/09 updated Cabinet requirement Estimate of £18.474m. The main reasons for the increase are listed on the next page.

Explanatory Foreword

3. ***Revenue Spending in 2008/09*** (continued)

	Variance (under)/over £'000
Depreciation of assets	(1,173)
Less: Variations reported to 15th June, 2009 Cabinet	
Reduced Cemetery and Crematorium income due to decline in death rate	154
Reduction in Car Parking income	143
Waste Collection Tipping charges	119
Corp. Strategy Holding Account – External recruitment rationalisation	(44)
Vacancy management	(129)
Additional Indoor Sports and Recreation income from FIT4	(228)
Concessionary Fares	104
Development Control – income shortfall	122
Reduction in Land Charges income	197
Senior Officer Structure	(112)
VAT refund	(105)
Planning Policy – Local Development Scheme slippage	(75)
Waste Collection additional income from bulky waste, garden waste sacks and bins and trade waste	(162)
Curtailment costs	122
Planning Delivery Grant rec'd in 2008/09 in excess of current year's spend	(14)
Housing Benefits – increased volume results in higher subsidy due	(36)
Economic Development Action Plan slippage	(50)
Housing Benefits – need to increase Bad Debt provision not required	(88)
Cleaning and maintenance variations across a number of council services	(46)
Variations in anticipated income across a number of council services	(114)
Salary, consultancy and vacancy variations across a number of council services	(90)
Various offsetting variations	26
Year End Adjustments:	
Write down of Revenue Expenditure Funded from Capital Under Statute	1,808
Expenditure financed from Revenue Under Statute	(953)
FRS17 Adjustment Current Service Pension Costs	1,170
FRS17 Adjustment Employee Pension Contributions	(3,190)
FRS17 Past service costs and curtailments and settlements (not applicable last year)	1,080
Consolidation of Joint Account	(2)
Impairment	19,622
FRS17 Adjustment Pensions Interest Cost net of expected returns	1,860
(Profit)/Loss on disposal of fixed assets	10
Settled VAT Refund treated as post Balance Sheet event	(860)
	19,066

After allowing for transfers to and from reserves the net budget requirement to be met from general government grants and Council Tax was £15.771m, up 1.6% from 2007/08, just over half of which £7.805m, was raised from Council Taxpayers. At the end of the year the Council retained Working Balances of £1.14m (unchanged from 2007/08) and had earmarked revenue reserves of £4.843m (£3.912m in 2007/08).

Explanatory Foreword

4. **Capital Spending 2008/09**

Capital expenditure is generally incurred on creating assets which have a life beyond one year and, in Worthing, is financed largely from capital receipts generated from the disposal of assets; grants and contributions received from central government, other public bodies and private developers; and borrowing.

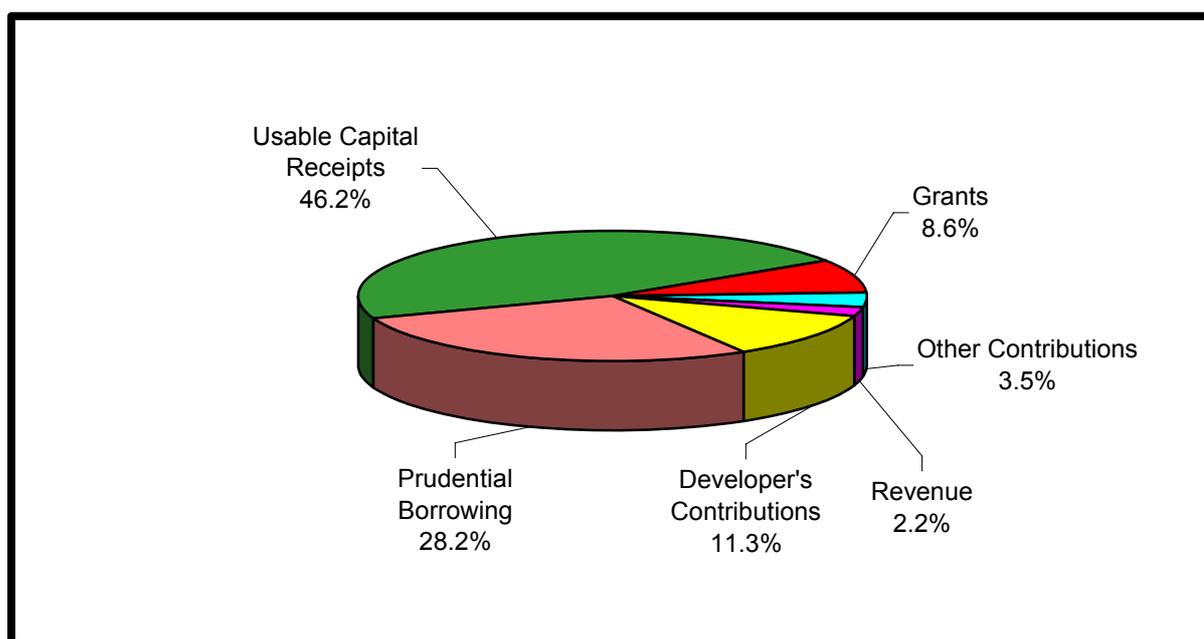
Capital spending for the year totalled £4.878m, this was £0.368m less than the revised estimate mainly due to delays in progressing schemes.

An analysis of the main areas of expenditure in 2008/09 is given below.

	What the capital money was spent on £'000
Affordable Housing	436
Culture, Leisure and Sport	579
Electronic Service Delivery	157
Housing Renewal Grants	979
Play Areas	164
Public Conveniences	139
Refuse Collection and Recycling	1,460
Regeneration	135
Road Safety	131
Street Cleansing	193
Other General Fund Schemes	505
	4,878

The capital spending was financed from the following:

Where The £4.878m Capital Came From



Explanatory Foreword

5. *Current Issues and Future Plans*

Revenue Plans

Forecasts of revenue expenditure are formulated via the three year Medium Term Financial Plan and the annual budget setting cycle. These processes identify significant service variations year on year and the financial effects of these that ultimately determine, alongside the local government grant settlement, the Council's budget.

The largest items of revenue growth identified for 2009/10 are :

	£'000
Pay and Price inflation	532
Concessionary fare scheme – increased operator costs	444
Impact of financing Capital Programme	281
Energy and fuel excess inflation	230
Reduced car park income	183
Reduced interest from investments	180
Reduced land charges income	100
Recycling and waste management tipping charges	96

Major Capital Projects

The Council has embarked on a project to replace its current swimming pool, the Aquarena, and to refurbish its main Leisure Centre. Capital budget provision of approximately £28m over the five years 2007/08 to 2012/13 has been made for these schemes to be financed by disposal of specific sites within the Borough. Receipts to the value of £9.8m have already been secured and further receipts are anticipated from the disposal of other sites.

The Council, with its partner Adur District Council, has replaced, over a 2-year period 2007/08-2008/09, its refuse and recycling fleet at a total cost of £2.1m. As part of the new service wheeled bins were also purchased at a total cost of £1.2m. This investment has been financed from prudential borrowing from the Public Works Loan Board, with £1.8m being drawn down in 2007/08 and a further £1.475m in 2008/09.

Of the amount borrowed in 2008/09 £750k is long-term, and is shown in the Balance Sheet (including accrued interest of £16k) in the movement of the Amortised Cost of Financial Liabilities. The remainder of the amount borrowed in 2008/09, (£725k) is included on the Balance Sheet under Temporary Borrowing (which also includes one loan of £2m from Rhonda Cynon Taff Council for short-term revenue operational purposes that ran from 30th March – 1st April, 2009). Further information on the composition of amounts borrowed during 2008/09 are contained in Notes 39 and 40 of the Core Financial Statements.

The Council is also planning to carry out capital improvement and mercury emissions abatement works at the crematorium over the next 5 years and since January 2006 has set aside revenue funds for the work from increased crematorium and cemetery charges.

West Sussex County Council Pension Fund

The Borough Council, in common with all other Districts in the County, is a member of the West Sussex County Council Pension Fund. The latest triennial valuation of the fund, carried out in 2007, identified a requirement for a stepped increase in pension contributions each year from 2008/09 to 2010/11. This translates into an increase of approximately £70,000 per annum in each of these years.

Explanatory Foreword

5. ***Current Issues and Future Plans*** (continued)

West Sussex County Council Pension Fund (continued)

The Council maintains an earmarked reserve specifically to help offset the cost of future Pension Fund contributions. There was a balance of £0.4m in this reserve at 31st March, 2009.

In addition, in accordance with the Code of Accounting Practice and Financial Reporting Standard 17, the Council is required to recalculate the Pension Fund deficit as at 31st March each year. To do this it obtains an actuarial valuation from Hymans Robertson, the Pension Fund's actuary. This shows that the deficit has risen by £10m in the year to stand at £39.8m.

6. ***Use of Resources***

The Audit Commission has undertaken the use of resources assessment for 2007/08, the results of which were published in March, 2009. The assessment looks at how financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It is carried out annually as part of the Council's external audit. The Council's overall score for 2008 was maintained at "3", the second highest category which denotes "performing well, consistently above minimum requirements". The comparative scores for 2007 and 2008 are shown below.

The assessment was scored over 5 elements.

ELEMENT	ASSESSMENT (OUT OF 4)	
	2008	2007
Financial Reporting	3	3
Financial Management	2	2
Financial Standing	3	3
Internal Control	3	3
Value for Money	2	2
Overall	3	3

Note: 1 = lowest, 4 = highest

7. ***Medium Term Financial Plan***

The Council approved its latest MTFP on the 15th June, 2009. This plan supports the Council's corporate planning processes by forecasting the level of resources that are likely to be available in the five financial years 2010/11 to 2014/15 inclusive.

The forecasts reflect the particular service demands and financial pressures identified within the period covered, and how the Council proposes to respond in order to deliver a balanced budget that matches resources to spending. This is achieved within the context of:

- Matching council priorities set out in the corporate plan to available resources
- Meeting the needs of the local community and residents determined within the Community Strategy

Explanatory Foreword

7. *Medium Term Financial Plan* (continued)

- Setting council tax at a level which council tax payers are willing to pay and that accords with government policy on capping
- Achieving a balance between revenue spending and investing in improvements to the infrastructure and facilities within the Borough.
- Protecting the long term financial health of the council.

The MTFP aims to maintain the budget on a sustainable basis by focusing on quality, key and core services, whilst keeping increases in council tax to a minimum. This is to be achieved by a combination of 3% annual efficiency savings, judicious use of reserves, and savings from lower priority services. Overall, the council aims to secure little or no growth in revenue spending other than that due to statutory or unavoidable commitments.

Within these parameters, the Council also aims to transfer 1% of the revenue budget to reserves each year to be used for special projects or one-off items of expenditure. This also supports the aim to maintain General Fund balances of between 6-8% of net revenue expenditure, and to keep council tax increases to 5% or below.

8. *Joint Working*

Since July 2007, Worthing Borough Council and Adur District Council have been committed to supplying joint services. The services that are currently provided jointly are trade and domestic refuse collections, recycling waste collections and a single senior officer structure. These services are under the auspices of a Joint Strategic Committee, which is not a separate legal entity. The accounts of the Joint Strategic Committee have been prepared from the records maintained by Adur District Council and Worthing Borough Council and the governance arrangements and systems of internal control are consistent with those adopted by Adur District Council, which acts as the accountable body for the partnership.

Over the next few years the Joint Strategic Committee will grow as more services from the constituent authorities are delivered jointly. A separate Statement of Accounts has been produced for this Committee and is available on request.

9. *Further Information*

Further information on the Council's accounts is available from the Executive Head of Financial Services at the Town Hall, Chapel Road, Worthing. Information on the Council's policies and plans and especially its Key Priorities can be found in the Best Value Performance Plan, obtainable on application to the Executive Head of Corporate Strategy in Portland House, Richmond Road, Worthing or by accessing the Worthing Borough Council website, www.worthing.gov.uk.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that Officer is the Executive Head of Financial Services and Section 151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Executive Head of Financial Services and Section 151 Officer's Responsibilities

The Executive Head of Financial Services and Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Executive Head of Financial Services and Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Executive Head of Financial Services and Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Executive Head of Financial Services & Section 151 Officer

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2009.

SARAH GOBEY
Executive Head of Financial Services & Section 151 Officer

Dated: 23rd September, 2009

Certificate of Approval by Governance and Audit Committee

I confirm that these Accounts were re-approved by the Governance and Audit Committee of Worthing Borough Council on 23rd September, 2009.

PAUL HIGH
Chairman Governance and Audit Committee

Dated: 23rd September, 2009

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting 2008/09 (ACOP), the Best Value Accounting Code of Practice (BVACOP) and also with guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of Financial Reporting Standards (FRS) and Statement of Standard Accounting Practices (SSAPs).

The following fundamental accounting principles have been followed:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality
- Accruals
- Going Concern
- Primacy of Legislative Requirements

The SORP 2008 has only 15 substantive changes and is a relatively quiet year after the major changes over the last few years.

Financial Reporting Standards (FRS) 17 Retirement Benefits has been amended to align its disclosure requirements more closely with those of International Accounting Standard (IAS)19 Employee Benefits. Deferred charges have been re-named "Revenue Expenditure Funded from Capital Under Statute". Also a change in fixed asset revaluation now allows for gains and losses on disposal.

In the light of joint working with Adur District Council, the Council has reviewed its accounting policies to ensure they are in line with Adur's. Depreciation is no longer charged on revised estimate and is now charged on the value of individual assets at the end of the year. The annual revaluation programme is now based on values on the 1st day of the accounting period, the previous policy had been the last day of the accounting period. Any other revaluations that take place will be based on the valuation date.

2. Income and Expenditure

Revenue and Capital Accounts - the accounts have been prepared on an accruals basis in accordance with the Code of Practice, whereby income and expenditure are accounted for in the year in which they arise, by the creation of debtors and creditors, including estimates where appropriate.

3. Costs of Support Services

The Code of Practice requires the costs of support services to be charged on a fair and transparent basis. Worthing Borough Council uses estimated time allocations with the exception of administrative building costs (floor area basis) and costs of professional technical staff engaged on capital works (actual time). Overhead costs are dealt with in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP) and mostly charged to services. The exceptions being FRS 17 adjustments to trading undertakings and surpluses on Departmental Holding Accounts, both of which are not considered to be material and are shown as net operating expenditure.

Statement of Accounting Policies

4. *Leases*

Rentals payable under operating leases are charged to service revenue accounts on an accruals basis.

5. *Intangible Fixed Assets*

Software licences are capitalised as intangible fixed assets and amortised on a straight line basis over the expected life of the asset.

6. *Tangible Fixed Assets*

(a) *Expenditure and Valuation principles*

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

Fixed 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). Fixed assets are classified into the groupings required by the Code of Practice. The surpluses arising on the revaluation of fixed assets are credited to the Fixed Asset Revaluation Reserve. The authority applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use;
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value at open market value;
- community assets are stated at historic cost value or in some instances, such as Civic Regalia, at a notional value to recognise the assets' existence.

For 2008/09 the values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per capital contract has been applied to new vehicles, plant and equipment, and £50,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

Statement of Accounting Policies

6. *Tangible Fixed Assets* (continued)

(b) Charges to Revenue for Fixed Assets

General Fund service revenue accounts, central support services, and trading accounts are charged with a depreciation charge and any impairment loss for all fixed assets used in the provision of services. The depreciation charge is credited out of the Income and Expenditure Account in the Movement in the General Fund statement so that there is no impact on the amount required to be raised from local taxation for the provision of Council services.

(c) The useful life of assets are determined on an individual basis:

- Buildings 60 yrs except when impairment has occurred.
(This was previously 20 & 50 yrs)
- Vehicles 5-7 yrs
- Equipment 1-20 yrs
- Intangible Assets, Software 1-7 yrs

(d) Impairment

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

(e) Depreciation

Depreciation is charged to service revenue accounts for all fixed assets:

- newly acquired assets are depreciated from the first full year they become operational. 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

7. *Government Grants and Contributions*

Government grants and other contributions in relation to revenue expenditure are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Those relating to capital expenditure are credited to the government grants deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Statement of Accounting Policies

8. *Revenue Expenditure Funded from Capital Under Statute*

Capital expenditure, such as Improvement grants for which no tangible fixed assets exist is classified as Revenue Expenditure Funded from Capital Under Statute. Expenditure is written off to the Income and Expenditure Account in the year it is incurred.

9. *Current Assets*

Stocks - these include cleaning materials, vehicle spares, printing and stationery, and catering supplies. All stocks are valued in the Balance Sheet at latest inward prices. It is not considered material to the accounts to include stock at the lower of cost and net realisable value in accordance with Statement of Standard Accounting Practice No. 9.

Work in Progress on rechargeable works is shown at the actual cost incurred (excluding overheads allocation) at 31st March.

10. *Accounting for Financial Instruments*

Financial Instruments are broadly defined in the SORP as contracts that give rise to a financial asset in one entity and a financial liability in another entity. Typical financial instruments are:

Liabilities

Trade payable and other payables
Borrowings
Financial guarantees

Assets

Bank deposits
Trade receivables
Loans receivable
Other receivables and advances
Investments

The council recognises financial instruments in the accounts at the point when contractual obligations are made in regard to exchange of goods and services, rather than when receipts or payments pass from one party to another.

The accounting treatment of any particular financial instrument (i.e. how its carrying value is measured, and gains and losses recognised) depends on its classification on initial recognition. For this purpose, FRS 26 recognises two classes of financial liabilities and four classes of financial assets, being:

Financial Liabilities

- amortised cost
- fair value through profit or loss

Financial Assets

- loans and receivables
- available for sale
- fair value through profit or loss
- held to maturity

The Council's financial assets include trade debtors, bank deposits and investments, while its financial liabilities include all operational creditors and external borrowing. Both classes of financial instruments have been accounted for at amortised cost taken as the carrying amount on initial recognition (i.e. the transaction price), or (as in the case of investments and borrowing), principal plus accrued interest to 31st March, 2009.

Statement of Accounting Policies

10. *Accounting for Financial Instruments* (continued)

In the case of Public Works Loans Board (PWLB) debt, the measure of amortised cost includes an adjustment using the effective interest rate (EIR) that spreads the cost of the liability on inception equally over the life of the debt. In this case, amortised cost is the carrying amount at the start of the year plus accrued interest chargeable for 2008/09 taken to the Income and Expenditure Account, less the amount of principal and interest actually paid in the year. For the purposes of the EIR calculation, PWLB loan arrangement fees of £516.25 in respect of two loans obtained in 2008/09 have been excluded as permitted within the SORP on the grounds of immateriality.

The SORP also requires that each class of financial assets and financial liabilities be disclosed at "fair value" in a way that permits it to be compared with the carrying amount in the statement of accounts. Comparisons of fair value with the carrying amounts are shown where required within the Notes to the Core Financial Statements.

In making such comparisons, fair value is taken as meaning the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms-length transaction.

Soft Loans

The SORP also requires specific accounting requirements in respect of "soft loans", being loans made to third parties at preferential rates of interest below market rates. The SORP requires the fair value of soft loans to be estimated as the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

Although the council issues soft loans to employees in respect of car loans, it has been agreed with the Council's auditors that no adjustment be made to the accounts to reflect the requirements of the SORP on the grounds that the balance of loans outstanding at 31 March 2009 (£24,388) is immaterial.

11. *Investments*

Investments comprise cash deposits placed with financial institutions for fixed term periods and are shown on the balance sheet at amortised cost. Long-term investments (i.e. those that will mature in one year or more), are shown separately on the face of the balance sheet.

12. *Reserves*

The Council maintains earmarked reserves to meet future spending need. A brief explanation of the purpose of each provision and reserve is provided and an analysis of the reserves is included in Note 26, page 39.

Statement of Accounting Policies

13. *Provisions*

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit but where the timing is uncertain. Provisions are charges to the revenue account when the authority becomes aware of the obligation based on best estimate of the likely settlement. When payments are eventually made they are charged to revenue and funded from the provision set up in the Balance Sheet.

14. *Debtors and Creditors*

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the SORP. 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 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 for and deducted from the debtors balance in the Balance Sheet.

15. *Value Added Tax*

VAT is included in the income and expenditure accounts only to the extent that it is irrecoverable.

16. *Pension Costs*

The Pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex County Council's Pension Fund, which provides Council employees with defined benefits relating to pay and service. This accounting treatment complies fully with the requirements of Financial Reporting Standard (FRS) 17.

Income and Expenditure Account

This statement shows the gross expenditure, income and net expenditure for each service, appropriations to or from balances and reserves, and how net expenditure (after transfers) was met by contributions from the Collection Fund, Revenue Support Grant, and the Non-Domestic Rate Pool.

Note	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Central Services to the Public	8,526	6,875	1,651	1,463
Cultural, Environmental, Regulatory & Planning Services	37,384	10,834	26,550	12,383
Highways & Transport Services	3,954	1,563	2,391	603
Housing Services	28,992	27,158	1,834	2,544
Social Services	23	-	23	20
Corporate & Democratic Core	2,318	32	2,286	2,349
Non-Distributed Costs	2,017	564	1,453	415
Net Cost of Services	83,214	47,026	36,188	19,777
(Profit)/loss on disposal of assets			9	(483)
Exceptional Items:				
Shoreham Airport			2	-
(Surplus)/Deficit on Holding A/cs			12	(106)
(Surplus)/Deficit on trading activities			1,063	(276)
Housing capital receipts pool			-	19
Interest & Investment Income			(1,691)	(1,295)
Interest payable			97	15
Pensions interest costs net of expected returns			1,860	660
Net Operating Expenditure			37,540	18,311
General government grants			(1,129)	(1,444)
Non-domestic rates redistribution			(6,909)	(6,628)
Transfer (from)/to Collection Fund			(7,805)	(7,412)
Transfers (from)/to the Collection Fund - surpluses/deficits			72	(34)
Net (Surplus)/deficit for the year			21,769	2,793
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE				
(Surplus)/Deficit for year on Income and Expenditure			21,769	2,793
Net additional amount required by statute and non-statute to be debited and credited to the General Fund			(21,771)	(2,793)
Increase in General Fund for the year			-	-
General Fund Balance Brought Forward			(1,140)	(1,140)
General Fund Balance Carried Forward			(1,142)	(1,140)

Statement of Movement on the General Fund Balance

1. ***Statement of the Movement on the General Fund Balance***

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £'000	Deficit for the year on the Income and Expenditure Account	2008/09 £'000
2,793	(Surplus)/deficit for year on Income and Expenditure	21,769
(2,793)	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balance for the year.	(21,771)
-	Increase in the General Fund Balance for the year	(2)
(1,140)	General Fund Balance Brought Forward	(1,140)
(1,140)	GENERAL FUND BALANCE CARRIED FORWARD	(1,142)

Statement of Movement on the General Fund Balance

1. **Statement of the Movement on the General Fund Balance** (continued)

Note of Reconciling Items

2007/08 £'000			2008/09 £'000	
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(3,345)		Depreciation and impairment of fixed assets	(21,401)	
226		Government grant deferred amortisation	137	
489		Net (loss)/profit on sale of fixed assets	(9)	
(1,766)		Write down of revenue expenditure funded from Capital Under Statute.	(1,808)	
497		Write down of expenditure funded from Capital under Statute (Grants Income)	952	
630		Amount by which pension costs calculated in accordance with the SORP are different from the contribution due under the pension scheme regulations	(920)	
	(3,269)			(23,049)
		Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement in the General Fund for the year		
-	-	Minimum Revenue Provision	240	
94		Capital expenditure in year charged to the General Fund Balance	107	
(19)		Transfer from usable capital receipts to meet payments to the Housing Capital receipts pool	-	
	75			347
		Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
401		Net transfer to and from earmarked reserves	931	
	401			931
	(2,793)	Net additional amount required by statute and non-statute to be debited and credited to the General Fund		(21,771)

Statement of Total Recognised Gains and Losses

2. **Statement of Total Recognised Gains and Losses (STRGL)**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account it includes gains and losses relating to the revaluation of the fixed liability to cover the cost of retirement benefits, assets and re-measurement of net assets.

2007/08 £'000		2008/09 £'000
2,793	(Surplus)/Deficit for the year on the Income and Expenditure Account	21,769
563	(Surplus)/Deficit for the year on the Collection Fund	(344)
(1,882)	(Surplus)/Deficit arising from the revaluation of fixed assets	(1,978)
1,287	Adjustment to the valuation of fixed assets not included in the Income and Expenditure Account	(61)
13	Impairment due to price decreases	2,131
(3,430)	Actuarial (gains)/losses on pension fund assets and liabilities	9,450
-	Prior year restatement on pension fund assets and liabilities	250
(656)	TOTAL RECOGNISED (GAIN)/LOSS FOR THE YEAR	31,217

Balance Sheet as at 31st March, 2009

This shows the financial position of the Council as a whole and summarises its assets and liabilities.

	See Note No:	As at 31.03.2009		As at 31.03.2008	
		£'000	£'000	£'000	£'000
Intangible Assets	19		125		117
Tangible Fixed Assets	14				
Operational:					
Land and Buildings		62,118		79,125	
Community		4,946		4,946	
Infrastructure		1,500		1,062	
Vehicles, Plant, Furniture & Equipment		5,025		3,872	
		73,589		89,005	
Non-Operational:					
Investment property		7,415		9,372	
Assets under construction		177		184	
Surplus assets for disposal		4,878		5,939	
Total Tangible Fixed Assets		12,470	86,059	15,495	104,500
Long Term Investments			6,224		-
Long Term Debtors					
Housing Advances		6		6	
Council House Sales		34		42	
Other Advances		26	66	34	82
Total Net Long Term Assets			92,474		104,699
Current Assets					
Stocks and Work in Progress		142		136	
Debtors and Prepayments	36	11,448		9,177	
Provision for Doubtful Debts		(2,434)		(2,379)	
Investments		8,859		18,093	
Cash and Bank		1,348	19,363	54	25,081
Less: Current Liabilities					
Creditors and Receipts in Advance		(7,321)		(8,409)	
Govt. Grants & Capital Cont. Unapplied	33	(1,906)		(1,566)	
Provision for Concessionary Fares	29	(197)		(197)	
Temporary Borrowing	39	(2,754)		(28)	
Bank Overdraft		-	(12,178)	(141)	(10,341)
Total Assets Less Current Liabilities			99,659		119,439
Long Term Liabilities					
Liability related to Pensions Scheme	37		(39,790)		(29,170)
Commuted Sums	21		(181)		(182)
Government Grants - deferred	31		(1,351)		(1,303)
Amortised cost of Financial Liabilities			(2,585)		(1,815)
Total Assets Less Liabilities			55,752		86,969
Financed by:					
Capital Adjustment Account	23		76,458		95,913
Revaluation Reserve	22		1,609		1,769
Deferred Credits	32		34		43
Usable Capital Receipts Reserve	24		11,498		13,747
Pensions Reserve	37		(39,790)		(29,170)
Earmarked Reserves	26		4,843		3,913
Revenue Fund Balances	28		1,100		754
			55,752		86,969

These financial statements replace the unaudited financial statements authorised at the meeting of Governance & Audit C'ttee on 25.6.09.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	See Note No:	2008/09		2007/08	
		£'000	£'000	£'000	£'000
<u>Net Cash inflow/(outflow) from operating activities</u>	47		(5,584)		899
<u>Returns on Investments & Servicing of Financing</u>					
Cash Outflows:					
Interest paid			(75)		-
Cash Inflows:					
Interest received			1,070		1,483
<u>Capital Activities</u>					
Cash Outflows:					
Purchase of fixed assets		(3,117)		(4,155)	
Long Term Investments		(6,000)		-	
Other capital cash payments		-	(9,117)	(1,766)	(5,921)
Cash Inflows:					
Sale of fixed assets		492		1,328	
Capital grants received	33	1,477		945	
Other capital cash receipts		447		796	
Sale of long-term investments		-	2,416	50	3,119
<u>Net cash inflow/(outflow) before financing</u>	48		(11,290)		(420)
<u>Management of Liquid Resources</u>					
Net (increase) decrease in liquid resources			9,250		(1,170)
<u>Financing</u>					
Cash Outflows:					
Repayment of amounts borrowed			(3,500)		-
Cash Inflows:					
New loans raised		750		1,800	
New short-term loans		6,225	6,975	-	1,800
<u>Increase/(Decrease) in cash</u>			1,435		210

Notes to Core Financial Statements

1. **Trading Activities**

The council has reviewed its accounting policy for the recognition of trading accounts. Refuse collection, street cleaning, grounds maintenance and leisure management are no longer reported as trading accounts. They are now included within Cultural, Environmental and Planning Services within the Income and Expenditure Account. Vehicle maintenance continues to operate within the BVCOP definition of a trading operation.

	2008/09 Income £'000	2008/09 Expenditure £'000	2008/09 Deficit/(Surplus) £'000	2007/08 Deficit/(Surplus) £'000
Vehicle Maintenance	417,470	417,470	-	-

All operating surpluses/deficits have been reapportioned back to services so as not to materially over or understate the service outturns.

2. **Discretionary Expenditure**

As a result of the amending provisions in Section 8 of the Local Government Act 2000, the only part of Section 137 that still applies to this Council is Section 137(3). This empowers local authorities to make contributions to charitable funds and not-for-profit bodies providing a public service. Section 137(4), which imposes an expenditure limit, no longer applies to this Council. Actual expenditure was as follows:-

	2008/09 £'000	2007/08 £'000
Grants to Voluntary Organisations	144	140

3. **Expenditure on Publicity**

Under Section 5 of the Local Government Act 1986 local authorities are required to disclose how much expenditure is incurred on publicity. In 2008/09 expenditure totalled £369,784 (£374,337 in 2007/08). The main areas of expenditure were in publicising Worthing as a resort £64,203 (£59,688), advertising entertainments £188,225 (£176,932), and recruitment advertising £36,029 (£64,217).

4. **Local Authority Building Control Charges Regulations (S1 1998/3129)**

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Notes to Core Financial Statements

4. **Local Authority Building Control Charges Regulations (S1 1998/3129)**
(continued)

Building Regulations Charging Account 2008/09

	2008/09 Chargeable £'000	2008/09 Non- Chargeable £'000	2008/09 Total Building Control £'000	2007/08 Total Building Control £'000
<u>EXPENDITURE</u>				
Employees	187	114	301	298
Transport	8	5	13	9
Supplies and Services	12	9	21	14
Central and Support Service charges	63	48	111	134
TOTAL EXPENDITURE	270	176	446	455
<u>INCOME</u>				
Building regulations charges	(276)	-	(276)	(313)
NET OUTTURN FOR YEAR	(6)	176	170	142

The Regulations also require Building Control Authorities to fully cover their costs over a continuous three-year accounting period. The last three years period is shown below.

	(Surplus)/Deficit £
2006/07	9,425
2007/08	(47,633)
2008/09	(6,086)
Cumulative Surplus	(44,294)

5. **Agency Agreement**

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 2008/09 income collected was £2.069m and expenditure was £1.452. The surplus of £616,765 is paid to West Sussex County Council.

6. **Local Authority (Goods and Services) Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides electricity and maintains grounds for the Worthing Law Courts, which in total amounted to £20,609 (£18,362 in 2007/08). These costs are recovered in full and are not included in the Income and Expenditure Account.

Notes to Core Financial Statements

7. *Partnership Working*

Since July 2007, Worthing Borough Council and Adur District Council have been supplying Joint Services. During 2008 the services that have been provided jointly are Household Refuse, Trade Refuse and Recycling Waste Collections, and a single senior officer structure. Over the next few years the Councils will provide more of its services jointly with an aim to making efficiencies for both Authorities.

	2008/09 Gross Expenditure £'000	2008/09 Gross Income £'000	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
EXPENDITURE				
Cultural, Environmental and Planning Services	4,127	(1,258)	2,869	1,873
Corporate & Democratic Core	20	-	20	20
NET COST OF SERVICES	4,147	(1,258)	2,889	1,893
Holding Accounts	1,538	-	1,538	92
Net Operating Expenditure	5,685	(1,258)	4,427	1,985
Funded By:				
Adur District Council			(1,736)	(738)
Worthing Borough Council			(2,691)	(1,247)
(SURPLUS)/DEFICIT			-	-

8. *Members' Allowances*

The total amount of allowances paid to Council Members during 2008/09 was £197,551.44 (£186,130 in 2007/08).

9. *Officers' Emoluments*

The number of employees whose remuneration (excluding pension contributions) was £50,000 or more in the year to which the accounts relate, were as follows:

Remuneration Band	2008/09 No. of Employees	2007/08 No. of Employees
£50,000 - £59,999	3	5
£60,000 - £69,999	-	6
£70,000 - £79,999	-	-
£80,000 - £89,999	-	2
	3	13

Notes to Core Financial Statements

9. **Officers' Emoluments** (continued)

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council on behalf of both Councils as part of a partnership arrangement. Below is an extract from the accounts of the Joint Strategic Committee which shows the remuneration of these officers:

Remuneration Band	2008/09 No. of Employees	2007/08 No. of Employees
£50,000 - £59,999	-	-
£60,000 - £69,999	-	1
£70,000 - £79,999	10	-
£80,000 - £89,999	-	-
£90,000 - £99,999	3	-
£100,000 - £109,999	-	-
£110,000 - £119,999	1	-
	14	1

The cost of these officers is split as follows:

	Adur	Worthing
Chief Executive	50%	50%
Strategic Directors	50%	50%
Executive Head (Adur Homes)	90%	10%
Executive Head (Leisure & Cultural Services)	10%	90%
All other Executive Heads	40%	60%

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

10. **Related Party Transactions**

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 has effective control 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. housing benefits). Details of transactions with government departments are set out in the notes relating to the Cash Flow Statement.

Notes to Core Financial Statements

10. **Related Party Transactions** (continued)

Members of the Council may have direct control over the Council's financial and operating policies. One Officer has declared a related party transaction in 2008/09, which is a Chief Officer acting as treasurer for a local Community Association.

11. **Disclosure of Audit Costs**

In 2008/09 Worthing Borough Council incurred the following Audit Commission fees relating to external audit and inspection:

	2008/09 £'000	2007/08 £'000
Audit – Code of Practice work e.g. accounts, performance review and financial controls	119	105
Inspection – e.g. CPA or scoring of particular services	6	6
Grant Claim Certification	20	23
Adur and Worthing Joint Committee	10	12
TOTAL	155	146

12. **Worthing Crime and Disorder Reduction Partnership (CDRP) – Local Agreement**

The Council is working in partnership with West Sussex County Council, Sussex Police and other agencies to implement the Worthing Community Safety Strategy. The CDRP was established in 2001 and has been successful in securing funding from the government to further its aims: "To tackle the causes of crime through partnership working to produce sustainable solutions that will make Worthing be and feel a safer place".

MEMORANDUM ACCOUNTS 2008/09	£000s	£000s
<u>INCOME</u>		
Adur District Council	(40)	
Durrington Middle/High School	(13)	
West Sussex County Council	(241)	
West Sussex PCT	(20)	
Registered Social Landlords	(23)	
Total Income		(337)
<u>EXPENDITURE</u>		
Revenue	217	
Capital	-	
Total Expenditure		217
Excess Income Over Expenditure		(120)
<u>Balances Brought Forward 1st April, 2008:</u>		(142)
BALANCES CARRIED FORWARD 31ST MARCH, 2009		(262)

Notes to Core Financial Statements

12. **Worthing Crime and Disorder Reduction Partnership (CDRP) – Local Agreement** (continued)

This income and expenditure is not included in the Income and Expenditure Account.

The balances carried forward at 31st March, 2009 will be used to fund a range of agreed specific projects aimed at:

- Reducing crime
- Reassuring the public by preventing and reducing the fear of crime and anti-social behaviour, and improving the street scene by tackling environmental crime such as graffiti, littering and fly tipping.

13. **Non-Distributed Costs**

This expenditure is excluded from the recharge to particular services by the Best Value Accounting Code of Practice. Net expenditure of £1,452,780 (£415,138) relates principally to costs in relation to pensions backfunding and added years £895,753 (£282,891 2007/08), staff redundancy and early retirement payments of £211,873 (£339,200 2007/08) and depreciation and impairment on non-approved assets of £908,890 (£76,765 2007/08). These costs are offset by the receipt of a defective dwelling grant of £1,118 (£9,240 in 2007/08), claim for VAT £528,788 and net income from recharges of £33,830 (£154,478 2007/08) to Adur Council under partnership working.

14. **Tangible Fixed Assets**

(a) **Operational Assets**

Movements during the year:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra- structure £'000	Community Assets £'000	TOTAL £'000
Cost or Valuation					
At 1 st April 2008	81,813	8,052	1,640	4,946	96,451
Additions	778	1,816	321	-	2,915
Disposals	-	(16)	-	-	(16)
Other Movements	-	-	61	-	61
Reclassifications	(35)	(15)	112	-	62
Revaluations	(20,084)	-	-	-	(20,084)
At 31st March 2009	62,472	9,837	2,134	4,946	79,389

Notes to Core Financial Statements

14. **Tangible Fixed Assets** (continued)

(a) **Operational Assets** (continued)

Movements during the year: (continued)

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	TOTAL £'000
Brought forward Cost or Valuation At 31st March 2009	62,472	9,837	2,134	4,946	79,389
Depreciation and Impairments					
At 1 st April 2008	(2,689)	(4,180)	(578)	-	(7,447)
Charge for 2008/09	(1,048)	(650)	(56)	-	(1,754)
Disposals	-	7	-	-	7
Reclassifications	(1)	11	-	-	10
Revaluations	3,384	-	-	-	3,384
At 31st March 2009	(354)	(4,812)	(634)	-	(5,800)
Balance Sheet Amount at 31.03.09	62,118	5,025	1,500	4,946	73,589
Balance Sheet Amount at 31.03.08	79,125	3,872	1,062	4,946	89,005

(b) **Non-operational Assets – Movements During the Year**

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal or Development £'000	TOTAL £'000
Cost or Valuation				
At 1 st April, 2008:	9,516	184	5,951	15,651
Additions	-	123	-	123
Disposals	-	-	-	-
Reclassifications	(246)	(130)	314	(62)
Revaluations	(1,855)	-	(1,377)	(3,232)
At 31st March 2009	7,415	177	4,888	12,480

Notes to Core Financial Statements

14. **Tangible Fixed Assets** (continued)

(b) **Non-operational Assets – Movements During the Year** (continued)

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal Develop- ment £'000	TOTAL £'000
Cost or Valuation at 31st March 2009 brought forward	7,415	177	4,888	12,480
Depreciation & Impairments				
At 1 st April, 2008:	(144)	-	(11)	(155)
Charge for 2008/09	-	-	(9)	(9)
Disposals	-	-	-	-
Reclassifications	-	-	(10)	(10)
Revaluations	144	-	20	164
At 31 st March, 2009	-	-	(10)	(10)
Balance Sheet Amount at 31st March, 2009	7,415	177	4,878	12,470
Balance Sheet Amount at 31st March, 2008	9,372	184	5,939	15,495

(c) **Land and Buildings**

This category includes all the operational land and buildings owned by the Authority.

(d) **Community Assets**

This category relates primarily to Parks and Open Spaces valued at an historic cost of £4.9m.

(e) **Non-operational Assets**

This category includes properties and sites owned by the Authority, which are not directly occupied, used or consumed in the delivery of services, or for the strategic objectives of the Authority. The components at 31st March, 2009 were:

	£'000
Investment Properties:	
Car Parks	61
Industrial Sites	2,855
Pavilions & Other Recreational Premises	1,980
Properties and Developments	2,519
	7,415
Assets under Construction:	177
Surplus Assets held for disposal:	4,878
	12,470

Notes to Core Financial Statements

14. **Tangible Fixed Assets** (continued)

(e) **Non-operational Assets** (continued)

Further asset revaluations are anticipated in 2009/10 to reflect a rolling programme of revaluation in accordance with CIPFA guidelines.

(f) **Capital Expenditure & Financing**

The table below shows total capital expenditure and how it was financed including an explanation of how the Council's Capital Financing Requirement has changed over the year.

	2008/09 £'000	2007/08 £'000
Opening Requirement as at 1st April 2008	5,637	3,738
Capital Investment		
Intangible Assets	32	43
Operational Assets	2,915	4,275
Non-Operational Assets	123	81
Revenue Expenditure funded from Capital Under Statute	1,808	1,766
	4,878	6,165
Sources of Finance		
Capital Receipts	(2,258)	(3,363)
Government Grants and Other Contributions	(1,138)	(809)
Revenue Provision (direct and from reserves)	(347)	(94)
	(3,743)	(4,266)
Closing Requirement as at 31st March, 2009	6,772	5,637

Explanation of movements in year:

	2008/09 £'000	2007/08 £'000
Increase in underlying need to borrow (supported by Government financial assistance).	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance).	1,135	1,900
Total	1,135	1,900

Notes to Core Financial Statements

14. **Tangible Fixed Assets** (continued)

(f) **Capital Expenditure & Financing** (continued)

TOTAL ASSETS AND FINANCING	2008/09 £'000	2007/08 £'000
Balance as at 31st March, 2009:		
Fixed Assets	86,059	104,499
Intangible Assets	125	117
Capital Adjustment Account	(76,458)	(95,913)
Revaluation Reserve	(1,609)	(1,769)
Government Grants Deferred	(1,351)	(1,303)
Long Term Debtors	6	6
Capital Financing Requirement as at 31st March 2009	6,772	5,637

(g) **Impairment Review**

As required under capital accounting regulations, the Council completed an Impairment Review of all its assets at 31st March, 2009 to ensure that fixed assets held are recorded at no more than their recoverable amount. The Council incurred total impairment of £21,752,310 of which £2,130,894 was written down to the Revaluation Reserve and £19,621,416 was charged to revenue. The majority of the impairment (£21,501,630) resulted from a general decrease in property values in the current economic environment and the remainder (£250,680) resulted from enhancements to assets which did not increase the overall value of the assets, although the services provided by the assets were significantly improved.

15. **Commitments Under Capital Contracts**

Contracts for current and future capital expenditure, which were entered into by 31st March, 2009, include the following significant commitments:

	£'000
Affordable Housing:	
3TO/Norfolk Hotel (Investment expected October 2009)	209
Emanuel Church (Investment expected 2010/2011)	308

N.B. These figures do not necessarily represent the total cost of the scheme.

Notes to Core Financial Statements

15. **Commitments Under Capital Contracts** (continued)

In addition, the Council has firm plans for the following significant capital schemes, where contacts are expected to be entered into by 31st March, 2010:

	£'000
Community Development	
Maybridge Community Centre - Refurbishment and Extension	625
Play Areas	
Brooklands Park "We Play Too"	90
Regeneration	
Splash Point Area	730
Street Cleansing	
Replacement of 5 vehicles – Partnership Scheme with Adur District Council. Total cost £189,000	132
Worthing Theatres	
Connaught Theatre – Replacement of seating.	152
New Box Office System	124
Pavilion Theatre – Renewal of roof covering.	560

16. **Revenue Expenditure Funded from Capital Under Statute**

Movements during the year were:

	2008/09 Expenditure £'000	2008/09 Write-down £'000
Affordable Housing	436	436
Chapel Road Safety Scheme	150	150
Commerce Way Improvements	44	44
Coast Protection	13	13
Davison Leisure Centre	68	68
Housing Renewal Grants	979	979
WSCC Transport Schemes	118	118
	1,808	1,808

Notes to Core Financial Statements

17. *Fixed Assets Held By The Council At 31st March, 2009*

TYPE OF ASSET	NUMBER
OPERATIONAL:	
<i>Land and Buildings</i>	
Bus Shelters	54
Car Parks	35
Community Centres/Premises	16
Crematorium and Cemeteries	3
Entertainment Venues	5
Historic Buildings - Museum	1
Playgrounds and Sports Grounds	25
Properties and Developments	9
Public Conveniences	33
Shelters	17
Sports Buildings	15
Other	11
	224
<i>Community Assets</i>	
Civic Regalia	6
Parks, Open Spaces and Recreation Grounds	122
	128
<i>Vehicles, Plant, Furniture and Equipment</i>	
Equipment	80
Furniture	3
Vehicles	48
	131
NON-OPERATIONAL:	
Beach Shelters/Sites	446
Car Parks	6
Industrial Sites	38
Pavilions and Other Recreational Premises/Grounds	48
Properties and Developments	73
	611

18. *Leasing*

Various vehicles, plant and office equipment are held on operating leases. Rentals paid in 2008/09 were £237,301.

Notes to Core Financial Statements

18. **Leasing** (continued)

The Council was committed at 31st March, 2009 to making payments of £94,616 under operating leases for vehicles, plant and equipment in 2009/10 and beyond comprising the following:

	Committed at 31st March, 2009 £
Leases expiring in 2009/10	6,972
Leases expiring between 2010/11 and 2013/14	87,644
Leases expiring after 2013/14	-

19. **Intangible Assets**

Movements during the year:

	Purchased Software Licences £'000
Cost or Valuation	
At 1 st April, 2008	141
Additions	32
Disposals	-
Reclassifications	-
Revaluations	-
At 31st March, 2009	173
Depreciation and Impairments	
At 1 st April, 2008	(24)
Charge for 2008/09	(24)
Disposals	-
Reclassifications	-
Revaluations	-
At 31st March, 2009	(48)
BALANCE SHEET AMOUNT AT 31ST MARCH, 2009	125
BALANCE SHEET AMOUNT AT 31ST MARCH, 2008	117

Software licences are held for software applications used by the Council and are written off over the life of the licences.

Notes to Core Financial Statements

20. *Valuations of Fixed Assets Carried At Current Value*

The following statement shows the effect of the Council's rolling programme for the revaluation of fixed assets. The land and buildings valuations are carried out by Stephen Coe F.R.I.C.S., the Council's Estates Manager. The basis for valuation is set out in the statement of accounting policies.

	Land & Buildings £'000	Vehicles, Plant, etc. £'000	Investment Properties £'000	TOTAL £'000
Valued at historical cost	6,579	5,068	-	11,647
Valued in:				
Current year	10,460	-	2,002	12,462
2007/2008	230	-	2,900	3,130
2006/2007	46,132	-	1,341	47,473
2005/2006	166	-	234	400
2004/2005	10,009	-	938	10,947
TOTAL	73,576	5,068	7,415	86,059

21. *Commuted Sums*

	Balance at 31.03.08 £'000	Increases £'000	Utilised £'000	Balance at 31.03.09 £'000
Open Spaces	182	-	(1)	181
Total Commuted Sums	182	-	(1)	181

Commuted sums are funds paid to the Council by developers to cover the future maintenance costs of areas adopted by the Council. The receipts generate interest which is mainly used to maintain the land.

22. *Revaluation Reserve*

	£'000
Opening Balance at 01.04.08	1,769
Revaluations	1,978
Depreciation	(7)
Impairment relative to price decreases	(2,131)
Disposals	-
Closing Balance at 31.03.09	1,609

Notes to Core Financial Statements

22. **Revaluation Reserve** (continued)

Capital accounting regulations require the establishment of this account to represent the accumulated gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors. The account is written down by depreciation charges on assets incurred because the asset has been revalued and by revaluation gains when assets are sold.

23. **Capital Adjustment Account**

The Capital Adjustment Account is an account required under capital accounting regulations and reflects the difference between the cost of fixed 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 fixed asset and the depreciated historical cost of assets when sold.

	£'000	£'000
Opening Balance 01.04.08.		95,913
Less: Depreciation and impairment losses		(21,401)
		74,512
Plus: 2008/09 expenditure financed from capital receipts	2,258	
2008/09 expenditure financed from revenue account	107	
2008/09 revenue expenditure financed from Capital under Statute (grants income)	952	
2008/09 Government Grant amortisation	137	
2008/09 transfer of depreciation from revaluation reserve	8	
2008/09 minimum revenue provision	240	3,702
Less: Write down of revenue expenditure funded from capital under statute		(1,808)
Write down of long-term debtors		-
Disposals of Fixed Assets		(9)
Valuation adjustment		61
Balance carried forward at 31.03.09		76,458

24. **Usable Capital Receipts Reserve**

Usable Capital Receipts are available for financing new capital expenditure and, until applied for that purpose, are retained in this reserve.

Movements in the year were as overleaf:

Notes to Core Financial Statements

24. Usable Capital Receipts Reserve (continued)

	£'000	£'000
Balance at 01.04.2008		13,747
Add: New receipts in year:		
Fixed asset sales	-	
LSVT receipts	-	
Repayments of advances	9	
Repayments of grants	-	9
Amount utilised to finance capital expenditure		(2,258)
Balance at 31.03.2009		11,498
To be utilised as follows:		
General Capital Financing		4,372
Ring fenced for future "Leisure Provision"		2,991
Ring fenced for Affordable Housing (RTB Clawback Receipts)		4,131
Ring fenced for Housing Renewal Grants		4
		11,498

25. Note on Movement on Capital Reserves

	Revaluation Reserve £'000	Capital Adjustment A/c £'000	Government Grants Deferred £'000	Usable Capital Receipts £'000	Government Grants Unapplied £'000
Balance as at 1st April, 2008	1,769	95,913	1,303	13,747	1,566
Transfers to Revenue Accounts					
General Fund depreciation	(7)	(1,772)	-	-	-
Impairment	-	(19,621)	-	-	-
Funding of Revenue Expenditure	-	-	-	-	-
Capital Grants and Contributions	-	952	-	-	1,477
Amortisation of Grants and Contributions	-	137	(137)	-	(185)
Capital Receipts received	-	-	-	9	-
Balance carried forward	1,762	75,609	1,166	13,756	2,858

Notes to Core Financial Statements

25. **Note on Movement on Capital Reserves** (continued)

	Revaluation Reserve £'000	Capital Adjust- ment A/c £'000	Govern- ment Grants Deferred £'000	Usable Capital Receipts £'000	Govern- ment Grants Unapplied £'000
Balance brought forward	1,762	75,609	1,166	13,756	2,858
Upward Revaluation of Fixed Assets	1,978	-	-	-	-
Impairment due to price decreases	(2,131)	-	-	-	-
Write down of long term debtors	-	-	-	-	-
Minimum revenue provision	-	240	-	-	-
Write down of revenue expenditure funded from capital under statute	-	(1,808)	-	-	(952)
Other adjustments	-	61	-	-	-
Disposal of Assets	-	(9)	-	-	-
Financing of Capital Programme					
Use of Capital Receipts	-	2,258	-	(2,258)	-
Use of Capital Grants and Contributions	-	-	185	-	-
Revenue Contributions and Reserves	-	107	-	-	-
BALANCE AS AT 31.03.09	1,609	76,458	1,351	11,498	1,906

26. **Note on Movement on Revenue Reserves**

Movements during the year were as overleaf:

Notes to Core Financial Statements

26. *Note on Movement on Revenue Reserves* (continued)

	Closing Balance at 31.03.08 £'000	Increase £'000	Decrease £'000	Closing Balance at 31.03.09 £'000
EARMARKED RESERVES				
Capacity Issues	952	1,410	(416)	1,946
Community Initiatives	10	-	-	10
Cremator Abatement	160	78	-	238
Crematorium Improvement	-	56	(56)	-
Economic Development Initiatives	82	-	(82)	-
Insurance	284	53	(38)	299
Joint Health Promotion	52	-	(8)	44
Leisure Lottery & Other Partnerships	133	-	-	133
Leisure Options	292	-	-	292
Museum Reserve	110	-	-	110
Pension Contributions	625	-	(225)	400
Planning Delivery Grant	257	163	(159)	261
Special & Other Emergency Expenditure	575	200	(46)	729
VAT Partial Exemption	247	-	-	247
Vehicle Repairs and Renewal	61	-	-	61
	3,840	1,960	(1,030)	4,770
CAPITAL EXPENDITURE RESERVE				
Transfers from General Revenue Fund	73	-	-	73
	73	-	-	73
TOTAL	3,913	1,960	(1,030)	4,843

27. *Reserves*

- (i) The capacity issues reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.
- (ii) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.
- (iii) The Cremator Abatement Reserve and Crematorium Improvement Reserve were established in November 2005 and consist of funds set aside from increases in fees and charges. They are designed to provide funds towards the cost of mercury emission abatement measures and crematorium infrastructure improvements respectively.
- (iv) The Economic Development Initiatives Reserve was established in 2000 to meet the costs of future economic development initiatives.

Notes to Core Financial Statements

27. **Reserves** (continued)

- (v) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (vi) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (vii) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (viii) The Leisure Options Reserve has been established using the interest earned from the proceeds of the disposal of certain assets being sold to generate funds to re-provide swimming facilities and refurbishing the Leisure Centre. The reserve will be used for one-off initiatives or pump-priming projects in line with the Council's Corporate Plan priorities.
- (ix) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (x) The Pension Contributions Reserve was established in 1997/98 to provide funding for the inevitable increases in the Council's contributions to the West Sussex Pensions Fund beginning in 1999/2000 following the Government's withdrawal of Advance Tax Credits.
- (xi) The Planning Delivery Grant Reserve was set up in 2006/07 to carry forward grant received in previous years, which has been approved by Cabinet to be spent on specific planning initiatives
- (xii) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.
- (xiii) The VAT Partial Exemption Reserve was originally set up in 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in 2002 and surplus funds redistributed to other reserves leaving a balance of £247,000 to meet potential VAT liabilities.
- (xiv) The Vehicle Repairs and Renewal Fund was set up in 2008 to meet future maintenance costs of the Adur Worthing Council Services Fleet.
- (xv) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

Notes to Core Financial Statements

28. **Revenue Fund Balances**

Movements on each fund during the year reflect the surplus or deficit arising from Council operations and were as follows:-

	Balance at 31.03.08 £'000	Increase £'000	Decrease £'000	Balance at 31.03.09 £'000
General Fund	1,140	2	-	1,142
Collection Fund	(386)	344	-	(42)
	754	346	-	1,100

The General Fund balances are held for general contingencies and cash flow management.

29. **Provisions**

A provision of £197,000 for concessionary fares has been set aside for the probable outcome of a High Court judicial review that is being actioned by one of the bus operators. The timing of this is uncertain as the action is being taken against the Department for Transport.

30. **Contingent Assets**

VAT

Following a recent decision in the House of Lords, HM Revenue & Customs have accepted claims for overpaid VAT backdated to the introduction of VAT. The Council has investigated areas where claims could be made for overpaid VAT and has submitted claims backdated to 1980. Of the outstanding claims, approximately £900,000 plus interest, amounting to in excess of £1.5m remains unsettled. No accrual has been made for these in 2008/09 as the settlement of this is dependant on a decision by HMRC. Additional claims for compound interest have also been made, but these are dependant on a decision of the high court.

Notes to Core Financial Statements

31. **Government Grants (and Capital Contributions) - Deferred**

Movements during the year were:

	Balance at 31.03.08 £'000	Increases £'000	Written off £'000	Balance at 31.03.09 £'000
Coast Protection (DEFRA)	19	-	(1)	18
I.T.(DCLG/DCA)	349	35	(88)	296
Other	148	11	(14)	145
Government Grants	516	46	(103)	459
Asset & Environmental Improvem'ts	787	139	(34)	892
Capital Contributions	787	139	(34)	892
Total Government Grants Deferred	1,303	185	(137)	1,351

32. **Deferred Credits**

These are amounts due from mortgage advances granted under the sales of council houses legislation, repayable over a number of years.

33. **Government Grants Unapplied**

Movements during the year were:

	Balance at 31.03.08 £'000	Received in Year £'000	Transferred to Government Grants Deferred £'000	Revenue Expenditure Funded from Capital Under Statute £'000	Balance at 31.03.09 £'000
Government Grants and Other Contributions	279	627	(161)	(426)	319
Section 106 Contributions	1,287	850	(24)	(526)	1,587
	1,566	1,477	(185)	(952)	1,906

Notes to Core Financial Statements

34. **Trust Funds**

The Council acts as trustee for the Highdown Tower Gardens (registered charity number 305445). The charity's funds totalling £27,700 have not been consolidated in the accounts of the Council. The capital sums are invested by the Council on behalf of the Trustees and all interest earned is used to make improvements to the gardens.

35. **Long Term Investments**

At 31st March, 2009, the Council held £6.2m long-term market investments comprising cash deposits with maturities of between 14 and 18 months beyond the balance sheet date. The deposits are held with two financial institutions, namely Barclays Bank and Depfa Bank with each holding £3.1m of investments. Further analysis is contained in Note 40 below.

36. **Debtors**

Debtors have increased by £2.2m of which £1.6m is due to increased case load of Housing Benefit, the balance of which is owed from the Government Department.

Amounts falling due within one year:

	31.03.09 £000s	31.03.08 £000s
NNDR Payers and Council Taxpayers	2,056	1,636
Government Departments	2,558	806
Sundry Debtors	4,217	4,208
Prepayments	183	148
	9,014	6,798

Debtors are shown net of the following allowances for doubtful debts

	31.03.09 £000s	31.03.08 £000s
NNDR Payers and Council Taxpayers	1,668	1,606
Housing Benefit Overpayments	711	711
Sundry Debtors	55	62
	2,434	2,379

37. **Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and that needs to be disclosed at the time that employees earn their future entitlement.

Notes to Core Financial Statements

37. **Retirement Benefits** (continued)

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

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March, 2008 has been restated from £58.37m to £58.12m, a decrease of £0.25m (0.4%), resulting in an increase of the pension deficit of £0.25m (31st March, 2007: increase of £0.27m). Current and prior year surplus have been unaffected by this change.

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance .

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account	2008/09 £'000	2007/08 As restated £'000
Net Cost of Services:		
- current service cost	(1,170)	(1,740)
- past service costs	(700)	-
- curtailments and settlements	(380)	-
Net Operating Expenditure:		
- Interest cost	(5,990)	(5,090)
- Expected return on assets in the scheme	4,130	4,430
NET CHARGE TO THE INCOME AND EXPENDITURE	(4,110)	(2,400)

	2008/09 £'000	2007/08 £'000
Statement of Movement in the General Fund Balance		
- Reversal of net charges made for retirement benefits in accordance with FRS17	4,110	2,400
Actual amount charged against the General Fund Balance for pensions in the year		
- employers' contributions payable to scheme	(2,880)	(2,740)
- contributions in respect of unfunded benefits	(310)	(290)
NET MOVEMENT	920	(630)

Notes to Core Financial Statements

37. **Retirement Benefits** (continued)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains(+) and losses(-) of -£9.45 (£3.45m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total recognised Gains and Losses is a loss of £8.33m.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities Year Ended 31st March	2008/09 £'000	2007/08 As restated £'000
1st April	87,540	95,030
Current Service Cost	1,170	1,740
Interest Cost	5,990	5,090
Contributions by Members	530	540
Actuarial Losses/(Gains)	(6,710)	(10,650)
Past Service Costs/(Gains)	700	-
Losses/(Gains) on Curtailments	380	-
Estimated Unfunded Benefits Paid	(310)	(290)
Estimated Benefits Paid	(3,900)	(3,920)
31st March	85,390	87,540

Reconciliation of fair value of the scheme assets Year Ended 31st March	2008/09 £'000	2007/08 As restated £'000
1st April	58,120	61,530
Expected return on assets	4,130	4,430
Contributions by Members	530	540
Contributions by the Employer	2,880	2,740
Contributions in respect of Unfunded Benefits	310	290
Actuarial Gains/(Losses)	(16,160)	(7,200)
Unfunded Benefits Paid	(310)	(290)
Benefits Paid	(3,900)	(3,920)
31st March	45,600	58,120

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4.13m (2007/08 £4.43m).

Notes to Core Financial Statements

37. Retirement Benefits (continued)

Scheme History	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 As restated £'000	2008/09 £'000
Present value of scheme liabilities	(84,810)	(97,810)	(95,030)	(87,540)	(85,390)
Fair value of scheme assets	47,080	58,500	61,530	58,120	45,600
Surplus/(deficit) in the scheme	(37,730)	(39,310)	(33,500)	(29,420)	(39,790)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The liability of £39.79m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £75.491m

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2010 is £3.4m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hyman Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April, 2009.

The principal assumptions used by the actuary have been:

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity Investments (%)	7.0	7.7
Bonds (%)	5.4	5.7
Property (%)	4.9	5.7
Other (%)	4.0	4.8
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.5
Women	24.4	24.4
Longevity at 65 for future pensioners:		
Men	22.6	22.6
Women	25.5	25.5
Rate of inflation (%)	3.1	3.6
Rate of increase in salaries (%)	4.6	5.1
Rate of increase in pensions (%)	3.1	3.6
Rate for discounting scheme liabilities (%)	6.9	6.9
Take up of option to convert annual pension into retirement lump sum (%)	50.0	50.0

Notes to Core Financial Statements

37. **Retirement Benefits** (continued)

The Scheme's assets consist of the following categories, by proportion of the total assets held:

	2008/09	2007/08
	%	%
Equity Investments	70	71
Bonds	19	17
Other Assets	11	12
	100	100

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2009.

	2008/09		2007/08		2006/07		2005/06		2004/05	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	(16,160)	(35.4)	(7,200)	(12.4)	(1,150)	(1.9)	8,170	14.0	1,990	4.2
Experience gains/ (losses) on Liabilities	(60)	0.1	(2,950)	3.4	10	-	-	-	(2,120)	2.5

38. **Contingent Liabilities**

The Council has carried out an Equalities Audit as part of the Job Evaluation and have identified the staff affected. Consultation is being undertaken and it is likely that some staff will receive some increased remuneration. Approximately £50,000 had been allowed in the 2009/10 budget, but this cannot be quantified exactly at this stage.

39. **Temporary Borrowing**

The movement in temporary borrowing in 2008/09 is summarised as follows:

	At 31.03.08 £'000	New/ Additions £'000	Repaid £'000	At 31.03.09 £'000
Temporary Borrowing: (term 3-12 months)	28	6,226	3,500	2,754
	28	6,226	3,500	2,754

Notes to Core Financial Statements

39. **Temporary Borrowing**

The balance of £2.754m at 31st March, 2009 includes an amount of £27,700 held by the Council in its capacity as trustee for the Highdown Towers Gardens Charity – note 34 refers. The remainder comprises 2 loans consisting of £2m borrowed from another local authority and repaid in full on 1st April 2009 and £726k of PWLB borrowing due for repayment on 27th January, 2010.

40. **Financial Instruments**

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments.

	LONG TERM		CURRENT		TOTAL	
	31.03.08 £'000	31.03.09 £'000	31.03.08 £'000	31.03.09 £'000	31.03.08 £'000	31.03.09 £'000
Financial Liabilities at Amortised Cost	1,815	2,585	28	2,754	1,843	5,339
TOTAL BORROWINGS	1,815	2,585	28	2,754	1,843	5,339
Loans and Receivables	-	6,224	18,093	8,859	18,093	15,083
TOTAL INVESTMENTS	-	6,224	18,093	8,859	18,093	15,083

Long term borrowing of £2.585m at 31st March, 2009 comprises two loans from the Public Works Loans Board. The first of these was transacted on 24th January, 2009 for £1.8m at a fixed rate of interest of 4.40% until maturity on 1st July, 2013. The second PWLB loan was transacted on 7th October 2008 for £750k at a fixed rate of 4.36% until maturity on 1st October, 2014. The composition of current borrowing at 31st March, 2009 is described in Note 39 above.

Total investments at 31 March 2009 relate to cash deposits of between £1m-£2m placed with 11 approved counter parties at fixed rates of interest between 2.85%-6.36%. In accordance with the SORP the carrying amounts shown for both years have been re-measured to amortised cost being the carrying amount at the start of the year, plus accrued interest, less repayments of principal and interest during the year.

At 31st March, 2009, the value of current investments maturing within 12 months of the balance sheet date was approximately £8.9m and consisted of fixed term deposits held with six financial institutions, summarised as overleaf:

Notes to Core Financial Statements

40. **Financial Instruments** (continued)

Financial Institution	Amortised Cost at 31.03.09 £'000	Maturity Date
Abbey Bank	1,038	14.08.09
Coventry Building Society	1,025	30.10.09
Royal Bank of Scotland	2,711	(* see below)
The Co-operative Bank	1,007	02.04.09
Bank of Scotland	2,049	03.09.09
Nationwide Building Society	1,029	15.03.10
	8,859	
* The balance comprised £1.522m maturing on 16 th November, 2009, £1.007m maturing on 31.12.09 and a further £182k maturing on 19.05.09		

The composition of long-term investments with maturity dates in excess of twelve months after 31st March, 2009 was as follows:

Financial Institution	Amortised Cost at 31.03.09 £'000	Maturity Date
Barclays Bank	2,105	01.06.10
Barclays Bank	1,031	08.09.10
Depfa Bank	2,059	30.09.10
Depfa Bank	1,029	04.10.10
TOTAL	6,224	

41. **Amounts charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses**

The Income and Expenditure Account includes gains and losses comprising interest receivable from investments, and interest payable on external borrowing respectively. It also includes a charge for impairment losses recognising increased provisions for losses on trade debtors calculated in accordance with accounting policies.

The total gains and losses charged to the Income and Expenditure Account in relation to financial instruments, and reflected in the deficit for the year recorded in the Statement of Total Recognised Gains and Losses, is summarised overleaf:

Notes to Core Financial Statements

41. **Amounts charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses** (continued)

	FINANCIAL LIABILITIES Measured at Amortised Cost		FINANCIAL ASSETS Loans and Receivables		Total Gain/(Loss)	
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Interest Expense	(97)	(15)	-	-	(97)	(15)
Impairment Losses	-	-	(327)	(78)	(327)	(78)
Interest payable and similar charges	(97)	(15)	(327)	(78)	(424)	(93)
Interest income	-	-	1,310	1,295	1,310	1,295
Interest and Similar Income	-	-	1,310	1,295	1,310	1,295
NET GAIN/(LOSS) IN YEAR	(97)	(15)	983	1,217	886	1,202

42. **Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial Liabilities and Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 ST MARCH, 2008		31 ST MARCH, 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing	1,815	1,852	5,339	5,562
Trade and Other Payables	40,018	40,018	50,746	50,746
Total Financial Liabilities carried forward	41,833	41,870	56,085	56,308

Notes to Core Financial Statements

42. **Fair Value of Assets and Liabilities carried at Amortised Cost** (continued)

	31 ST MARCH, 2008		31 ST MARCH, 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Total Financial Liabilities brought forward	41,833	41,870	56,085	56,308
Loans & Receivables				
Investments	18,093	18,093	15,083	15,558
Other Receivables and Advances	4,262	4,262	4,263	4,263
Total Loans & Receivables	22,355	22,355	19,346	19,821

Financial Liabilities

The fair value for borrowing at 31 March 2009 is higher than the carrying amount since it includes an adjustment for the PWLB premature repayment set of rates in force at that date, which were lower than the actual rate of borrowing, and would result in a premium payable had the loan been redeemed at the balance sheet date.

There is no difference between the carrying amount and fair values for trade and other payables as the values are disclosed at the billed or actual amount on initial recognition.

Loans and Receivables

The fair values of investments at 31 March 2009 have been assessed in one of two ways:

The fair value of:

1. Short-term investments maturing within 12 months of the balance sheet date have been measured as the carrying amount. This is because the investments are of fixed rate of interest and unimpaired, so that there is deemed to be no appreciable difference between the carrying amount and fair value at 31st March, 2009.
2. The fair value of long-term investments maturing in excess of 12 months after the balance sheet date have been measured as the net present value of future cash flows discounted at the rate of interest for an equivalent investment. The fair value is higher than the carrying amount because the investments are at a fixed rate of interest and higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount the Council would receive if it agreed to early repayment of the investments.

Other receivables and advances have been disclosed at the invoiced or actual amount on initial recognition.

Notes to Core Financial Statements

43. **Nature and extent of risk arising from Financial Instruments**

The Council's treasury management activities expose it to a variety of financial risks, being ;

- ▶ **Credit risk** – the possibility that other parties might fail to pay amounts due to the authority
- ▶ **Liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments
- ▶ **Market risk** – the possibility that financial loss might arise for the authority as a result of changes in such matters as interest rates and stock market movements.

The Council's 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 designated officers in the central finance function in accordance with prescribed Treasury Management Practices (TMPs), and under policies contained in the Annual Treasury Management Strategy and Annual Investment Strategy Report approved at the start of the financial year.

Both the Report and the TMPs follow best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) via the Code of Practice for Treasury Management in the Public Services. Accordingly, the Council provides written guidance for managing interest rate risk, credit risk and the investment of surplus cash.

44. **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they satisfy the minimum independent credit ratings specified within the treasury management policy. For 2008/09 the minimum requirements were :

	RATING AGENCY	
	Fitch or Standard and Poors	Moody's
Long Term Investments		
More than 1 yr less than 2 yrs	AA-	Aa3
More than 2 yrs less than 5 yrs	AA	Aa2
Short Term Investments		
Fixed Cash Deposits	F1/A1	P1
Money Market Funds	F1/A1	P1
Council's own Bank	F1	P2

The authority has a policy of not lending more than £5m or 50% of total funds with any one financial institution for long term investments. For short term investments the lending limit is £3m for all institutions except the council's own banker, which has a total limit of £2m or 25% of total funds, whichever is the higher. Average total investments for 2008/09 were £21.13m, of which £5m was long term investments between one and two years duration.

Notes to Core Financial Statements

44. **Credit Risk** (continued)

Customers are not assessed for credit-worthiness, financial position or past experience unless in connection with tendering for service contracts. However, the Council operates an active debt recovery process to ensure the collection of all sums due to the council, and the targeting of particular customers who may require assistance by way of extended terms for repayment of debt.

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

Credit Risk Exposure	Carrying amount at 31.03.09 £000's	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31.03.09 %	Estimated Maximum Exposure to Default and Uncollectability £000's
Deposits with banks and financial institutions	15,083	-	0.5	75
Customers	4,263	1.10	2.09	89
	19,322			164

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

The authority does not generally allow credit for customers, such that £1.074m of the balance of £4.2m is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 3 months	686
Three to six months	186
Six months to one year	119
More than one year	83
PAST DUE AMOUNT OUTSTANDING AT 31 MARCH 2009	1,074

45. **Liquidity Risk**

The Council operates a daylight exposure limit of £500k with its banker to provide immediate overdraft facilities up to this limit should there be a temporary need to borrow. But as the authority also has ready access to borrowings from the Public Works Loan Board and the money markets, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Notes to Core Financial Statements

45. **Liquidity Risk** (continued)

Instead the risk is that the authority may be bound to replenish a significant proportion of its borrowings at a time of unfavourable (i.e. increasing) interest rates. To offset this risk, the Council retains flexibility within its Prudential Limits for borrowing to redeem up to 100% of the value of outstanding debt in any year should opportunities arise to reschedule or redeem debt early. This may be the case in times of rising interest rates when discounts are available on early redemption of debt, and the cost of borrowing exceeds the interest receivable from investment of surplus funds.

In any event, the Council obtains independent external advice from professional treasury management consultants for the purposes of borrowing and debt rescheduling. The maturity analysis of financial liabilities comprising external borrowing at 31 March 2009 is:

Less than 1 year	£000's 2,754
Between 1 and 5 years	1,820
More than 5, but less than 6 years	765
TOTAL	5,339

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

46. **Market Risk**

(i) **Interest Rates Risk**

The treasury management function includes an active strategy for assessing interest rate exposure that feeds into the Medium Term Financial Plan and the setting of the annual budget. Estimates of interest payable and receivable are updated during the year as an integral part of budget monitoring and financial planning. This allows adverse changes to be identified at various times and accommodated within the budget. The analysis also considers whether new borrowing to be taken out is at fixed or variable rates of interest.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been :

Interest Rate Risk	£000's
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(20.2)
Impact on Income and Expenditure Account	(20.2)

The impact of a 1% fall in interest rates would be the same as above but with the movements being reversed.

(ii) **Price Risk**

The authority has no investments in equity shares and thus is not exposed to losses arising from movements in share prices.

(iii) **Foreign Exchange Risk**

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

Notes to Core Financial Statements

47. **Reconciliation of Revenue Activities Net Cash Flow to the Surplus/Deficit on the Income and Expenditure Account**

	2008/09	
	£'000	£'000
SURPLUS/(DEFICIT) FOR THE YEAR		
Income and Expenditure Account	(21,769)	
Collection Fund	344	
		(21,425)
NON-CASH TRANSACTIONS		
Grants funding revenue expenditure funded from Capital under Statute amortised/written off during year	(952)	
Depreciation and Impairment of Fixed Assets	21,394	
Deferred capital grants written off during year	(137)	
Net charges from Retirement Benefits	920	
Other Capital Adjustments	(9)	
		21,216
ITEMS CLASSIFIED ELSEWHERE IN THE CASH FLOW STATEMENT		
Add: Interest received	(1,691)	
Less: Interest paid	97	
		(1,594)
ITEMS ACCRUED		
(Increase)/decrease of stock and work in progress	(6)	
(Increase)/decrease in revenue debtors	(2,320)	
Increase/(decrease) in revenue creditors	(1,455)	
		(3,781)
REVENUE ACTIVITIES NET CASH FLOW		(5,584)

48. **Reconciliation of the movement in cash to the movement in net funds**

	2008/09 £000
Increase/(Decrease) in cash in year	1,440
Cash Inflow from management of liquid resources	(9,250)
Cash inflow from:	
New loans raised	(6,975)
Cash outflow from:	
Loans repaid	3,500
Change in net debt resulting from cash flows	(11,285)

Notes to Core Financial Statements

49. *Reconciliation of the Movement of Liquid Resources and Financing to the Balance Sheet*

	2008/09 £'000	2007/08 £'000
Balances at beginning of year:		
Short-term investments	18,093	16,580
Investments made	105,740	132,831
Investments realised	(114,990)	(130,975)
Adjustment for amortisation	16	(343)
Balances at end of the year:	8,859	18,093

50. *Liquid Resources*

The liquid resources shown in this statement are current asset investments that are readily disposable by the Council without disrupting its business and are either: readily convertible to known amounts of cash, or are traded in an active market.

51. *Analysis of Government Grants*

	2008/09 £'000	2007/08 £'000
Revenue Grants:		
General Grants		
Revenue Support	962	1,112
Area Based	49	-
DCLG Local Authority Business Growth Initiative	118	332
	1,129	1,444
Specific Grants		
DEFRA Waste Performance and Efficiency	-	42
DCLG Homeless Initiative	82	125
DCLG Defective Dwellings	1	19
DCLG Planning Delivery	153	197
DCLG NNDR Administration Grant	133	129
Concessionary Fares Admin. Grant	446	75
DWP Local Housing Allowance	19	62
DCLG Council Tax Collection	5	-
Housing Benefit Administration	855	853
	1,694	1,502
Capital Grants:		
DCA Election Grant	-	12
DLCG Efficiency Grant	5	-
DCLG Planning Delivery Grant	54	75
DCLG Specified Grants for Disabled Facilities	360	390
DWP Local Housing Allowance	-	78
DEFRA Coast Protection	12	347
DEFRA Waste Performance and Efficiency	-	43
	431	945

Notes to Core Financial Statements

52. **Business Improvement District**

The council is the billing authority for Worthing's Business Improvement District which is managed by the Town Centre Initiative. The Council collects a levy, which was introduced in 2008/09 from business rate payers on behalf of the BID body. The income and expenditure of the BID group is summarised as follows:

	£'000	£'000
BID Levy income net of refunds		(214)
Less:		
Collection charge	12	
Town Centre Initiative Costs	23	
		35
Less: Cost of Schemes		(179)
Town Centre Wardens	64	
Cleansing	27	
Marketing	42	
		133
Surplus Carried Forward		(46)

53. **Acquired or Discontinued Operations**

The Council has not acquired or discontinued any operations in 2008/09 and there are no outstanding liabilities in respect of discontinued operations.

54. **Post Balance Sheet Events**

The work the Council has undertaken on investigating and submitting backdated VAT claims has been successful in respect of cultural activities. This claim was settled in June, after the Balance Sheet date, but given the size, it has been treated as a post balance sheet event and reflected in the 2008/09 accounts. The settlement comprised of £478,927 refunded VAT plus £380,837 interest.

55. **Net Assets Employed**

The Council does not operate a Housing Revenue Account and the Trading Account for the Vehicle Workshop does not own any assets, therefore, the net assets employed by the General fund is that shown in the Balance Sheet.

Collection Fund

This account reflects the statutory requirement for the Council, as billing authority, to maintain a separate Collection Fund. It shows transactions in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to West Sussex County Council, Sussex Police Authority and Worthing Borough Council. The Collection Fund is consolidated in the balance sheet of the Council's accounts. The costs of administering collection are accounted for in the Income and Expenditure Account.

INCOME AND EXPENDITURE			
	See Note No.	2008/09	2007/08
		£'000	£'000
INCOME			
Council Tax receivable (net of benefits)	1	48,898	46,561
Transfer from General Fund re: benefits	1	6,104	5,644
Contribution from precepting authorities re: previous year's deficit		501	-
Income collectable from business ratepayers	2	28,714	27,412
		84,217	79,617
EXPENDITURE			
Precepts and demands	3	54,959	52,341
Business Rate:			
Payment to National Pool	2	28,553	27,269
Costs of Collection Allowance		129	129
Interest on Refunds		32	14
Council Tax - write-offs and bad debt provision	1	200	189
Contribution to precepting authorities from previous year's surplus		-	238
		83,873	80,180
Surplus/(Deficit) for year		344	(563)
Surplus/(Deficit) at 1st April Brought Forward		(386)	177
Surplus/(Deficit) at 31st March Carried Forward	4	(42)	(386)

Notes to Collection Fund

1. **Council Tax**

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings. For 2008/09, the Council Tax Base was estimated in September 2007 to be 38,440 calculated as follows:

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	5,257	6/9	3,504
B	8,626	7/9	6,709
C	11,221	8/9	9,974
D	8,035	9/9	8,035
E	4,842	11/9	5,918
F	2,101	13/9	3,034
G	813	15/9	1,355
H	7	18/9	14
	40,902		38,543
Less: Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief and exempt properties.			(103)
COUNCIL TAX BASE			38,440

The Council Tax at Band D was set at £1,429.74 (Borough Council's element £203.04) in order to raise estimated income of £54,960,000. The actual income was £158,000 lower at £54,802,000 made up as follows:

	£'000
Council Tax receivable	48,898
Council Tax Benefit from General Fund	6,104
Write-offs and movements in bad debt provision	(200)
	54,802

2. **Income from Business Ratepayers**

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a national rate set by Central Government. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which, in turn, pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total non-domestic rateable value at the 31st March, 2009 was £68,506,503. The national non-domestic multiplier for the year was 48.5p (48.1p small business relief).

Notes to Collection Fund

3. ***Precepts and Demands***

	£'000
West Sussex County Council	42,207
Sussex Police Authority	4,947
Worthing Borough Council	7,805
	54,959

4. ***Contributions to Collection Fund Surpluses and Deficits***

Council Tax - the deficit in the Collection Fund is £41,530. A distribution of £133,185, £15,611 and £24,628 is expected in 2009/10 to West Sussex County Council, Sussex Police Authority and Worthing Borough Council respectively. Any remaining surplus at the end of 2009/10 will be distributed in subsequent financial years from these bodies in proportion to the value of their respective precepts and demands made on the Collection Fund.

Council Tax arrears at 31st March, 2009 were £1,667,800, after providing for estimated bad debts of £1,146,270, (2007/08 : £1,364,100 and £1,228,400 respectively).

Annual Governance Statement

1. *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.

In discharging this overall responsibility, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

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*. A copy of the code is on our website at www.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 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

2. *The Purpose Of The Governance Framework*

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 year ended 31st March, 2009 and up to the date of approval of the statement of accounts.

3. *The Governance Framework*

The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

Annual Governance Statement

3. *The Governance Framework* (continued)

- reviewing the authority's vision and its implications for the authority's governance arrangements
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating standing orders, financial regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle-blowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

4. *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 authority 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 the external auditors and other review agencies and inspectorates.

Annual Governance Statement

4. *Review Of Effectiveness* (continued)

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 Cabinet, the Governance and Audit Committee, the Overview and Scrutiny committees, the Standards 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 Governance and Audit Committee, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

5. *Significant Governance Issues*

There are no significant governance issues identified by red status on the Governance Action Plan.

6. *Other Issues*

The Governance Action Plan has been updated to deal with any issues brought forward from the 2008 review, together with any issues which have been identified during the current review.

7. *Proposed Action*

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

Signed:

**Councillor Paul Yallop
Leader of the Council
Worthing Borough Council**

Date:

23rd September, 2009

Signed:

**Ian Lowrie
Joint Chief Executive of
Adur and Worthing Councils**

Date:

23rd September, 2009

Independent Auditor's Report to Worthing Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Worthing Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Worthing Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditors

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

Independent Auditor's Report to Worthing Borough Council

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of its accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Helen Thompson,
District Auditor
Audit Commission,
Suite 2, Ground Floor,
Bicentennial Building,
Southern Gate,
Chichester,
West Sussex, PO19 8EZ
September 2009

Independent Auditor's Report to Worthing Borough Council

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Worthing Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson,
District Auditor
Audit Commission,
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September 2009

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