

**ADUR DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2007/08**



Photographed by Keith Whitcomb

**Andrew Gardiner**  
**Strategic Director**

# **STATEMENT OF ACCOUNTS 2007/08**

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## EXPLANATORY FOREWORD AND SUMMARY

The Council's accounts for the year 2007/08 are set out on the following pages. They comprise :-

### **The Core Single Entity Financial Statements**

**1. The Income and Expenditure Account (Page 16)**

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authorities functions, in three distinct sections, each divided by a sub-total.

**2. Statement of Movements on the General Fund Balance (Page 17 )**

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balances.

**3. Statement of Total Recognised Gains and Losses (Page 18)**

This statement brings together all of the gains and losses of the Council for the year and shows the aggregated increase in its net worth. In addition to the surplus generated on 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.

**4. Balance Sheet (Page 19)**

This is effectively a snap-shot of the Council's financial position at the year end. It shows the Council's balances and reserves and its long-term indebtedness and the fixed and net current assets at the year end, together with summarised information on fixed assets and capital expenditure for the year.

**6. Cash Flow Statement (Pages 20-21)**

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

**7. Notes to the Core Single Entity Financial Statements (Pages 22-42)**

These are the notes that explain the Income & Expenditure Account, Statement of Recognised Gains & losses, Balance Sheet and Cash Flow Statement.

### **The Supplementary Single Entity Financial Statements**

**8. The Housing Revenue Account (Page 43)**

The Housing Revenue Account (HRA) summarises the resources that have been generated and consumed in providing services and managing the Council's housing stock during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

**9. Statement of Movements on the Housing Revenue Balance (page 44 )**

This statement shows the reconciliation and detail of how the Statement of Movement on the HRA Account Balances has been arrived at.

**10. Note to the Housing Revenue Balance (page 45-48 )**

This statement shows the reconciliation and detail of how the Statement of Movement on the Housing Revenue Balance has been arrived at.

**11. Collection Fund (Page 49)**

The Collection Fund summary shows how the Authority is required to account for its collections of revenue from the council tax and non-domestic rate (business rate), and shows how the total income is distributed to preceptors of the fund.

## **OPERATING REVIEW OF THE YEAR 2007/08**

### **Introduction**

Adur is one of the smallest councils in the country with big plans for the next three years. We recognise that because of our size and limited resources, we have to set very clear priorities to ensure we achieve the best we can for the people of Adur.

We believe that only by taking a radical approach to tackling the issues we face will we be able to keep Council Tax increases low and yet deliver high quality services to the people of Adur. To that end we have embarked on a ground breaking partnership arrangement with Worthing Borough Council which is described in more detail below

Although the emphasis will be on creating and developing successful partnerships with other Councils we remain committed to the people of Adur and their wellbeing. We will continue to strive for better education, better health, better jobs more and better homes and better lives for all of us.

### **Working in Partnership**

Recent Government announcements have placed great emphasis on partnership working for future service delivery to help meet the changing needs of customers and the effectiveness we need to find. To proceed towards this goal the Council embarked on developing an innovative partnership arrangement with Worthing Borough Council

A high level business case was prepared with the help of external bodies such as the Improvement and Development Agency (IDeA) and the South East Centre of Excellence (SECE) which went before Members of both Councils in March 2007 outlining a possible way forward.

Capita Advisory Services were appointed to challenge the business case and others, such as the Council's internal auditors and the Audit Commission were formally consulted on the document. No "show stoppers" were identified at that stage. There were however a number of areas highlighted for further exploratory work to be done. This included governance, human resources and how the finances could be structured and applied to two councils to operate in this way. This piece of work was completed by June with a final report going before Members in July 2007 where the two Councils decided to go ahead with this proposal.

By November 2007 a new management team serving both Councils comprising a Chief Executive, 3 Strategic Directors and 10 Executive heads had been appointed with the new structure coming into operation in April 2008. The new structure will save the two Councils around £500,000 per annum.

This exciting approach is being watched by other councils nationally, (particularly as it is our intention to retain two separate councils). Many face the same dilemma as ourselves, which is how a small district council can continue to provide high quality services to its communities with limited budgets, keep Council Tax increases low and still achieve the additional 3% savings now required of all councils for the next three years.

### **Council Priorities**

In April 2005 the Council identified five priorities following public consultation and feedback which were; Protect and enhance core services to the community, Create a clean, green and safe environment, Revitalise Adur, Keep Council Tax increases to the minimum level practicable, Contribute to the implementation of the Community Strategy and other partnership initiatives where practical and beneficial to the community to do so.

Our budget and resource allocation is targeted towards improving services in each of these areas. Some are dependant upon our partnership working, some on achieving efficiency savings and some on external funding.

For 2008/09 we will be reviewing performance against targets previously identified in the Council's Corporate Plan. This is due for review in light of the Member decision for a shared officer structure and shared service provision with Worthing Borough Council which occurred in July 2007. This also resulted in the creation of four new, shared corporate priorities listed below:

1. to protect and enhance priority services
2. to promote a clean and green environment;
3. to revitalise, regenerate and create lively economies
4. to support and contribute to the health, safety and wellbeing of the area

For more detailed information on how the council is performing against each of these priority areas, please see the Best Value Performance Plan pages available via the Council's internet web-site.

### **Value Statement**

In September 2004 the Council adopted its *Value Statement*

#### **"To put the customer at the heart of our business"**

The principles underpinning this commitment and by which the Council will seek to work are :

- \* To act always with fairness, integrity and courtesy
- \* To consult with and listen to the people of Adur and to enable opportunities for involvement in the Council's decision making processes
- \* To strive to deliver our services as efficiently, effectively and economically as possible
- \* To work in partnership where it is in the best interests of the Council and the people of Adur
- \* To ensure equal access to information and Council services
- \* To value our staff and to seek to develop their potential

It is a statement of our values and beliefs as an organisation and how we wish to be seen by others and will provide the foundation for the way we work and the decisions we take in the future

### **Review of Achievements**

The development that will have the most noticeable impact on the residents of Adur over the next few years is the rolling out of the new joint Refuse and Recycling Service with Worthing BC. Phase 1 of the new service commenced in September 2007 with new refuse vehicles being acquired and two wheeled bins, one for refuse and one for recyclables being issued for each household. At the same time as the wheelie bin service is introduced a green waste service is being offered for an additional fee. Phase 2 started in April 2008 with phases 3 and 4 following in September 2008 and April 2009 respectively. Already the rolling out of the new service has had a beneficial impact on the proportion of the waste stream that is being recycled rising from 25% to 28% and the amount of refuse collected falling by 10kg per person.

The statistics for the proportion of waste recycled and the amount of refuse per head are expected to improve still further as the new service extends to the whole of the area. In addition the green waste service has proved very popular and is expected to dramatically increase (albeit from very low levels) the amount of waste that is composted rather than go in with the general waste.

Another service of vital importance for many people which achieved a significant improvement in performance was Housing Benefits. The time taken to process new claims more than halved from nearly 43 days to just over 21 days and the time taken to process changes in circumstance fell from 17.5 days to under 9.5 days. In the case of new claims processing this has moved the Council from being in the bottom 25% of authorities into the top 25%. This major improvement in speed of processing was achieved whilst still ensuring that over 99% of cases were processed correctly.

Working in partnership with Sussex police and the Safer Adur Team the Council has helped to achieve of significant reductions in recorded crime over the last 3 years; a 21% reduction in criminal damage and anti social behaviour, a 10% fall in violent crime and a 25% drop in thefts.

Lastly the Council continues to develop means to access our services electronically at a time that suits our customers. The Council's web site is regarded as one of the top 20 District Councils nationally and was a commended runner up in the Good Communications awards 2007. The range of services available on-line continues to grow and now includes a range of services for Housing tenants including access to the choice based lettings service.

## **Financial Overview**

A more detailed summary of the Council's financial results in 2007/08 is given on the following pages but a brief outline of the Council's financial position is given below.

The Council continues to live within its modest means. It kept its Council Tax increase below capping levels without drawing on reserves, kept Council House rent increases to an average of 5% whilst facing further subsidy losses without damaging services to tenants and maintained its capital programme largely from its own resources with minimal Government support.

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels and without reducing reserves despite facing a range of additional costs that were not part of the original budget. These extra costs included a significant rise in the cost of free bus travel for over 60's and the disabled, redundancy costs incurred as part of the move to the new partnership management structures and significant increases in bed and breakfast costs due to increasing demand and the phasing out of 37 temporary units at Golden Sands. This was achieved by savings in staffing costs, higher than expected income levels and improved performance from trading accounts.

Savings in management and support costs were the main contributory factor in a higher than expected surplus on the Housing Revenue Account which has increased its reserves to over £1.6m. The account is however likely to be under severe pressure in future years as we seek to keep rent increases and service standards at acceptable levels in the face of expected further subsidy losses.

Spending on capital schemes of over £8.5m was 90% of the revised budget, an improved performance compared to the 82% achieved in 06/07. Indeed two areas of expenditure, improvement to Council Housing and Replacement of refuse vehicles actually exceeded their budget by being able to progress schemes ahead of schedule. However with only relatively limited Government financial support and without a significant asset bank which can be used to generate capital receipts much of the programme relies on prudential borrowing which in turn adds to the financial pressures on the tax and rent payers.

Overall therefore the Council has had a generally successful year from a financial perspective, maintaining and improving services and delivering on major capital investments whilst being able to strengthen its overall reserves. However the future still looks challenging to say the least and the Council will have to work hard through its medium term financial planning process to ensure that its financial health can be maintained

## SUMMARY

There follows a brief summary of the salient features of the financial results for 2007/08 and the major influences thereon :-

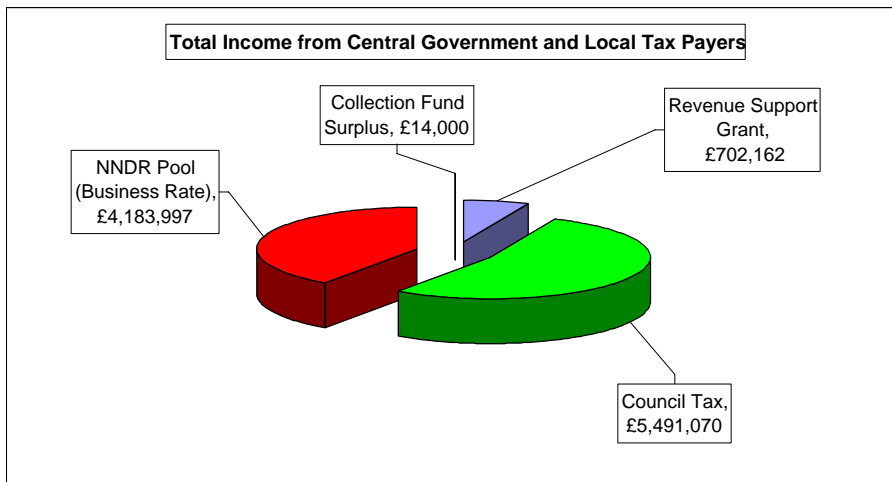
### GENERAL FUND

The Council set a balanced net General Fund budget of £10.417m, which was financed partly from central government support (£4.886m) and the balance from Council tax payers (£5.491m). This equates to an average council tax paid for Adur services of £258.34

The Council's actual net expenditure was £10.18m a saving of £237,000 against the original budget. £211,000 was transferred to earmarked reserves.

A summary, comparing total actual expenditure to the revised budget in respect of the main Committees, is shown below.

Committee	Original		
	Estimate £'000	Actual £'000	Variances £'000
Community and Leisure Services	4,772	4,881	109
Planning and Regulatory	1,656	1,463	(193)
Housing and Central Services	3,599	3,122	(477)
Licensing	82	39	(43)
Joint Services - AWCS	1,100	1,107	7
<b>Net Committee Expenditure</b>	<b>11,209</b>	<b>10,612</b>	<b>(597)</b>
Trading Accounts	0	(153)	(153)
Interest and Capital Charges	(792)	(279)	513
	<b>10,417</b>	<b>10,180</b>	<b>(237)</b>
Transfer to / (from) reserves	0	211	211
<b>Spend 2007/08</b>	<b>10,417</b>	<b>10,391</b>	<b>(26)</b>
Financed from:-			
Council Tax	(5,491)	(5,491)	0
NNDR Pool (Business Rate)	(4,184)	(4,184)	0
Revenue Support Grant	(702)	(702)	0
Collection Fund Surplus	(40)	(14)	26
	<b>(10,417)</b>	<b>(10,391)</b>	<b>26</b>
Movement in General Fund Balances	0	0	0



**Central Government Support**

The Councils share of Business Rates and Revenue Support Grant has increased by £239,000 compared to 2006/07, an increase of 5.1%, due mainly to the impact of inflation.

**Local Taxpayers**

During the year the Council collected £31.717m in Council Tax (30.369m in 2006/07), inclusive of £4.094m of council tax benefit (£4.036m in 2006/07). This represented 97.2% of the total council tax due to be collected (97.2% in 2006/07). Council tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.4% (73.5% in 2006/07), Sussex Police Authority 8.5% (8.5% in 2006/07) and Adur District Council 18.0% (18.0% in 2006/07).

The Council also collects non domestic rates from local businesses which are paid over to the government's national pool. The pool is then re-distributed back to Council's on a per capita basis. £13.649m (£13.758m in 2006/07) was billed during the year on behalf of the national pool and £4.184m was re-distributed from the pool to Adur (£3.870m in 2006/07).



## Revenue Reserves and Balances

### Revenue Reserves at 31st March 2008 were:

	Balance at 31st March 2008 £'000	Balance at 31st March 2007 £'000
Carry Forward Reserves	48	0
Performance Reward Grant Fund	26	26
Community Fund - Bovis Homes	0	25
Discount Fund	273	273
Insurance Fund	100	53
New Technology Fund	37	26
Risk Management	9	9
Recycling Credits	80	80
Training Fund	4	4
Vehicle Renewal Fund	5	5
IT Disaster Recovery Fund	3	3
Partnership Development Fund	245	245
Others - General	2	2
Community Alarm	7	12
Health & safety	32	38
Investment Property Maintenance Fund	69	37
Building Maintenance Fund	95	20
Leisure Centre Maintenance Fund	46	0
Totals	<b>1,081</b>	<b>858</b>

### General Fund and Housing Revenue Fund Reserves

	Balance at 31st March 2008 £'000	Balance at 31st March 2007 £'000
General Fund Balance	835	835
Housing Revenue Account	1689	1272
Housing Repairs Account	556	531
	<b>3,080</b>	<b>2,638</b>

### Provisions at 31st March 2008 were:

	Balance at 31st March 2008 £'000	Balance at 31st March 2007 £'000
HRA Scheme Managers Fund	63	100
Courtfields Major works reserve	123	102
Insurance Claim	138	138
Concessionary Fares	140	0
	<b>464</b>	<b>340</b>

## HOUSING REVENUE ACCOUNT

Lower than expected operating costs enabled the Housing Revenue Account to make an operational surplus of £0.417m compared to a budgeted surplus of £0.183m.

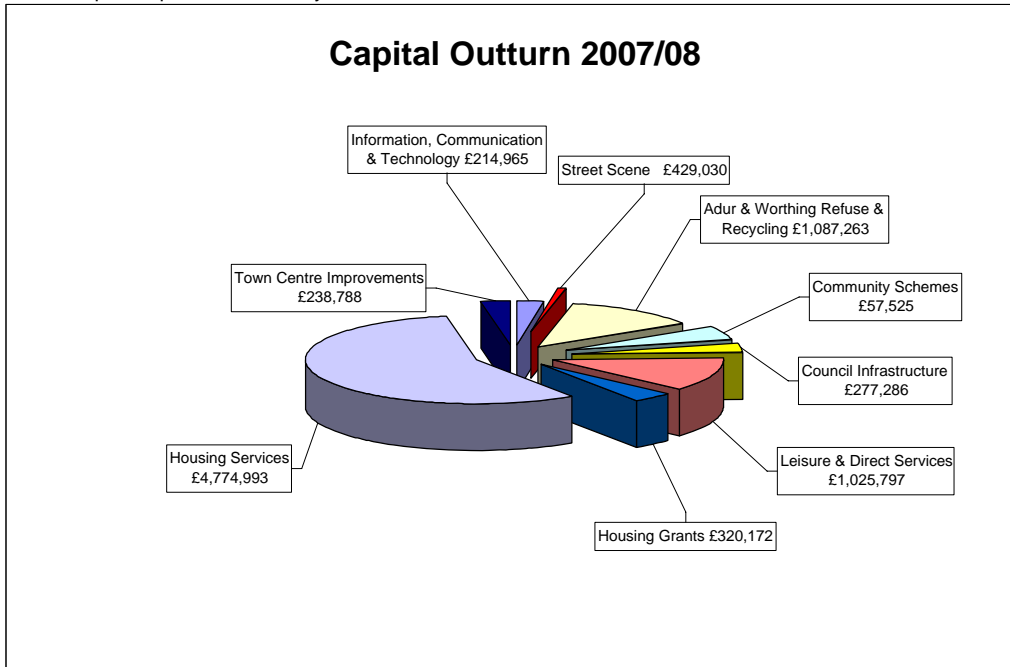
## TRADING SERVICES

The former Direct Service Organisations (DSO), established under competitive tendering legislation, have now been designated as trading services until internal contractual arrangements expire. Building Maintenance generated a surplus of £81,000 (£14,000 in 2006/07). Horticultural Services generated a surplus of £30,000 (£22,000 surplus in 2006/07). Trade Refuse sustained a deficit of £80,000 (£34,000 deficit in 2006/07). Property Management generated a surplus of £283,000 (£248,000 surplus in 2006/07).

## **CAPITAL EXPENDITURE AND FINANCING**

### **Capital**

Local authorities are required to distinguish between revenue and capital expenditure. Revenue expenditure represents the day to day costs of running Council services. Capital expenditure represents expenditure on the acquisition, creation or enhancement of fixed assets, which yield benefits to the authority and the services it provides for a period of more than a year. Total capital expenditure for the year was £8.426m.



Capital expenditure for the year was financed from the following sources

	<b>2007/08</b>
	<b>£'000</b>
Capital receipts	1,300
Government grants via Housing Subsidy	152
Other contributions	807
Revenue Contribution	261
Major repairs allowance	1,900
Loan	4,006
<b>Total</b>	<b><u>8,426</u></b>

## **PENSION FUND ACCOUNTS**

In common with other large organisations, the Authority has a substantial deficit on its pension fund which is administered by West Sussex County Council. Further explanation is provided in note 16 to the balance sheet. Future formal actuarial valuations will ensure that by modification of contribution rates and consequent increases in revenue costs the deficit is taken into account.

The pension fund deficit has decreased from £19.21m to £13.99m as at 31st March 2008. This is largely due to an increase in the actuarial gain in the pension scheme.

### **Further Information**

Further information about the accounts can be obtained from the Executive Head of Financial Services at the Civic Centre, Ham Road, Shoreham by Sea, Sussex, BN43 6PR. Telephone 01273 263000 or by e-mailing: [accountancy@adur.gov.uk](mailto:accountancy@adur.gov.uk), or visiting our website: [www.adur.gov.uk](http://www.adur.gov.uk).

# ADUR DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

For the year ended 31st March 2008

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required :-

a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2007/08 that officer was the Director of Resources.

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

#### The responsibilities of the Director of Resources

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts which is required to "present fairly " the financial position of the Council.

In preparing the statement of accounts the Director of Resources has to select accounting policies and apply them consistently, make judgments and estimates that are reasonable, and ensure that the Statement of Accounts complies with the Code of Practice on Local Authority Accounting.

The Director of Resources also has to keep proper accounting records which are up to date, and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents fairly the financial position of the Council at 31st March 2008 and its income and expenditure for the year ended on that date.



Andrew Gardiner  
**Strategic Director**  
(Director of Resources up to 31/3/2008)

Dated : 26th June 2008

#### Certificate of Approval by Constitution and Audit Committee

I confirm that these Accounts were approved by the Constitution & Audit Committee of Adur District Council on 30th June 2008



Victoria Parkin  
Chairman, Constitution & Audit Committee

Dated: 30th June 2008

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2007/08 (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 Statement of Accounting Policies for 2007/08 Accounts were presented to and agreed by the Constitution and Audit Committee on the 30th June 2008

### Accounting Concepts

In managing its finances and preparing the Statement of Accounts the Council has particular regard to the accounting concepts within the SORP. The precise existence and value of assets, liabilities, income and expenditure may be uncertain and where this is the case, professional judgment is used to estimate. In doing so the Council adheres to the accounting concepts set out below to ensure that the accounts present fairly its financial position and performance

### Relevance

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.

### Reliability

The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.

### Comparability

A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information provided, this has been disclosed.

### Understandability

The Council has endeavoured to ensure that, within the restrictive definitions of the regulations, an interested reader can understand the accounts

### Materiality

In using its professional judgment the Council has considered the size and nature of any transaction, or set of transactions. An item is considered to be material where its omission or mis-statement would reasonably change the substance of the information presented in the accounts.

### Accruals

The non-cash effects of transactions have been reflected in the statements for the financial year in which they occur, not when any cash is received or paid.

### Going Concern

The accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.

### Primacy of Legislative Requirements

The Council operates through the power of statute. Where legislation prescribes the express treatment of transactions then the accounting concepts outlined above may be over-ruled.

## **2. Fixed Assets**

All expenditure on the acquisition, creation and enhancement of fixed assets is capitalised on an accruals basis. A de-minimis level of £50,000 has been established by the Council, below which assets have not yet been externally valued.

Income from the disposal of fixed assets is also accounted for on an accruals basis.

The Council's housing fixed assets were revalued as at April 2007, and incorporated in the balance sheet at these values, adjusted as appropriate by additions and disposals during the year. Other fixed assets were revalued as at April 2005.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and/or net realisable value in existing use.

Infrastructure assets and community assets are included in the balance sheet at historic cost.

Non-operational assets are included in the balance sheet at net realisable value.

Intangible Assets are included in the balance sheet at net realisable value.

## **3. Charges to Revenue for Fixed Assets**

Revenue accounts now bear a capital financing charge, comprising of a charge for depreciation. These notional charges are then adjusted in the Statement of Movement in General Fund Balances so they do not fall on the Council Taxpayer.

Depreciation is provided on buildings and vehicles, plant and equipment on a straight line basis to write down the assets to their residual value over their useful working lives. The depreciation on council dwellings has been set at a level to match the Major Repairs Allowance granted to the council by the Government.

A further statutory provision, the Minimum Revenue Provision, representing the amount to be set aside for principal repayments on outstanding loan debt and notional interest on credit arrangements, is charged to general fund balance in accordance with the Local Government and Housing Act 1989. The total amount charged in 2007/08 to the General Fund Revenue Account £378,277 (2006/07 £145,118).

## **4. Capital Receipts**

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

The Government requires that 75% of capital receipts generated from the sale of council dwellings to be paid to central government for housing redistribution purposes.

## **5. Grants**

Grants received towards revenue expenditure are credited to the appropriate revenue account. Capital grants are used to finance the appropriate capital expenditure over a period of years. This will be written off in the service revenue account over the life of the asset to match the depreciation of the asset to which it relates.

## **6. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed from capital resources. Deferred charges are written off in the year they are incurred.

## **7. Debtors and Creditors**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and Financial Reporting Standards (FRS) 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

Exceptions to this principle relate to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. These policies are consistently applied each year and do not have a material effect on the year's accounts.

## 8. Stocks and Work in Progress

Stocks are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not material.

Work in progress on uncompleted jobs is valued at cost.

## 9. Cost of Support Services

All costs of management and administration have been allocated to services. The allocation basis used for the main costs of management and administration are outlined below :-

<u>Cost Heading</u>	<u>Basis of allocation</u>
Central departments (Financial Services, Legal and Democratic Services)	Time spent by staff
Administrative buildings	Head count per service
Computing	Hardware count per service

## 10. Leasing

The capital value of material items acquired during the year under leases is recorded as a note to the Balance Sheet. Rental payments under finance leases have not been apportioned between the finance charge and the principal element (i.e. the reduction of the liability to pay future rentals) as the amounts involved are not significant. Operating lease rentals are charged to revenue on an accruals basis.

The assets acquired under a finance lease have not been capitalised as required by the Statement of Recommended Practice (SORP) as their value is not considered significant.

## 11. Debt Redemption

Provision is made each year from revenue accounts for debt redemption in the form of the Minimum Revenue Provision (MRP), which is then held in the Capital Adjustment Account (see 3, above).

## 12. Capital Reserves

With effect from 1st April 2007 there are two new capital reserve accounts in the Balance Sheet:-

- a. Revaluation Reserve - which will record the net gain in assets from revaluations made on or after 1st April 2007.
- b. Capital Adjustment Account - which reflects the capital financing set aside less the charges to revenue for the consumption of fixed assets.

These reserves replace the Fixed Asset Adjustment Account and the Capital Financing Account shown in the Balance Sheet as at 31st March 2007.

## 13. Pensions

The pension costs charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These contributions are determined on the basis of rates that are intended to meet 100% of the liabilities of the superannuation fund, in accordance with relevant Government regulations.

In accordance with FRS 17 - Retirement Benefits - The Council's accounts have been prepared to disclose the Council's indebtedness to West Sussex County Council's Local Government Pensions Scheme.

#### 14. Internal Interest

Interest is credited to the Housing Revenue Account based upon the average revenue balances outstanding during the year. The amounts are calculated using one month money market rates.

#### 15. Investments

All the investments shown under current assets are temporary deposits repayable within one year and were effected for treasury management purposes.

#### 16. FRS 3 Reporting Financial Performance - Prior Year Adjustments

FRS 3 requires that material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring adjustments of corrections of accounting estimates made in prior periods.

#### 17. Value Added Tax (VAT)

Value added tax (VAT) has not been included in the income and expenditure of the accounts except where it is not recoverable.

#### 18. Bad Debt Provision

Provision for non collection of outstanding debts should generally based on the age of the debt and with a general target of :-

Debt up to one year old	25%
Debt up to two years old	50%
Debt up to three years old	75%
Debt over three years old	100%

#### 19. Financial Instruments

A financial instrument is defined as any contract which gives rise to a financial asset in one entity and a financial liability in another. This definition therefore covers both assets and liabilities within the Council's Balance Sheet and includes items such as investments, long term and short term borrowing, trade debtors and creditors.

All the Council's liabilities represented by long term borrowings and its assets represented by loans and receivables are carried in the Balance Sheet at amortised cost.

The interest due from loans and receivables or payable on fixed rate borrowings has been calculated on an accruals basis.

The Council has borrowings amounting to £10.69m at stepped interest rates where for an initial period of the loan is at a relatively low rate and thereafter the rate is increased. The interest due under these loans has been calculated by the Effective Interest Rate (EIR) method which has the impact of equalising the interest rate charge to the revenue account over the life of the loans. The difference between the interest calculated under EIR and the cash payments are reflected in the carrying values for these loans in the Balance Sheet.

All trade debtors and creditors become due in less than a year and are carried in the Balance Sheet at the invoiced value.

An allowance for the non collection of trade debts is made in accordance with the principles set out in note 18 above and charged to the revenue account as appropriate.

## INCOME AND EXPENDITURE ACCOUNT

	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000	2006/07 Net Expenditure £'000
<b>NET EXPENDITURE ON SERVICES</b>				
Central Services to the Public	5,746	(4,686)	1,060	817
Cultural, Environmental and Planning Services	8,044	(2,478)	5,566	5,622
Highways, Road and Transport Services	1,715	(319)	1,396	1,004
General Housing Services	15,633	(14,130)	1,503	1,172
Corporate and Democratic Core	2,159	(840)	1,319	1,283
Non-Distributed Costs	187	(179)	8	201
<b>Net cost of services</b>	<b>33,484</b>	<b>(22,632)</b>	<b>10,852</b>	<b>10,099</b>
Housing Revenue Account	8,979	(10,195)	(1,216)	(1,151)
	<b>42,463</b>	<b>(32,827)</b>	<b>9,636</b>	<b>8,948</b>
(Gains) / Loss on disposal of fixed assets			578	(17)
Precepts and levies			246	226
(Surplus)/deficits on trading undertakings not included in Net Cost of Service			(314)	(236)
Interest payable and similar charges			1,856	1,561
Contribution of housing capital receipts to the government pool			1,045	1,253
Interest and investment income			(850)	(732)
Amortisation of Premiums			0	260
Pension interest cost and expected return on pension assets			250	390
<b>Net operating expenditure</b>			<b>12,447</b>	<b>11,653</b>
<b>SOURCES OF FINANCE</b>				
Demand on Collection Fund - including the local precepts of £246,007			(5,737)	(5,413)
Transfer from Collection Fund in respect of previous year's (surplus) deficit			(14)	(40)
Revenue Support Grant			(702)	(740)
Distribution from Non-Domestic Rate Pool			(4,184)	(3,870)
Performance Reward Grant			0	(26)
<b>NET GENERAL FUND (SURPLUS)/ DEFICIT</b>			<b>1,810</b>	<b>1,563</b>



## Statement of Movement on the General Fund Balance

	2007/08 Current Year £000s	2006/07 Previous Year £000s
(Surplus)/Deficit for the year on the Income and Expenditure Account	1,810	1,563
Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year. (Explanation is on page 22)	(1,810)	(1,566)
Increase in General Fund Balance for the Year	(0)	(3)
General Fund Balance brought forward	(835)	(832)
General Fund Balance carried forward	(835)	(835)

**The note to this statement can be found on page 22**

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	<b>2007/08 Current Year £000s</b>	<b>2006/07 Previous year £000s</b>
(Surplus)/Deficit for the year on the Income and Expenditure Account	1,810	1,563
Collection fund movement	52	(5)
(Surplus)/Deficit arising on revaluation of fixed assets	(19,684)	(7,968)
Actuarial (gains)/Losses on pension fund assets and liabilities	(4,880)	(3,920)
A loss on restatement of opening balances as at 1st April 2007 in accordance with the SORP	1,877	0
<b>Total Recognised (Gains) and Losses</b>	<b>(20,825)</b>	<b>(10,330)</b>

# BALANCE SHEET

	31st March 2008	31st March 2007
Note	£'000	£'000
<b>Fixed Assets</b>	<b>16-21</b>	
Intangible Assets	18	28
<b>Operational Assets</b>		
Council Dwellings	184,046	165,199
Other Land and Buildings	<b>21,600</b>	20,353
Vehicles, Plant, Furniture & Equipment	3,030	2,442
Infrastructure	1,096	1,064
Community Assets	1,994	1,963
<b>Non-operational Assets</b>		
Investment Properties	<b>6,232</b>	5,959
<b>Total Net Fixed Assets</b>	<b>218,016</b>	<b>197,008</b>
Long Term Investments	4,356	7,005
Long Term Debtors	<b>26</b> 223	208
Deferred premiums on the early repayment of debt	0	1,506
<b>Total Long Term Assets</b>	<b>222,595</b>	<b>205,727</b>
<b>Current Assets</b>		
Stocks and Work in Progress	<b>23</b> 50	50
Debtors	<b>24</b> 6,062	7,695
Provision for Doubtful Debts	(1,417)	(1,531)
Investments	<b>28</b> 8,233	6,191
Cash in Bank and in Hand	2	2
	<b>12,930</b>	<b>12,407</b>
<b>Less Current Liabilities</b>		
Creditors	<b>25</b> 4,672	4,145
Temporary Loans	0	20
Bank Overdraft	248	284
Long Term Borrowing due within one year	0	0
	<b>4,920</b>	<b>4,449</b>
<b>Net Current Assets</b>	<b>8,010</b>	<b>7,958</b>
Long term borrowing	<b>27</b> (33,707)	(32,895)
Provision	<b>37</b> (464)	(340)
Capital Grants	(9)	(9)
Government grants deferred	(1,722)	(1,366)
Deferred liabilities	(16)	(19)
Unapplied Grants and contribution scheme	(381)	(355)
	(13,990)	(19,210)
	<b>(50,289)</b>	<b>(54,194)</b>
	<b>180,316</b>	<b>159,491</b>
<b>Financed by:</b>		
<b>Reserves</b>		
Usable Capital Receipts Reserve	952	1,261
Major Repairs Reserve (HRA)	0	0
Revaluation Reserve	18,140	0
Capital Adjustment Account	172,773	173,889
General Fund Balances	835	835
Housing Revenue Account	1,689	1,272
Housing Repairs Account	556	532
HRA Earmarked Reserves	16	16
Earmarked Reserves	1,081	858
Adur share of collection Fund Surplus	(14)	38
Financial Instruments Adjustment Account	<b>29</b> (1,722)	
Pension Reserve	(13,990)	(19,210)
	<b>180,316</b>	<b>159,491</b>
<b>Total Net Worth</b>	<b>180,316</b>	<b>159,491</b>

The notes to this statement start on page 33

## CASH FLOW STATEMENT 2007/08

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

	Note	2007/08 £'000	2007/08 £'000	2006/07 £'000
<b>REVENUE ACTIVITIES</b>				
<b>Cash Outflows - Payments</b>				
Cash paid to and on behalf of employees			11,539	11,693
Other operating costs			10,646	10,852
Housing benefit paid out			17,088	16,189
National Non-Domestic Rate Payments to national pool			12,993	15,699
Housing Pool Paid to Government			1,397	0
Payments to precepting Authorities			26,287	25,034
			<b>79,950</b>	<b>79,467</b>
<b>Cash Inflows - Receipt</b>				
Rents (after rebates)		(9,429)		(9,893)
Council Tax		(31,722)		(30,208)
Revenue Support Grant		(702)		(740)
Non-Domestic rate income		(13,638)		(13,798)
National Non-Domestic Rate Receipts from national pool		(4,184)		(3,895)
DWP Grants for Benefits		(18,297)		(16,207)
Other Government Grants		(543)		3,018
Cash received for goods and services		(3,888)		(4,967)
Other Revenue cash payments/income		(1,235)		(2,556)
			<b>(83,640)</b>	<b>(79,246)</b>
<b>Net (increase)/decrease in cash flow on revenue activities</b>	<b>32</b>		<b>(3,690)</b>	<b>221</b>
<b>Servicing of Finance</b>				
Expenditure/Income				
Interest paid out			1,815	1,608
Interest received			(445)	(632)
			<b>1,371</b>	<b>976</b>
<b>CAPITAL ACTIVITIES</b>				
<b>Expenditure</b>				
Purchase of fixed assets		7,775		7,075
Premium to repay debt		0		0
Other Capital expenditure		494		432
Pooled Capital Payments to ODPM		0		1,215
			<b>8,269</b>	<b>8,722</b>
<b>Income</b>				
Sale of Fixed Assets		(2,063)		(1,931)
Capital grants received		(2,179)		(2,099)
Other capital cash payments/income		(25)		(115)
			<b>(4,267)</b>	<b>(4,145)</b>
			<b>4,003</b>	<b>4,577</b>
<b>Net cash (inflow) outflow before financing</b>			<b>1,683</b>	<b>5,774</b>

**MANAGEMENT OF LIQUID RESOURCES**

	Note	2007/08 £'000	2007/08 £'000	2006/07 £'000
<b>Short term deposits</b>				
Investments made		218,022		160,403
Investments realised		(221,904)		(156,492)
			<b>(3,882)</b>	<b>3,911</b>
<b>Other liquid resources</b>				
	<b>35</b>			
Investments made		59,250		59,200
Investments realised		(57,000)		(54,950)
External managed funds realised		0		(10,000)
			<b>2,250</b>	<b>(5,750)</b>
Increase (decrease) in short term investments			<b>(1,632)</b>	<b>(1,839)</b>

**FINANCING**

		2007/08 £'000	2007/08 £'000	2006/07 £'000
<b>Payments</b>				
Repayment of long term loans		0		0
Repayment of market loans		0		0
Repayment of short term (temporary) loans		724		673
			<b>724</b>	<b>673</b>
<b>Receipts</b>				
New long term loans raised		(36)		(4,000)
New short term (temporary) loans raised		(704)		(673)
			<b>(740)</b>	<b>(4,673)</b>
<b>Net (increase)/decrease in Loans</b>			<b>(16)</b>	<b>(4,000)</b>
<b>Net (increase)/decrease in Cash</b>			<b>35</b>	<b>(65)</b>

The notes to this statement start on page 43

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 12 months. However, the authority is required to raise precepts 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 balances compares the council's spending against the precepts 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 differences between the outturn on the Income and Expenditure Accounts and the General Fund Balance.

### 1. Note of reconciling items for the Statement of Movement on the General Fund

Notes	2007/08 Current Year £000s	2006/07 Previous year £000s
<b>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</b>		
Depreciation and impairment of fixed assets	(1,698)	(1,089)
Housing Revenue Account Depreciation	(124)	(119)
Government Grants Deferred amortisation	416	405
HRA Amortisation of improvement grant debt	0	(53)
Write downs of deferred charges to be financed from capital resources	(580)	(211)
Net profit/(Loss) on sale of fixed assets	(578)	17
Net charges made for retirement benefits in accordance with FRS17	5 340	(200)
	<u>(2,224)</u>	<u>(1,250)</u>
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>		
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,045)	(1,253)
Re-measurement of Interest on Long Term Loans	(104)	0
Statutory provision for repayment of debt (MRP)	378	145
Amortisation of Premiums	260	0
Capital expenditure charged in-year to revenue	261	450
	<u>(250)</u>	<u>(658)</u>
<b>Transfers to or from the General Fund Balances that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Transfer to Housing Revenue Account balance	417	32
HRA earmarked reserve transferred to capital funding	0	0
Net transfer to earmarked reserves General Fund	212	258
Net transfer to earmarked reserves Housing Revenue Account	35	52
	<u>664</u>	<u>342</u>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u>(1,810)</u>	<u>(1,566)</u>

## NOTES TO INCOME AND EXPENDITURE ACCOUNT

These notes support the statement on page 16

### 2. Trading Accounts

The former Direct Service Organisations are now designated as trading accounts and a summary of their trading results is shown below, together with other services treated as trading services:-

	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000	2006/07 Net Expenditure £'000
Trade Refuse	374	(294)	80	34
Waste Management	0	0	0	9
Council Tax Collection	0	0	0	39
Horticultural Services	575	(605)	(30)	(22)
Building Maintenance	676	(757)	(81)	(14)
	1,625	(1,656)	(31)	46
Property Management	245	(528)	(283)	(248)
	1,870	(2,184)	(314)	(202)

The above figures include adjustments in respect of FRS17 pension fund deficit adjustments. Waste management and council tax collection services are no longer being treated as trading accounts from 2007/08 onwards.

The former Direct Service Organisations (DSO), established under competitive tendering legislation, have now been designated as trading services until internal contractual arrangements expire. Building Maintenance generated a surplus of £81,000 (£14,000 in 2006/07). Horticultural Services generated a surplus of £30,000 (£22,000 surplus in 2006/07). Trade Refuse sustained a deficit of £80,000 (£34,000 deficit in 2006/07). Property Management generated a surplus of £283,000 (£248,000 surplus in 2006/07).

### 3. Finance and Operating Leases

The Council has operating leases on vehicles, plant and equipment. The amounts paid under these arrangements in 2007/08 were £642,416 (£539,542 in 2006/07), and the total commitments outstanding at 31st March 2008 amounted to £316,668 (£444,608 in 2007/08). This includes financing arrangements for the contract hire of the refuse and recycling vehicle fleet and included a payment of £85,968 to Worthing Borough Council for vehicle leased by Worthing BC which Adur DC used.

Rentals were paid during the year on finance leases to the value of £3,408. Items leased: Horticultural Equipment £4,744 over 5 years and Car Park Machines £9,464 over 5 years. These items have not been capitalised.

	Leases to be paid in 2008/09 £'000	Total value of operational leases £'000
Leases finishing during 2008/09	42	42
Value of operational leases due to be paid in 2008/09 that will expire in 2-5 years	108	254
Value of operational leases due to be paid in 2008/09 that will expire after 31st March 2013	3	21
	153	317

As a lessor the Council has granted an operating lease on its 3 main leisure centres, Lancing Manor Leisure Centre, Southwick Leisure Centre and Wadurs Swimming Pool to Impulse Leisure Ltd for a period of 30 years from 1st June 2005.

Impulse Leisure Ltd only pay a peppercorn rent for these leases as they manage and operate these leisure facilities under a concurrent management agreement which includes a annual subsidy contribution from the Council which amounted to £249,300 in 2007/08

The Lancing Manor and Southwick Leisure Centres together were valued at £4.863m as at 31st March 2008. Wadurs Swimming Pool was valued at £1.2m as at 1st April 2005 and is subject to £60,000 depreciation to 31st March 2008.

#### 4. Expenditure on Publicity

The Council incurred expenditure of £90,197 during the year on publicity (£97,099 in 2006/07), mainly in respect of advertising the Authority's facilities, and producing a local newspaper.

Per the requirement of section 5 (1) of the Local Government Act 1986 the council's spending on publicity was:

	<b>2007/08</b>	<b>2006/07</b>
	£	£
Recruitment advertising	15,178	28,861
Producing local newspaper	34,755	28,211
Other publicity	40,264	40,027
	<u>90,197</u>	<u>97,099</u>



## 5. Pensions & Retirement Benefits

This note contains details of the Council's participation in the Local Government Pension Scheme. The scheme is a defined benefit statutory scheme, administered by West Sussex County Council.

In accordance with FRS17, the cost of retirement benefits is recognised in the Net Cost of Services when the benefits are earned by employees, rather than when the benefits are eventually paid as pension. The charge the Council is required to make against Council Tax is based on the cash payable in the year, so the difference between the charges made under FRS 17 and the cash payment are reversed out in the statement of movement. The following transactions have been made in the revenue account during the year:

2007/08 £,000		2006/07 £,000
	<i>Net cost of Service</i>	
(1,570)	Current service cost	(1,520)
(10)	Settlements & Curtailments	(150)
	<i>Net Operating Expenditure</i>	
(3,160)	Interest cost	(2,990)
2,910	Expected return on scheme assets	2,600
<u>(1,830)</u>	Charge to Income & Expenditure	<u>(2,060)</u>
	<i>Statement of movement</i>	
(340)	Movement on Pensions Reserve	200
<u><b>(2,170)</b></u>	Employer's contributions payable	<u><b>(1,860)</b></u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £13.99m has an impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 West Sussex County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31st March 2007.

	31st March 2008 Per annum	31st March 2007 Per annum
Price increases	3.6%	3.2%
Salary increases	5.1%	4.7%
Pension increases	3.6%	3.2%
Discount rate	6.9%	5.4%

An allowance is included for 50% of future retirements to elect additional tax free cash up to HMRC limits

Fair value of attributable assets held at  
31st March 2008 :

Fair value of attributable assets held at 31st March 2007 :

Assets	Assumed Fund Assets		Assumed Fund Assets	
	Long Term Return	£'000	Long Term Return	£'000
Equities	7.7%	28,430	7.8%	30,960
Bonds	5.7%	6,740	4.9%	5,380
Property	5.7%	3,140	5.8%	3,190
Cash	4.8%	1,470	4.9%	730
Total	7.1%	<u><b>39,780</b></u>	7.2%	<u><b>40,260</b></u>

Net pension assets :

	31st March 2008 £'000	31st March 2007 £'000	31st March 2006 £'000
<b>Adur District Council share</b>			
Estimated employer assets (A)	39,780	40,250	37,960
Present value of scheme liabilities	51,440	57,060	58,490
Present value of unfunded liabilities	2,330	2,400	2,400
Total value of liabilities (B)	53,770	59,460	60,890
Net Pension Assets (A)-(B)	<b>(13,990)</b>	<b>(19,210)</b>	<b>(22,930)</b>

	31st March 2008 £'000	31st March 2007 £'000	31st March 2006 £'000
<b>Movements in the surplus/deficit on the scheme</b>			
Deficit at beginning of the year	(19,210)	(22,930)	(20,260)
Current Service Costs	(1,570)	(1,520)	(1,330)
Employer contributions	2,030	1,670	1,520
Contributions in respect of unfunded benefits	140	190	180
Past service costs	0	0	0
Impact of settlements and curtailments	(10)	(150)	(1,260)
Net return on assets	(250)	(390)	(600)
Actuarial gains/(losses)	4,880	3,920	(1,180)
	<b>(13,990)</b>	<b>(19,210)</b>	<b>(22,930)</b>

Experience of Actuarial Gains and Losses

The actuarial gains and losses identified as movements in the Pension Reserve in any year can be analysed in the following categories and measured as both absolute amounts or as percentages of assets or liabilities at 31st March of that year

	Year to 31st March 2008 £'000	%	Year to 31st March 2007 £'000	%
Differences between actual and expected return on assets	(4,110)	(10.30%)	(740)	(1.80%)
Experience of Gains/(Losses) on liabilities	(210)	(0.40%)	(10)	0.00%
Changes in demographic & financial assumptions	9,200	17.10%	4,670	7.90%
Total Actuarial Gains/(Losses) in STRGL	<b>4,880</b>		<b>3,920</b>	

The historic experience of the actuarial gains and losses are:

	Year to 31st March 2006 £'000	%	Year to 31st March 2005 £'000	%	Year to 31st March 2004 £'000	%
Differences between actual and expected return on assets	5,280	13.90%	1,260	4.20%	3,640	13.70%
Experience of Gains/(Losses) on liabilities	60	0.10%	(660)	-1.30%	(130)	-0.30%
Changes in demographic & financial assumptions	(6,520)	-10.70%	(8,060)	-16.00%	0	0.00%
Total Actuarial Gains/(Losses) in STRGL	<b>(1,180)</b>		<b>(7,460)</b>		<b>3,510</b>	

## 6. Members' Allowances

Total allowances paid to members was £107,912 (£104,323 in 2006/07).

## 7. Remuneration of Employees

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000, were :-

Remuneration Bands	Number of employees	
	2007/08	2006/07
£50,000 to £59,999	3	4
£60,000 to £69,999	2	1
£70,000 to £79,999	3	1
£80,000 to £89,999	0	0
£90,000 to £99,999	0	1
	<u>8</u>	<u>7</u>

For the purpose of this note remuneration means all amounts paid or receivable by an employee during the year to be met by Adur District Council, including the District Council's share of remuneration initially charged to the Adur Worthing Joint Committee, see note 12

## 8. Building Control Trading Account

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 Unit cannot be charged for, such as providing general advice and licensing with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between chargeable and non-chargeable activities.

	Chargeable £	Non - Chargeable £	Total £
<u>Expenditure</u>			
Employee expenses	107,827	110,630	218,457
Supplies and Services	32,873	1,865	34,738
Support Costs	38,962	30,998	69,960
Total Expenditure	<u>179,662</u>	<u>143,493</u>	<u>323,155</u>
<u>Income</u>			
Building Regulation Charges	(203,417)	0	(203,417)
Deficit/(Surplus) for year	<u>(23,755)</u>	<u>143,493</u>	<u>119,738</u>

There is a requirement in the Building Control Regulations for chargeable activities to at least break-even over a 3-year cycle. The Defined Account for the latest 3-year cycle (2005/06 to 2007/08) is a deficit of £27,332. The Council is implementing partnership working / management with Worthing from April 2008 to reduce costs and maximise income.

## 9. Related Party Transactions

The Council is required to disclose any material transactions with 'related parties', these are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Related parties include the following

Central Government departments for revenue and capital grants, see separate note on Government grants .

West Sussex County Council, Sussex Police Authority and Parish Councils within Adur District for precepts; see the Collection Fund statement and associated notes.

West Sussex County Pension Fund for pension contributions from and on behalf of Adur District Council employees; see note on Pension scheme.

Worthing Borough Council, Horsham Borough Council and Mid Sussex District Council through the partnership working being undertaken with these authorities; see note on partnership working.

Members and Chief Officers of the Authority, and members of their close family/household.

A Members' Code of Conduct, under section 51 of the Local Government Act 2000, was adopted by the Council on 19th April 2002. The Code has been signed by all Members of the Council, copies of which are retained within the Legal and Democratic Services Division. Section 8 of the Code (personal interests) requires Members to declare any such financial interests of related parties, and no such declarations have been made.

Additionally, Members and Corporate Directors have been consulted separately in writing and confirmed that no transactions have been entered into during the year.

## 10. Section 137 Expenditure

The majority of the provisions of Section 137 of the Local Government Act 1972 have been repealed by the "well-being" powers contained in Part 1 of the Local Government Act 2000. This empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the united kingdom and mayoral appeals. There is no spending limit attached to this new power as there was under Section 137 limits.

The council's expenditure under this power was £174,608 mainly on grants and donations to voluntary bodies working in the local area, a breakdown of these groups are listed below:

	<b>2007/08</b>	<b>2006/07</b>
	<b>£</b>	<b>£</b>
Miscellaneous grants	8,249	7,916
CAB - Shoreham	47,100	45,090
CAB - Lancing	28,170	26,970
Community Associations	23,897	23,282
Charities - refuse collection	1,190	1,140
Adur Learning Exchange	16,590	15,890
Adur Council for Voluntary Services	28,290	26,970
Young Peoples Information Shop	5,734	5,493
Adur Safe Scheme	5,000	5,000
Residents Associations	600	675
Youth Council	1,637	262
Enterprise Centre	0	0
Adur Economic Partnership	5,000	5,000
Area Investment Framework	0	0
Lancing Business Park	0	0
West Sussex Economic Partnership	11,000	11,000
Ropetackle Community Facility	(7,849)	17,849
	<b><u>174,608</u></b>	<b><u>192,537</u></b>

## 11. Audit Costs

The Council incurred the following fees (all payable to the Audit Commission) relating to external audit and inspection:

2007/08 £'000		2006/07 £'000
109,200	Services carried out by the auditor	98,955
6,500	Statutory Inspection	5,000
45,000	Certification of grant claims and returns	45,948
0	Other services provided by the auditor	0
<u>160,700</u>	Total	<u>149,903</u>

## 12. Partnership Working

Since July 2007, Adur District Council and Worthing Borough Council have been supplying Joint Services. During 2007/08 the services that have been provided jointly are , refuse and recycling waste collections and a Chief Executive. Over the next few years the Council's will provide more of it's services jointly with an aim to making efficiencies for both Authorities.

	Gross Expenditure 2007/08 £'000	Gross Income 2007/08 £'000	Net Expenditure 2007/08 £'000
Expenditure			
Cultural, Environmental & Planning Services	2,709	(836)	1,873
Corporate & Democratic Core	20	0	20
<b>Net Cost of Services</b>	<u>2,729</u>	<u>(836)</u>	<u>1,893</u>
Holding Accounts			92
<b>Net Operating Expenditure</b>			<u>1,985</u>
Funded by:			
Adur District council			(738)
Worthing Borough Council			<u>(1,247)</u>
			<u>(1,985)</u>
<b>Surplus / Deficit</b>			0

Adur DC is also part of the CenSus partnership, a collaborative arrangement with Mid Sussex District Council and Horsham District Council for the joint procurement and delivery of ICT services and the delivery of Revenues and Benefits services. During 2007/08 these aims were pursued through a joint committee of the three councils.

The total value of services delivered through the joint committee in the year amounted to £761k comprising ICT revenue expenditure of £350k and capital expenditure on ICT projects of £351k together with the part year costs of a combined Revenues and Benefits top management structure which amounted to £60k.

Adur District Council's share of these costs amounted to £224,000

### 13. Local Area Agreement

The council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement.

The LAA is an agreement between West Sussex County Council, the West Sussex Strategic Partnership, Government (represented by Government Office for the South East), and other local partners, with the intention to further improve the services to local people in West Sussex

**The LAA partners are:**

Adur District Council	University of Chichester
Arun District Council	South East England Development Agency (SEEDA)
Chichester District Council	West Sussex Economic Partnership
Crawley Borough Council	Action in Rural Sussex
Horsham District Council	Age Concern West Sussex
Mid Sussex District Council	West Sussex Council for Voluntary Youth Services
Worthing Borough Council	Councils for Voluntary Service
Sussex Police Authority	West Sussex Voluntary Organisations Liaison Group
Environment Agency	Government Office for the South East
Job Centre Plus	West Sussex Primary Care Trusts

West Sussex County Council acts as the accountably body for the LAA.

The total amount of LAA Grant funding over the 3 years is £13m. The council received £103,000 of this total in 2007/08 to fund projects supporting the LAA objectives

## 14. Note of Movement on Reserves

This statement brings together all the recognised gains and losses of the Council in the year and identifies those that have (and have not) been recognised in the revenue accounts. It separates the movements between capital and revenue reserves. It also illustrates the transactions between reserves. The notes to the consolidated balance sheet show in more detail the reasons for the movements in each reserve.

	CAPITAL RESERVES				REVENUE RESERVES						2007/08 TOTAL RESERVES	Other Capital Balances			2006/07 TOTAL OTHER BALANCE
	Fixed Asset Revaluation Reserve	Capital Adjustment Account	Major Repairs Reserve	Usable Capital Receipts	General Fund	Other Specific Reserves	Housing Reserve Account	Financial Instrument Reserve	Pensions Reserve	Collection Fund Surplus		Deferred Capital Receipts	Capital Grants Deferred	Grants and Contrib'n's Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance as at 31st March 2007	141,416	32,473	0	1,261	835	858	1,820	0	-19,210	38	159,491	19	1,375	355	1,750
SORP Adjustment at 1st April 2007	-141,416	141,416	0	0	0	0	0	-1,877	0	0	(1,877)	0	0	0	0
<b>Net revenue surplus (deficit) for the year</b>	0	0	0	0	0	223	441	0	0	0	664	0	0	0	0
<b>Transfers to Revenue Accounts</b>											0				0
General Fund depreciation	0	(1,361)	0	0	0	0	0	0	0	0	(1,361)	0	0	0	0
Impairment	0	(337)	0	0	0	0	0	0	0	0	(337)	0	0	0	0
Housing Revenue Account depreciation	0	(2,024)	1,900	0	0	0	0	0	0	0	(124)	0	0	0	0
Housing reserve applied	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pension Costs in revenue accounts	0	0	0	0	0	0	0	340	0	0	340	0	0	0	0
Use of Revenue Resources	0	261	0	0	0	0	0	0	0	0	261	0	0	0	0
Minimum Revenue Provision	0	378	0	0	0	0	0	0	0	0	378	0	0	0	0
Deferred Receipts received	0	0	0	0	0	0	0	0	0	0	0	(3)	0	0	(3)
Pension Fund actuarial gains and losses	0	0	0	0	0	0	0	4,880	0	4,880	0	0	0	0	0
Capital Grants & contributions received	0	0	0	0	0	0	0	0	0	0	0	0	798	798	
Amortisation of grants and contributions	0	416	0	0	0	0	0	0	0	0	416	0	(416)	(416)	
HRA capital receipts government pooled	0	0	0	(1,044)	0	0	0	0	0	0	(1,044)	0	0	0	0
<b>Unrealised gains (losses) on revaluation of fixed assets</b>	17,612	0	0	0	0	0	0	0	0	0	17,612	0	0	0	0
Elimination on Revaluation	2,073	0	0	0	0	0	0	0	0	0	2,073	0	0	0	0
Re-measurement of interest on LTL's	0	0	0	0	0	0	0	(104)	0	0	(104)	0	0	0	0
Amortisation of Premium	0	0	0	0	0	0	0	259	0	0	259	0	0	0	0
Collection Surplus	0	0	0	0	0	0	0	0	0	(52)	(52)				
<b>Effects of Disposals of fixed assets</b>															
Cost or valuation of assets disposed of	(1,545)	(1,095)	0	0	0	0	0	0	0	0	(2,640)	0	0	0	0
Capital Receipts from disposals		0	0	2,061	0	0	0	0	0	0	2,061	0	0	0	0
Net Surplus (deficit)	(1,545)	(1,095)	0	2,061	0	0	0	0	0	0	(579)	0	0	0	0
<b>Financing of fixed assets</b>											0				0
Use of Capital Receipts	0	1,326	0	(1,326)	0	0	0	0	0	0	0	0	0	0	0
Use of Capital Grants & Contributions	0	160	0	0	0	0	0	0	0	0	160	0	772	(772)	0
Use of Major Repairs Reserve	0	1,900	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0
Financing of capital expenditure not producing a fixed asset	0	(740)	0	0	0	0	0	0	0	0	(740)	0	0	0	0
<b>Balance as at 31st March 2008</b>	<b>18,140</b>	<b>172,773</b>	<b>0</b>	<b>952</b>	<b>835</b>	<b>1,081</b>	<b>2,261</b>	<b>(1,722)</b>	<b>(13,990)</b>	<b>(14)</b>	<b>180,316</b>	<b>16</b>	<b>1,731</b>	<b>381</b>	<b>2,129</b>

## 15. Revenue Reserves and Balances

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

### Earmarked Revenue Reserves

Reserve	Opening Balance at 1st April 2007	Movement out of Reserves - Expenditure	Movement into Reserves Contribution	Opening Balance at 31st March 2008
	£'000	£'000	£'000	£'000
Carry Forward Reserves	0	0	48	48
Performance Reward Grant Fund	26	0	0	26
Community Fund - Bovis Homes	25	(25)	0	0
Discount Fund	273	0	0	273
Insurance Fund	53	0	47	100
New Technology Fund	26	0	11	37
Risk Management	9	0	0	9
Recycling Credits	80	0	0	80
Training Fund	4	0	0	4
Vehicle Renewal Fund	5	0	0	5
IT Disaster Recovery Fund	3	0	0	3
Partnership Development Fund	245	0	0	245
Others - General	2	0	0	2
Community Alarm	12	(11)	6	7
Health & safety	38	(6)	0	32
Investment Property Maintenance Fund	37	0	32	69
Building Maintenance Fund	20	0	75	95
Leisure Centre Maintenance Fund	0	0	46	46
<b>Total Earmarked Reserves</b>	<b>858</b>	<b>(42)</b>	<b>265</b>	<b>1,081</b>

Reserve	Purpose of Reserve
Carry Forward Reserves	To carry forward Underspends in one financial year to the following year that have been caused by planned spending being delayed
Performance Reward Grant Fund	Balance of unspent grant earmarked for spending on projects to achieve agreed LAA outcomes
Community Fund – Bovis Homes	Balance of funds from Bovis Homes to be applied to community projects
Discount Fund	To enable the Council to even out the revenue impact of fluctuations in interest receipts
Insurance Fund	To offset costs of insurance excesses
New Technology	To fund additional IT equipment
Recycling	To offset the predicted fall in recycling income which will increase net recycling costs in future years
Partnership Development Fund	To fund initial set up costs of the partnership
Community Alarm	Contribution to capital costs of community alarm equipment
Health & Safety	To offset unexpected costs arising from Health & Safety legislation
Investment Property Maintenance Fund	Fund to offset future maintenance costs of investment property
Building Maintenance Fund	Fund to offset future maintenance costs of the Council's operational buildings
Leisure Centre , Client Building Maintenance	To provide funds to meeting the authorities contract commitments for the leisure centre and community swimming pool
Others	All other reserve held (under £9,000)



## NOTES TO THE BALANCE SHEET

These notes support the statement on page 19

### 16 Movements in Fixed Assets

	Council dwellings	Other land & buildings	Vehicles plant and equipment	Infrastructure & Community	Non Operational Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Gross value at 1 April 2007	167,072	20,807	6,960	3,061	5,959	203,859
Additions	4,375	1,359	1,662	169	121	7,686
Disposals	(1,889)	(684)	0	(73)	0	(2,646)
Revaluations	16,387	1,071	0	0	154	17,612
Impairments	0	(419)	0	(3)	(2)	(424)
Gross value at 31 March 2008	<b>185,945</b>	<b>22,134</b>	<b>8,622</b>	<b>3,154</b>	<b>6,232</b>	<b>226,087</b>
<b>LESS:</b>						
Depreciation at 1 April 2007	1,873	454	4,518	35	0	6,880
Depreciation for year	1,899	367	1,074	35	0	3,375
Elimination on revaluation	(1,873)	(200)	0	0	0	(2,073)
Elimination on impairment	0	(87)	0	0	0	(87)
Elimination on Disposal	0	0	0	(6)	0	(6)
Depreciation at 31 March 2008	<b>1,899</b>	<b>534</b>	<b>5,592</b>	<b>64</b>	<b>0</b>	<b>8,089</b>
NBV at 31 March 2008	<b>184,046</b>	<b>21,600</b>	<b>3,030</b>	<b>3,090</b>	<b>6,232</b>	<b>217,998</b>

#### Intangible Assets £'000

Gross value at 1 April	156
Additions	0
Disposals	0
Revaluations	0
Impairments	0
Gross value at 31 March 2008	<b>156</b>
Depreciation at 1 April	128
Depreciation for year	10
Elimination on revaluation	0
Elimination on Disposal	0
Depreciation at 31 March 2008	<b>138</b>
NBV at 31 March 2008	<b>18</b>

### Impairments of Fixed Assets

There has been partial impairment of twenty four assets during 2007/08, although the buildings have been removed the land is still classed as an asset with a value. However an impairment value of £0.337m, has been allocated against the appropriate asset category in the accounts and charged to the service.

## 17. Capital Expenditure and Financing

	2007/08		2006/07	
	£000	£000	£000	£000
Opening Capital Financing Requirement		21,744		19,482
<b>Capital Investment:</b>				
Council Dwellings	4,375		4,495	
Operational assets	1,359		1,437	
Vehicles plant & equipment	1,662		800	
Non-operational assets	121		97	
Intangible assets	0		28	
Community and Infrastructure assets	169		173	
Deferred charges	588		219	
Disabled Facilities grant 60% government financed - Deferred Charge	152		161	
<b>Total capital investment</b>	<u>8,426</u>		<u>7,410</u>	
Capital receipts	(1,300)		(1,267)	
Government grants via Housing Subsidy	(152)		(161)	
Other contributions	(807)		(183)	
Revenue Contribution	(261)		(450)	
Major repairs allowance	(1,900)		(2,942)	
<b>Total financing other than from loan</b>	<u>(4,420)</u>		<u>(5,003)</u>	
Net investment financed from loan		4,006		2,407
Revenue provision for repayment of loans		(378)		(145)
<b>Closing Capital Financing requirement</b>		<u>25,372</u>		<u>21,744</u>

The Capital Financing Requirement reflects various items in the balance sheet, as

	2007/08	2006/07
	£'000	£'000
Fixed Assets	218,016	197,008
Government Grants & External Contributions Deferred	(1,731)	(1,375)
Revaluation Reserve	(18,140)	0
Capital Adjustment Account	(172,773)	(173,889)
Premia adjustment		
	<u>25,372</u>	<u>21,744</u>

## 18. Commitments Under Capital Contracts

Contracts for current and future capital expenditure which were entered into by 31st March 2008 include the following significant commitments

	<b>Net Value of Contract</b>	<b>Net Payments to 31/03/08</b>	<b>Outstanding</b>
	£'000	£'000	£'000
Contract Work			
Electrical works at various locations	416	298	<b>118</b>
Electrical re-wiring consultants	28	5	<b>23</b>
Electrical upgrades	1,009	128	<b>881</b>
Decent Homes Consultants	408	199	<b>209</b>
Decent Homes Partnering Contract	6,670	2,088	<b>4,582</b>
Stock condition survey Consultants	60	45	<b>15</b>
Pre-painting & repairs to housing stock	88	56	<b>32</b>
Domestic Gas Contract	90	51	<b>39</b>
Domestic Gas Maintenance	99	33	<b>66</b>
Digital TV Communal Aerials	240	110	<b>130</b>
Southwick Square renewal of housing decks above shops	51	46	<b>5</b>
	<b>9,159</b>	<b>3,059</b>	<b>6,100</b>

## 19. Information on Fixed Assets

The Council owns the following fixed assets:-

	<b>31st March 2008</b>	<b>31st March 2007</b>
<b>Council Dwellings:-</b>		
Council houses (including flats etc.)	2,700	2,718
Council garages	1,088	1,088
<b>Land and Buildings:-</b>		
Civic Centre	1	1
Sub Offices	2	2
Depots	1	1
Off street car parks	12	13
Public conveniences	15	16
Leisure Centre's	2	2
Community Pool	1	1
Community Centre's	4	4
Allotment sites	13	13
Shops	56	56
Commercial premises	15	15

The public conveniences were mis-stated for last year which has been corrected above.

**Infrastructure:-**

Bus shelters, street furniture, coast protection works, pumping stations and drains.

**Vehicles, plant and equipment:-**

Refuse containers, litter bins, public seats, leisure centre equipment, playground equipment, information technology and noise measuring equipment.

**Community Assets:-**

Various conservation and environmental improvement schemes, recreation grounds, greens and open spaces, cemeteries and churchyards.

**Intangible Assets:**

All of the Council's intangible assets consist of software licences with no physical substance which are controlled by an entity through custody or legal rights.

**Non-operational assets:-**

Former depot sites and buildings, Southwick Beach Cafe, and the various shops and offices in Southwick Square.

**Basis of Valuations**

The council's land and buildings other than council dwellings were valued on a 5 yearly cycle by Mr. P.J. Carter- Johnson FRICS (acting as internal valuer and holding the post of Principal Estates Manager with the Council, and a member of the Royal Institution of Chartered Surveyors, as at 1st April 2005. Operational assets were valued at the lower of net replacement cost or net realisable value in existing use. Non-operational assets are valued at net realisable value, which is represented by open market value.

Council Dwellings have been valued by the District Valuer as at 1st April 2007, at net realisable value in existing use.

The Authority is not aware of any material changes in valuation arising since the dates of these valuations.

**20. Depreciation**

Depreciation is provided for buildings and vehicles plant and equipment on a straight line basis to write down the assets to their residual value over their useful working lives. For council dwellings the depreciation is set to match the level of the Major Repairs Allowance awarded by the Government.

The useful working lives of fixed assets which determine the annual depreciation charges are :-

Buildings - 60 years - or a lesser period where the asset is leased or deemed to have a shorter life.

Vehicles, plant and equipment except computer equipment - 5 years

Larger vehicles and plant equipment - 7 years

Computer equipment - 3 - 5 years

Intangible Assets - 3 years

**21. Deferred Charges**

Deferred charges arise out of Capital Expenditure, which does not create a fixed asset. The deferred charge is written out in the year of expenditure as a charge to revenue services. This is then financed from the Capital Financing Reserve so that there is no impact on the Council Tax. Deferred Charges incurred in the year are as follows.

	Balance 1st April 2007 £'000	Expenditure £'000	Amounts written off £'000	Balance 31st March 2008 £'000
Disabled Facility Grants	0	102	(102)	0
Improvement grants	0	66	(66)	0
Other - General	0	420	(420)	0
Disabled Facility Grants 60%	0	152	(152)	0
	<b>0</b>	<b>740</b>	<b>(740)</b>	<b>0</b>

## 22. Deferred Credits

Deferred credits are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

## 23. Stocks and Work-in-Progress

	31st March 2008 £'000	31st March 2007 £'000
<b>Work-in-progress</b>		
Rechargeable works	3	19
Direct Services Unit	11	9
	<b>14</b>	<b>28</b>
<b>Stocks</b>		
Maintenance	16	15
General	8	7
Trade Refuse	5	0
Joint Refuse & Recycling	3	0
Street Sweeping	4	0
Coastal Protection	1	0
	<b>36</b>	<b>22</b>
<b>Total</b>	<b>50</b>	<b>50</b>

## 24. Debtors

	31st March 2008 £'000	31st March 2007 £'000
Amounts falling due in one year:-		
Government Departments	1,155	2,989
Housing rents	367	388
Council Taxpayers	1,030	1,368
Non Domestic Rate Payers	245	312
Sundry debtors	3,264	2,638
	<b>6,062</b>	<b>7,695</b>
Less provision for doubtful debts (see point 18 in Statement of Accounting Policies)	1,417	1,531
	<b>4,645</b>	<b>6,164</b>
The amount due from Government Departments includes :-		
Housing Benefit Grant holding Account	0	1,004
NNDR Contribution to Pool	787	1,270
HM Revenues and Customs	368	715
	<b>1,155</b>	<b>2,989</b>

## 25. Creditors

	31st March 2008 £'000	31st March 2007 £'000
Government Departments	530	1,058
Other Local Authorities	5	110
Sundry creditors	4,137	2,978
	<b>4,672</b>	<b>4,146</b>
The amounts due to Government Departments include:-		
NNDR income due to the Government Pool	0	0
Others	46	724
Planning delivery grant	484	334
	<b>530</b>	<b>1,058</b>

## 26. Long Term Debtors

	31st March 2008 £'000	31st March 2007 £'000
Private sector house purchase	0	5
Council house purchase	16	20
Car Loans	208	183
	<u>224</u>	<u>208</u>

## 27. Long Term Borrowing

	Total outstanding as at 31st March	
Source of loans;	2008 £'000	2007 £'000
Public Works Loan Board	14,755	14,455
Other Commercial Lenders	18,952	18,440
	<u>33,707</u>	<u>32,895</u>

	31st March 2008 £'000	31st March 2007 £'000
An analysis of loan debt by maturity is:-		
Maturing within one year	0	0
	<u>0</u>	<u>0</u>
Maturing in 1-2 years	0	0
Maturing in 2-5 years	36	0
Maturing in 5-10 years	1,022	1,000
Maturing in more than 10 years	32,649	31,895
	<u>33,707</u>	<u>32,895</u>

## 28. Investments

£12.6M of the Council's surplus funds ( including £0.7m of accrued interest) was invested externally at 31st March 2008 for periods of up to 3 years. Other external investments are shown at cost and relate only to small investments of War Stock and Consolidated Gas Stock made by former authorities in the 1940s.

## 29 Financial Instruments

A financial instrument is defined as any contract which gives rise to a financial asset in one entity and a financial liability in another. This definition therefore covers both assets and liabilities within the Council's Balance Sheet and includes items such as investments, long term and short term borrowing, trade debtors and creditors. The Statement of Recommended Practice requires the Council to make a range of disclosures in respect of financial instruments.

The financial instruments disclosed in the Balance Sheet are categorised as follows:

	Long Term		Current	
	31st March 2008 £'000	31st March 2007 £'000	31st March 2008 £'000	31st March 2007 £'000
Financial Liabilities at Amortised Cost	(33,707)	(32,895)	(4,302)	(3,088)
Total Liabilities	<u>(33,707)</u>	<u>(32,895)</u>	<u>(4,302)</u>	<u>(3,088)</u>
Loans and Receivables	4,356	7,005	11,060	8,264
Total Assets	<u>4,356</u>	<u>7,005</u>	<u>11,060</u>	<u>8,264</u>

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

	<b>Financial Liabilities</b>		<b>Financial Assets</b>		<b>Total</b>	
	Measured at Amortised		Loans and Receivables			
	<b>2007/08</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest Expense	(1,856)	(1,561)	0	0	(1,856)	(1,561)
Impairment Losses	0	0	(71)	0	(71)	0
<b>Interest Payable &amp; Similar Charges</b>	<b>(1,856)</b>	<b>(1,561)</b>	<b>(71)</b>	<b>0</b>	<b>(1,927)</b>	<b>(1,561)</b>
Interest Income	0	0	850	732	850	732
Reduction in Impairment	0	0	25	0	25	0
<b>Interest &amp; Similar Income</b>	<b>0</b>	<b>0</b>	<b>875</b>	<b>732</b>	<b>875</b>	<b>732</b>
<b>Net Gain/(Loss) In Year</b>	<b>(1,856)</b>	<b>(1,561)</b>	<b>804</b>	<b>732</b>	<b>(1,052)</b>	<b>(829)</b>

The losses and gains in impairment relate solely to the provisions for losses on trade debtors calculated in accordance with accounting policies

#### Fair Values

Financial liabilities and assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their 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:

The present values for loans from the PWLB have been calculated using the premature repayment set of rates in force on the last working day of each financial year, for market loans a rate of 5% has been used for both years reflecting average long term interest rates in force at the time.

Investments with a maturity of over 1 year have been valued using a rate of 5.5% in both years, again reflecting prevalent market conditions.

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 debtors and creditors is taken to be the invoiced amount.

The fair values calculated are as follows:

	<b>31 March 2008</b>		<b>31 March 2007</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial Liabilities	<b>38,009</b>	<b>44,722</b>	<b>35,983</b>	<b>41,694</b>

The fair value is greater than the carrying amount because the authority's portfolio of loans includes a significant proportion of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This means that if the Council were to repay these loans before the due date then it would have to pay a premium to the lender over and above the carrying value.

Loans & Receivables	<b>15,416</b>	<b>15,392</b>	<b>15,269</b>	<b>15,458</b>
---------------------	---------------	---------------	---------------	---------------

The fair value is very similar to the carrying amount because the authority's portfolio of investments has an average interest rate receivable that is very close to the rates available for similar loans at the balance sheet date.

## Nature and Extent of Risks Arising From Financial Instruments

The authority's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay the amounts due to the authority

Liquidity risk – the possibility that the authority might not have the funds available to meet its commitments to make payments

Market risk – the possibility the authority might suffer financial loss as a result of changes in interest rates

The Council's treasury management activities are carried out by a small central team under policies approved by the Council as part of its annual treasury management strategy. This provides a written framework for overall risk management of its treasury management actions.

### Credit Risk

Credit risk arises from investments with banks and building societies as well as credit exposures to the authority's customers. Investments are not made with institutions that have less than an AA rating. In addition there is a policy of not lending more than £2m to any one institution.

The Council has not suffered any loss or default from any of its investments in the last five years and is not aware of any loss being suffered on cash deposits by any authority using similar investment criteria. Thus the practical credit risk to the Council is negligible however potentially all of the investments and deposits are exposed to this risk and thus all could be subject to loss.

Trade and rental debts are usually payable immediately when due. Generally therefore all amounts outstanding at the year end, apart from those amounts raised as part of the final accounts process are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and appropriate impairment allowances have been made which total £964k. This represents the Council's estimated maximum exposure to default and uncollectability in respect of these debts. The past due amounts for trade and rent debtors can be analysed as follows.

### Overall Aged Debt Analysis

	£'000
Under 1 year	1,066
1 -2 Years	165
2-3 years	75
Over 3 years	<u>694</u>
	<u>2,000</u>

### Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board there is no material risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be forced to refinance a significant proportion of its borrowings at a time of unfavourable interest rates. To minimise the impact of such an event the Council's strategy limits the amount of debts due to mature to no more than 20% in any one year and in practice the amounts due for repayment in the next 10 years are currently less than 4% of total debts.

The maturity analysis of the long term borrowings is shown in note 27 above.



## Market Risk

### Interest Rate Risk

The authority is exposed to significant risk in its exposure to interest rate movements in its investments and to a lesser extent on its borrowings. The Council generally invests and borrows at fixed rates. Its investments are for a range of dates, mostly under 1 year but with some amounts for longer periods up to 3 years. Borrowings comprise long term fixed loans from the Public Works Loans Board and LOBO loans from commercial lenders.

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In addition the fair value of both fixed rate borrowings and longer term fixed rate investments will fall however as these instruments are not carried at fair value on the balance sheet this would have no impact on the Council's income and expenditure accounts or balance sheet.

The Council has a range of strategies for limiting interest rate risk. The policy is to minimise the amount of variable rate borrowing and to make fixed rate deposits and investments over a range of maturities ensuring that the Council's exposure to short term market fluctuations is minimised. In addition our LOBO borrowings are at a range of interest rates and a range of option dates so that the lenders' options are highly unlikely to be triggered at or around the same time.

Given the Council's borrowing and investment profile its greatest exposure would be to a fall in interest rates. Based on an average investment of £12m a fall in short to medium term interest rates of 1% would reduce interest income received by £120,000 of which approximately £20,000 would fall to be met from the Housing Revenue Account. If interest rates were to rise universally by 1% the impact on investments would be reversed but with the possibility that borrowing costs on part of the debt portfolio could rise by a maximum of £150,000 per annum with approximately three fifths of this cost falling on the Housing Revenue Account.

### Price Risk

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

### Foreign exchange risk

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

## 30. Contingent Liability

None

## 31. Events after the balance sheet date

The statement of accounts was approved on 30th June 2008 and there have been no material post balance sheet events.

## 37. Provisions

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

	Balance at 31st March 2007	Additions	Reduction /Usage	Balance at 31st March 2008
HRA Scheme Managers Fund	100	0	37	63
Courtfields Major works	102	21	0	123
Insurance Claim	138	0	0	138
Concessionary Fares	0	140	0	140
	<b>340</b>	<b>161</b>	<b>37</b>	<b>464</b>

**HRA Scheme Managers Fund** is a provision in respect of the cost of implementing minimum pay legislation for some sheltered housing staff. Some of the claims were settled in 2007/08 with the balance due to be settled early in 2008/09. Indications are that the balance of the provision at 31st March 2008 will prove adequate to meet the remaining claims.

**Courtfields Major Works** is a provision for the cost of works that the Council is obliged to undertake at Courtfields. No major works are currently programmed for the property but it is highly likely that some major works will need to be undertaken in the next few years.

**Insurance Claim** relates to the expected cost of reinstatement works in respect of fire damage that has the subject to a successful insurance claim. The works have been delayed pending the resolution of legal proceedings that do not involve the Council. The timing is therefore uncertain however the size of the Council's liability is expected to be limited to the amount set aside.

**Concessionary Fares** is a provision established in 2007/08 to meet Adur DC's likely share of a claim for additional reimbursement by a transport operator in respect of the Sussex Countywide travel pass scheme for 2007/08. The claim is unresolved as the transport operator has applied for a judicial review of the decision of a Department for Transport adjudicator in respect of the operator's appeal. The results of the judicial review should be known during 2008/09.

### 38. Analysis of Net Assets Employed

	<b>31st March 2008</b>	<b>31st March 2007</b>
General Fund	6,686	2,654
Housing Revenue Account	168,129	151,801
Trading Operations	5,501	5,036
	<u><b>180,316</b></u>	<u><b>159,491</b></u>

## NOTES TO THE CASH FLOW STATEMENT

These notes support the statement on page 20

### 32. Reconciliation to Income and Expenditure Account

	Net Expenditure 2007/08 £'000	Net Expenditure 2006/07 £'000
Income & Expenditure Account Surplus / (deficit)	(1,810)	(1,562)
Movement on Collection Fund	(76)	(5)
Revenue movements on:		0
Stocks and Work in Progress	0	2
Debtors	1,256	(2,693)
Creditors	863	202
Provision	124	243
Pension	(340)	200
Housing Pool	0	1,253
Depreciation	1,480	1,208
Impairment	337	0
Re-measurement of interest on long term loans	104	0
Amortisation grants and Contributions	(416)	(352)
Deferred Charges	740	211
Exclude :-		0
Net servicing of Finance	850	1,089
Profit and loss on Fixed Assets	578	(17)
<b>Net Increase/(Decrease) in cash flow on Revenue activities</b>	<b>3,690</b>	<b>(221)</b>

### 33. Government Grants

The Cash Flow statement on page 20 identifies the major payments to and from Central Government. An analysis of the other Government grants is shown below

	2007/08 £'000
<b>REVENUE</b>	
NNDR Admin Grant	87
Care & Repair Grant	32
Smokefree Legislation	28
Housing Benefit Administration	217
Planning Delivery Grant	85
Waste Performance and Efficiency	37
Concessionary Travel Startup	53
Other	4
	<u>543</u>
<b>CAPITAL</b>	
Major Repairs Allowance	1,899
Disabled Facilities Grant	152
Big Lottery Funding	65
Coast Protection Grant	26
Central Heating Grant	31
Other	6
	<u>2,179</u>

### 34. Increase / decrease in cash

	31st March 2008 £'000	31st March 2007 £'000	Movement in year £'000
Cash in Hand	2	2	(0)
Bank Overdraft	(246)	(284)	38
Total cash balances	<u>(244)</u>	<u>(282)</u>	<u>38</u>

### 35. Other Liquid Resources

These are overnight deposits of surplus funds at the authority's bank, repayable on the next working day.

**Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing balance sheets**

	<b>1st April 2007 £'000</b>	<b>Movement in year £'000</b>	<b>31st March 2008 £'000</b>
Short term investments	13,191	(4,958)	8,233
Long term borrowing	(32,895)	(812)	(33,707)
Less remeasurement of interest on long term loans		20	20
Temporary loans	0	0	0
	<b>(19,704)</b>	<b>(5,750)</b>	<b>(25,454)</b>

## Housing Revenue Account (HRA) Income and Expenditure Account

	2007/08 Net Expenditure £'000	2006/07 Net Expenditure £'000
<b>INCOME</b>		
Dwelling rents (gross)	(9,031)	(8,561)
Non-dwelling rents (gross)	(403)	(376)
Charges for services and facilities	(684)	(637)
Contributions towards expenditure	(77)	(66)
	<b>(10,195)</b>	<b>(9,640)</b>
<b>EXPENDITURE</b>		
Repairs and maintenance	1,796	1,768
Supervision and management	3,376	3,000
Rents, rates, taxes and other charges	22	19
Negative housing revenue account subsidy payable (including the MRA element)	1,689	1,600
Negative housing revenue account subsidy transferable to the General Fund under the transitional arrangements	0	0
<b>Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP</b>		
Depreciation and impairment of fixed assets	2,024	1,992
Increased provision for bad or doubtful debts	24	60
Debt management costs	47	50
	<b>8,978</b>	<b>8,489</b>
<b>Total Expenditure</b>		
<b>Net Surplus of HRA Services as included in the whole Authority Income and Expenditure Account</b>	<b>(1,217)</b>	<b>(1,151)</b>
HRA services share of Corporate and Democratic Core	167	190
	0	190
<b>Net Cost/(Surplus) of HRA Services</b>	<b>(1,050)</b>	<b>(961)</b>
(Gain) or loss on sale of HRA fixed assets	496	(17)
Interest payable and similar charges	710	542
Amortisation of premiums and discounts	0	260
Interest and investment income	(98)	(106)
Deficit/(surplus) for the year on HRA Services	<b>58</b>	<b>(282)</b>

### Statement of Movement on the HRA Balance

	2007/08 £000s	2006/07 £000s
(Surplus) for the year on the HRA Income and Expenditure Account	58	(282)
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(475)	250
(Increase) or decrease in the Housing Revenue Account for the Year	(417)	(32)
Housing Revenue Account surplus brought forward	(1,272)	(1,240)
Housing Revenue Account surplus carried forward	(1,689)	(1,272)
Housing Repairs Account surplus brought forward	(532)	(490)
(Increase) or decrease in the Housing Repairs Account for the Year	(24)	(42)
Housing repairs account surplus carried forward	(556)	(532)
Housing Revenue Account and Housing Repairs surplus carried forward	(2,245)	(1,804)

### Note to the Statement of Movement on the HRA Balance

	2007/08 £000s	2006/07 £000s
<b>Items included in the HRA income and Expenditure Account but excluded from the movement on HRA balance for the year</b>		
Gain or loss on sale of HRA fixed assets	(496)	17
HRA share of contributions to or from the Pensions Reserve	0	0
Write downs of deferred charges to be financed from capital resources	(400)	0
<b>Sums directed by the Secretary of state to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP</b>	<b>0</b>	<b>0</b>
	(896)	17
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the Housing Revenue Account for the year</b>		
Amortisation of Premiums	260	0
Transfers to/(from) Housing Repairs Account	24	42
Contribution to/(from) reserves	11	10
Transfer to/from Major Repairs Reserve	(124)	(119)
Items included in the HRA income and Expenditure Account but excluded from the movement on HRA balance for the year	250	300
	421	233
<b>Net additional amount required to be debited or credited to the Housing Revenue Account balance for the year</b>	<b>(475)</b>	<b>250</b>

## NOTES TO HOUSING REVENUE ACCOUNT

### 1. Number and types of dwelling in the housing stock

	2007/08 31st March	2006/07 31st March
Houses	1,049	1,061
Bungalows	173	173
Mobile homes	37	37
Flats	1,441	1,447
<b>Total dwellings</b>	<b>2,700</b>	<b>2,718</b>

### 2. Total balance sheet value of land, houses and other property within the HRA

	2007/08 31st March £'000	2006/07 31st March £'000
Council dwellings	184,789	165,199
Other land and buildings	5,776	5,607
Non-operational assets	803	752
<b>Total balance sheet value of land, houses and other property</b>	<b>191,368</b>	<b>171,558</b>

### 3. Vacant possession value of dwellings within the HRA at 1st April

	<b>406,517</b>	<b>363,628</b>
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The difference between vacant possession value and balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

### 4. Movements on the Major Repairs Reserve

	2007/08 £'000	2006/07 £'000
Balance at 1st April	0	1,068
Amount transferred to Major Repairs Reserve	1,900	1,874
Debits to Major Repairs Reserve in respect of capital expenditure	(1,900)	(2,942)
<b>Balance at 31st March</b>	<b>(0)</b>	<b>0</b>

### 5. Movements on the Housing Repairs Account

	2007/08 £'000	2006/07 £'000
Balance at 1st April	532	490
Transfer from HRA to Housing Repairs Account	1,773	1,768
Debits to Housing Repairs Account for expenditure	(1,749)	(1,726)
<b>Balance at 31st March</b>	<b>556</b>	<b>532</b>



## 6. Capital expenditure and Financing within the HRA

	2007/08 £'000	2006/07 £'000
<b>Expenditure</b>		
- land	0	0
- Housing	4,298	4,492
- Garages	0	0
<b>Total Capital Expenditure</b>	<b>4,298</b>	<b>4,492</b>
<b>Financing</b>		
- borrowing	2,148	1,250
- usable capital receipts	0	0
- revenue contributions	250	300
- Major Repairs Reserve	1,900	2,942
<b>Total Capital Expenditure Financed</b>	<b>4,298</b>	<b>4,492</b>

## 7. Capital receipts

	2007/08 £'000	2006/07 £'000
Capital Receipts from the disposal of HRA property :		
- sale of council dwellings	1,390	1,653
- Mortgage Receipts received from previous years sale of Council Dwellings	3	17
- sale of land	0	0
	<b>1,393</b>	<b>1,670</b>
Retained for capital investment	349	417
Paid to central government	1,044	1,253
	<b>1,393</b>	<b>1,670</b>

## 8. Cost of capital charge and capital asset charges accounting adjustment

There is no cost of capital charge to the HRA for 2007/08

## 9. Depreciation for the land, houses and other property within the HRA in year

	2007/08 £'000	2006/07 £'000
- council dwellings	1,900	1,873
- other land and buildings	124	119
- non-operational assets	0	0
<b>Total depreciation in year</b>	<b>2,024</b>	<b>1,992</b>

## 10. Impairment Charges

Impairment charges of £5,300 were incurred in 2007/08.

## 11. HRA Subsidy receivable/(repayable) for the financial year

	2007/08 £'000	2006/07 £'000
- allowance for management	1,352	1,350
- allowance for maintenance	2,845	2,738
- allowance for major repairs	1,900	1,873
- charges for capital	943	930
- rent rebates	0	0
- rent	(9,014)	(8,512)
- interest on receipts	(1)	(2)
- rental constraint allowance	283	40
- prior year adjustment	3	(17)
	<b>(1,689)</b>	<b>(1,600)</b>

**12. HRA share of contributions to or from the Pension Reserve**

Due to primacy of legislative requirements (see accounting concepts), FRS17 has not been applied to the HRA and as such, there are zero entries for the pensions interest cost and expected return on pensions assets and also the HRA share of contribution to/(from) the pension reserve

**13. Rent Arrears**

	<b>2007/08</b>	<b>2006/07</b>
	<b>31st March</b>	<b>31st March</b>
	<b>£'000</b>	<b>£'000</b>
Net arrears as at 31st March	<u>367</u>	<u>388</u>
Bad debt provision for uncollectable debts	<u>275</u>	<u>253</u>

**14. Sums directed by the Secretary of State to be debited or credited to the HRA**

No sums are to be debited or credited to the HRA

**15. Exceptional or prior year items not disclosed in the statement**

No exceptional or prior year items are disclosed in the statement

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008

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

	Note	2007/08 £'000	2006/07 £'000
<b>INCOME</b>			
Council Tax	1	27,641	26,172
<b>Transfers from General Fund</b>			
Council Tax Benefits		4,094	4,036
Income Collectable from Non-Domestic Ratepayers	2	13,564	13,758
		<b>45,299</b>	<b>43,966</b>
<b>EXPENDITURE</b>			
<b>Demands and Precepts</b>	3	31,798	29,997
<b>Non-Domestic Rates</b>			
Payment to National Pool		13,477	13,670
Costs of Collection Allowance		87	88
<b>Bad and Doubtful Debts</b>			
Provision for uncollectable amounts	4	13	0
		<b>45,375</b>	<b>43,755</b>
Surplus/(Deficit) for the year		<b>(76)</b>	<b>211</b>
<b>Collection Fund Balance</b>			
Balance at Beginning of Year		211	184
Surplus/(Deficit) for the year		<b>(76)</b>	<b>211</b>
		<b>135</b>	<b>395</b>
Redistribution of Surplus brought forward	5	319	184
<b>Balance at End of Year</b>		<b>(184)</b>	<b>211</b>
<b>Share of Surplus (Deficit) :</b>			
West Sussex County Council		(152)	155
Sussex Police Authority		(18)	18
Adur District Council		(14)	38
		<b>(184)</b>	<b>211</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. Council Tax

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

	<b>No. of Chargeable Dwellings</b>	<b>Discounts</b>	<b>Net Dwellings</b>	<b>Ratio to Band D</b>	<b>No. of Band D Equivalents</b>	<b>Plus 2nd Homes Discount</b>	<b>Total No. Homes Discount</b>
Band A -	6	0.71	5.29	5/9ths	2.9	0.0	2.9
Band A	2,504	416.45	2,087.55	6/9ths	1,391.7	4.3	1,396.0
Band B	4,650	572.49	4,077.51	7/9ths	3,171.4	8.7	3,180.1
Band C	10,769	893.52	9,875.48	8/9ths	8,778.2	28.8	8,807.0
Band D	5,880	347.50	5,532.50	9/9ths	5,532.5	16.0	5,548.5
Band E	1,893	58.47	1,834.53	11/9ths	2,242.2	3.4	2,245.6
Band F	679	35.22	643.78	13/9ths	929.9	5.2	935.1
Band G	302	14.72	287.28	15/9ths	478.8	4.0	482.8
Band H	3	0.75	2.25	18/9ths	4.5	0.8	5.3
<b>Total</b>	<b>26,686</b>	<b>2,339.83</b>	<b>24,346.17</b>		<b>22,532.1</b>	<b>71.2</b>	<b>22,603.3</b>
Less allowance for loss on collection and void properties (1.75%).							395.6
							<b>22,207.7</b>

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police Authority and Adur District Council by the Council Tax Base calculated above.

<b>Authority</b>	<b>Demand or Precept £</b>		<b>Council Tax Base</b>	<b>=</b>	<b>Band D Council Tax £</b>
West Sussex County Council	23,336,739	/	22,207.7	=	1,050.84
Sussex Police Authority	2,724,219	/	22,207.7	=	122.67
Adur District Council (inc. parishes)	5,737,077	/	22,207.7	=	258.34

### 2. Non-Domestic Rates (NDR)

Non-domestic rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole (44.1p in 2007/08 and 42.6p in 2006/07) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £35.89m (£35.47m in 2006/07). The total rates collected are paid to the NDR pool which is administered to the government and redistributed to each authority on a per capita basis.

### 3. Demands and Precepts on the Fund

	2007/08	2006/07
	£'000	£'000
	£	£
West Sussex County Council	23,337	22,037
Sussex Police Authority	2,724	2,547
Adur District Council (includes parish precepts)	5,737	5,413
	<u>31,798</u>	<u>29,997</u>

### 4. Bad and doubtful debts

An increase of £13,000 in the provision for Council Tax debt has been made in 2007/08 in line with Adur District Council's accounting policy for maintaining the provision.

### 5 Redistribution of Surplus

The sum of £319,000 shown as the amount of surplus redistributed to the major precepting bodies in 2007/08 includes £88,000 of sums distributed in previous years which were not included in the collection fund revenue accounts for those years.

### 6 Balance at end of year

The balance at the end of the year will be reclaimed from to precepting authorities in future financial years as follows :-

	£'000
West Sussex County Council	(152)
Sussex Police Authority	(18)
Adur District Council (includes parish precepts)	(14)
	<u>(184)</u>

## Annual Governance Statement

### Scope of responsibility

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

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.adur.gov.uk](http://www.adur.gov.uk) or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 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.

### 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 31 March 2008 and up to the date of approval of the statement of accounts. The Code of Corporate Governance, which formalises the governance framework, was approved by the Constitution & Audit Committee on the 30th June 2008.

### 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
- 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, standing financial instructions, 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.

#### Review of effectiveness

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the 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.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework,

- the Policy and Strategy Committee, the Constitution and Audit Committee, Development 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 Constitution and Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### Significant governance issues

There are no significant governance issues identified.

#### Action Plan

We propose over the coming year to take steps to address the matters that have been identified and an action plan has been devised 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: ...



Dated 30th June 2008



Dated 30th June 2008

Councillor Neil Parkin  
Leader of the Council  
Adur District Council

Ian Lowrie  
Joint Chief Executive of  
Adur & Worthing Councils

Neil Parkin  
Leader of the Council

Ian Lowrie  
Chief Executive



## **Independent auditor's report to the Members of Adur District Opinion on the accounting statements**

I have audited the Authority accounting statements and related notes of Adur District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, 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 Adur District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 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 Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts

My responsibility is to audit the financial statements and related notes 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 present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year

I review whether the annual 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 Authority accounting statements and related notes and consider whether it is consistent with the audited Authority 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 Authority accounting statements and related notes. 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.

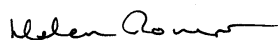
### **Basis of audit opinion**

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 Authority 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 Authority 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 Authority accounting statements and related notes.

### **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.



Helen Thompson, District Auditor, Audit Commission, 44-45 West Street, Chichester, West Sussex, PO19 1RP.

30th September 2008



## **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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report

### **Qualified Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice. In doing so I was unable to obtain sufficient appropriate evidence that Adur District Council had:

- an up to date asset management plan that details existing management arrangements and outcomes and planned action to improve corporate asset use;
- assessed the level of backlog maintenance required to Council property since 2003/04;
- an effective bank reconciliation process; and
- a fully effective internal financial control environment within the general ledger and sundry debtors and creditors systems.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Adur District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except in respect of meeting the following criteria:

- putting in place arrangements for the management of its asset base; and
- putting in place arrangements to maintain a sound system of internal control

### **Best Value Performance Plan**

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan

### **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, 44-45 West Street, Chichester, West Sussex, PO19 1RP.

30 September 2008.

## **GLOSSARY OF ACCOUNTING TERMS**

The following is a brief explanation of the technical terms used in this publication:-

### **Accounting Period**

The period of time covered by the accounts. The current year is 2007/08 which means the year commencing 1st April 2007 and ending 31st March 2008. The end of the accounting period is the date at which the balance sheet is drawn up.

### **Accrual**

An amount included in the accounts in respect of income or expenditure attributable to an accounting period for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.

### **Balance Sheet**

A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.

### **Capital Charge**

A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Receipts**

The proceeds from the sale of fixed assets.

### **Community Assets**

Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Liability**

A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.

### **Creditors**

Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.

### **Current Assets / Liabilities**

Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.

**Debtors**

Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date.

**Deferred Charges**

Expenditure which may properly be deferred, i.e. not written off to revenue, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are grants of a capital nature to voluntary organisations.

**Depreciation**

The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.

**Direct Service Organisations (DSO)**

Direct Labour Organisations established under the Local Government, Planning and Land Act 1980 and DSOs established under the Local Government Act 1988. The legislation has now been repealed, but the accounts have been retained as trading accounts until the contracts won under the legislation expire.

**Expenditure**

The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i. e. on an accruals basis.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.

**Fixed Assets**

Tangible assets which have value to the Council beyond one financial year, e.g., land, buildings, equipment etc. Such assets result from capital expenditure.

**Impairment**

A reduction in the value of a fixed asset below its net book value in the balance sheet.

**Infrastructure Assets**

Infrastructure assets are: highways, footpaths, sea defences, permanent ways, water and drainage facilities.

**Intangible Assets**

Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.

**Investments**

Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the authority.

**Liquid Resources**

Current asset investments that are readily disposable by the authority without disrupting its business

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

**Non-Operational Assets**

Fixed assets owned but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operating lease**

An operation lease is any lease which is not a finance lease. An operational lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets. Often these are relatively short-term agreements, with the same asset being leased in succession to different lessees.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Provision**

An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or to the dates on which they will arise are not determined.

**Prior Year Adjustment**

This is an event whereby figures quoted in previous year's statements have been changed due to a change in accounting policy.

**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

**Reserves**

Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.

**Virement**

Transfer of resources from one budget head to another in order to accommodate variations in spending policies.