

Worthing
BOROUGH COUNCIL

***Statement of
Accounts
2007/2008***

WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2008

C O N T E N T S

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Explanatory Foreword

1. *Introduction*

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

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2007/08. In addition, an outline of the overall financial position of the Council is given.

The 2007 SORP implemented the requirements of FRS 25, FRS 26 and FRS 29 which cover the recognition, measurement at fair value, presentation and disclosure of financial instruments within the Statement of Accounts. Further explanation of the accounting treatment, measurement bases and disclosures adopted relating to the new requirements for financial instruments is included in Section 3 Statement of Accounting Policies, and the Notes to the Core Statements.

2. *Explanation of Accounting Statements*

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

	Page No:
Statement of Responsibilities	9
This statement sets out the respective responsibilities of the Borough Council and the Executive Head of Financial Services in respect of the Council's accounts.	
Statement of Accounting Policies	10 - 15
This details the accounting policies that have been adopted in preparing the Statement of Accounts. The purpose of this statement is to enable a fuller understanding of the accounts and specifically to describe the policies that have been adopted for all material items.	
The Income & Expenditure Account	16 - 19
This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed from central government grants, national non-domestic rates and income from local council taxpayers.	
Statement of Movement in the General Fund Balance	17 - 18
The accounting basis for the Income and Expenditure Account does not take into account the statutory provisions when setting local taxes. This statement provides a reconciliation of the necessary adjustments.	

Explanatory Foreword

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

	Page No:
The Statement of Total Recognised Gains & Losses	19
<p>The statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.</p>	
The Balance Sheet	20
<p>This sets out the financial position of the Council on the 31st March 2008. The Balance Sheet reflects the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in all of its operations, together with summarised information on the fixed assets held.</p>	
The Cashflow Statement	21
<p>This summarises the Council's cash transactions for the year.</p>	
Notes to Core Financial Statements	22 - 54
The Collection Fund	55-57
<p>The Council is required to maintain a separate collection fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for their distribution to preceptors (West Sussex County Council and The Sussex Police Authority) and the Council's own General Fund. The fund also records the Council's contribution to the National Non-Domestic Rating Pool. The Collection Fund is incorporated in the Balance Sheet and The Cash Flow Statement.</p>	

Also included is the Annual Governance Statement (pages 58 – 60), which has been completed under the Corporate Governance Requirements. This gives reasonable assurance that an effective system of internal control is maintained and operated in connection with the resources concerned.

3. ***Revenue Spending in 2007/08***

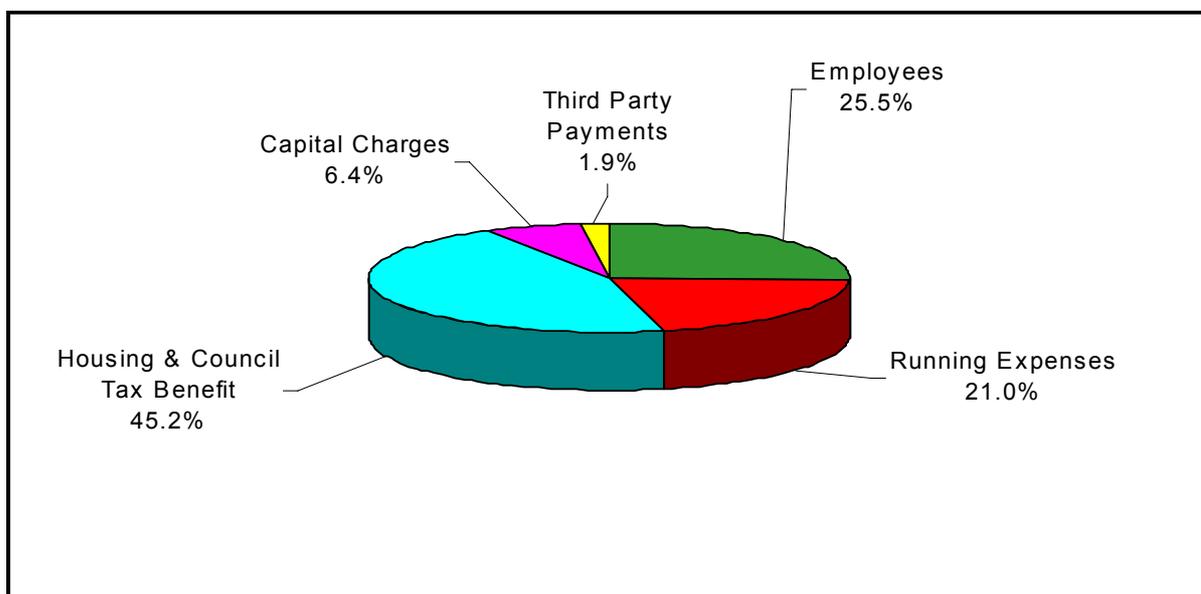
Revenue spending is the day-to-day expenditure incurred by the Council to deliver its services. This expenditure is financed from a variety of sources including Council Tax, Government Grant, charges for services, interest and rents. Total revenue expenditure amounted to £64.1m, of which £29.1m (45%) was on Housing and Council Tax Benefits. However, this expenditure was met by a specific government grant of £29.2m.

Explanatory Foreword

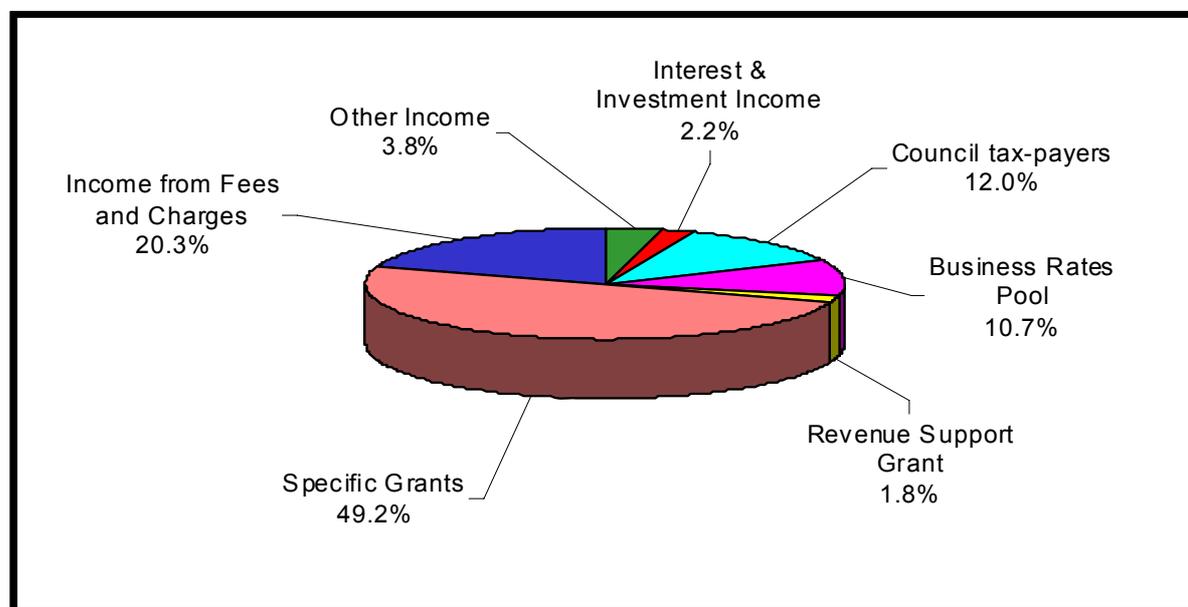
3. **Revenue Spending in 2007/08** (continued)

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

Expenditure by Type



Types of Income



Net operating expenditure amounted to £17.979m. This was an increase of £255k from the Revised Estimate of £17.724m approved in February 2008. The main reasons for the increase are listed on the next page.

Explanatory Foreword

3. ***Revenue Spending in 2007/08*** (continued)

	Variance (under)/over £'000
Theatre and public entertainment income	(60)
Indoor sports and recreational facilities underspends	(67)
Additional indoor sports and recreational facilities income	(74)
Foreshore – increased rental concession income and cleaning costs underspends	(40)
Cemetery and cremation income not achieved	185
Trade Refuse – leasing and maintenance underspends	(61)
Waste Collection and recycling underspends	(60)
Employee curtailment cost overspend (incl. £155k re Partnership redundancy costs)	170
Investment income – higher returns than expected	(136)
Premises related underspends and property lettings	(61)
Holding accounts vacancy savings and office overheads savings	(171)
Other smaller variations	(46)
Year end accounting adjustments:	
FRS 17	(630)
Deferred charges	1,269
Profit on disposal of asset	(124)
Impairment	478
LSVT receipts due to Worthing Borough Council from Worthing Homes	(317)
	255

After allowing for transfers to and from reserves the net budget requirement to be met from general government grants and Council Tax was £15.2m, up 3.8% from 2006/07, just under half of which £7.41m, was raised from Council Taxpayers. At the end of the year the Council retained Working Balances of £1.14m (unchanged from 2006/07) and had earmarked revenue reserves of £3.912m (£3.438m in 2006/07).

4. ***Capital Spending 2007/08***

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

Capital spending for the year totalled £6.165m, this was £1,309,031 less than the revised estimate mainly due to delays in progressing schemes.

Explanatory Foreword

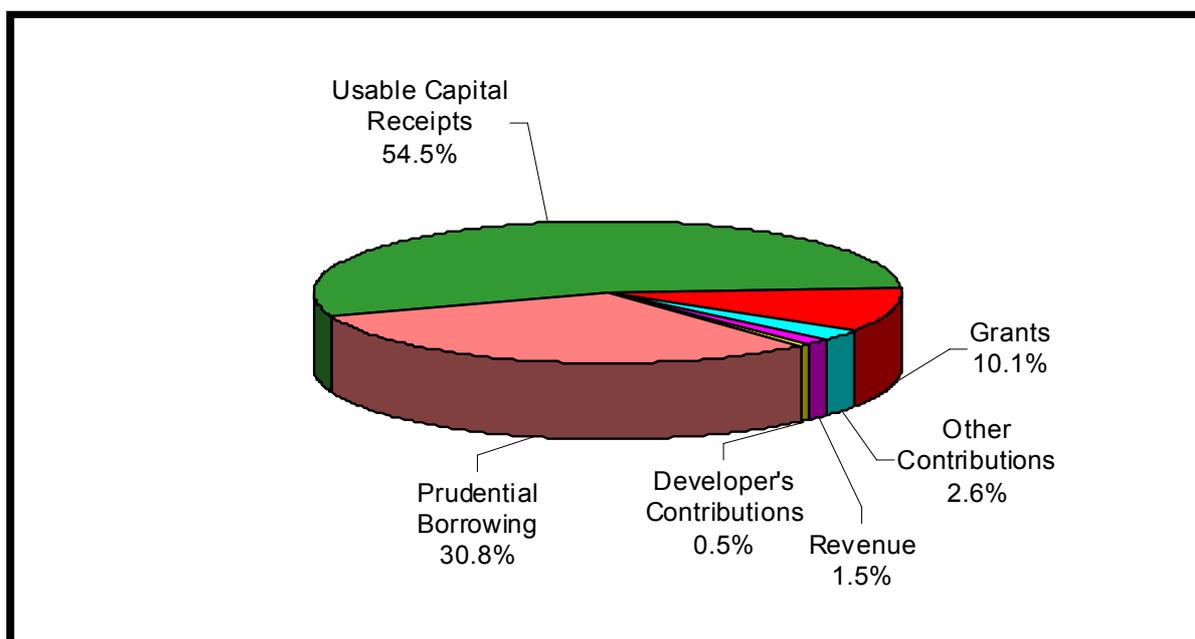
4. **Capital Spending 2007/08** (continued)

An analysis of the main areas of expenditure in 2007/08 is given below.

	What the capital money was spent on £'000
Affordable Housing	925
Coast Protection	183
Crematorium	751
Culture, Leisure and Sport	665
Electronic Service Delivery	367
Housing Renewal Grants	763
Refuse Collection and Recycling	2,145
Other General Schemes	366
	6,165

The capital spending was financed from the following:

Where The Capital Monies Came From



5. **Current Issues and Future Plans**

Revenue Plans

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

Explanatory Foreword

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

The largest items of revenue growth identified for 2008/09 are :

	£'000
Pay and Price inflation	530
Introduction of nationwide concessionary fare scheme	606
Financing cost of replacing refuse and recycling fleet	141
Reduction of income from recycling	100
Impact of financing the capital programme	110

Major Capital Projects

The Council has embarked on a project to replace its current swimming pool, the Aquarena, and to refurbish its main Leisure Centre. Capital budget provision of approximately £24m over the five years 2007/08 to 2012/13 has been made for these schemes to be financed by disposal of specific sites within the Borough. Receipts to the value of £3m have already been secured and the completion of the disposal of sites with anticipated receipts of approximately £18m is at an advanced stage.

The Council in 2007/08, with its partner Adur District Council, commenced replacement of its refuse and recycling fleet over a two year period at a total cost of £2.2m. Wheeled bins are being phased in as part of this new service at an additional cost of £1.1m.

The Council is also planning to carry out capital improvement and mercury emissions abatement works at the crematorium over the next 5 years and has agreed to set aside revenue funds for the work from increased crematorium and cemetery charges with effect from 1st January, 2006.

West Sussex County Council Pension Fund

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

The Council maintains an earmarked reserve specifically to help offset the cost of future Pension Fund contributions. There was a balance of £0.625m in this reserve at 31st March, 2008.

In addition, in accordance with the Code of Accounting Practice and Financial Reporting Standard 17, the Council is required to recalculate the Pension Fund deficit as at 31st March each year. To do this it obtains an actuarial valuation from Hymans Robertson, the Pension Fund's actuary. This shows that the deficit has fallen by £4m in the year to stand at £29.2m.

Explanatory Foreword

6. ***Use of Resources***

The Audit Commission has undertaken the use of resources assessment for 2006/07, the results of which were published in January 2008. The assessment looks at how financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It is carried out annually as part of the Council's external audit. The Council's overall score for 2007 was maintained at "3", the second highest category which denotes "performing well, consistently above minimum requirements. The comparative scores for 2006 and 2007 are shown below.

The assessment was scored over 5 elements.

ELEMENT	ASSESSMENT (OUT OF 4)	
	2007	2006
Financial Reporting	3	3
Financial Management	2	2
Financial Standing	3	3
Internal Control	3	3
Value for Money	2	2
Overall	3	3

Note: 1 = lowest, 4 = highest

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

The Council approved its latest MTFP in March 2008. This plan supports the Council's corporate planning processes by forecasting the level of resources that are likely to be available in the three financial years 2008/09 to 2010/11 inclusive.

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

- Matching council priorities set out in the corporate plan to available resources
- Meeting the needs of the local community and residents determined within the Community Strategy
- Setting council tax at a level which council tax payers are willing to pay
- Achieving a balance between revenue spending and capital investment
- Protecting the long term financial health of the council.

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

Explanatory Foreword

7. *Medium Term Financial Plan*

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

8. *Joint Working*

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

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

9. *Further Information*

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

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

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

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

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

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

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

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

Certification of Executive Head of Financial Services & Section 151 Officer

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2008.

SARAH GOBEY

Executive Head of Financial Services & Section 151 Officer

Dated: 26th June, 2008

Certificate of Approval by General Purposes Committee

I confirm that these Accounts were approved by the General Purposes Committee of Worthing Borough Council on 26th June, 2008.

TOM WYE

Chairman General Purposes Committee

Dated: 26th 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 following fundamental accounting principles have been followed:

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

The SORP 2007 has introduced some substantive changes to accounting practices, this is to further comply with UK General Accepted Accounting Practices (GAAP.)

The Fixed Asset Restatement Account and the Capital Financing Account have been replaced with a Revaluation Reserve and a Capital Adjustment Account. The Revaluation Reserve records the unrealised net gains from revaluations made after 1st April, 2007. The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The balances on the Fixed Asset Restatement Account and the Capital Financing Account have been transferred to the Capital Adjustment Account.

The SORP 2007 has also introduced significant disclosure requirements and changes in accounting policies for financial instruments.

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

2. Income and Expenditure

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

3. Costs of Support Services

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

Statement of Accounting Policies

4. *Leases*

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

5. *Intangible Fixed Assets*

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

6. *Tangible Fixed Assets*

(a) *Expenditure and Valuation principles*

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. The surpluses arising on the revaluation of fixed assets are credited to the Fixed Asset Revaluation Reserve. The authority applies a five-year rolling programme of revaluations. The principal valuation bases used are:

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

For 2007/08 the values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per capital contract has been applied to new vehicles, plant and equipment, and £50,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

Income from the disposal of fixed assets is accounted for on an accruals basis. The gain or loss on disposal is accounted for within the Income & Expenditure account and adjusted in the Statement of Movement in the General Fund Balance for the usable capital receipts in accordance with SORP 2007.

Statement of Accounting Policies

6. *Tangible Fixed Assets* (continued)

(b) Charges to Revenue for Fixed Assets

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

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

- Building 20-50 yrs except when impairment has occurred.
- Vehicles 5-7 yrs
- Equipment 1-20 yrs
- Intangible Assets, Software 1-7 yrs

(d) Impairment

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

(e) Depreciation

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

- newly acquired assets are depreciated from the date of acquisition, or the date they become operational (if later). Assets in the course of construction are not depreciated until they are brought into use
- assets disposed of are not depreciated in the year of disposal
- depreciation is calculated using the straight-line method over the useful life of the asset

7. *Government Grants and Contributions*

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

8. *Deferred Charges*

Capital expenditure, such as Improvement grants for which no tangible fixed assets exist is classified as deferred charges in the balance sheet. All deferred charges expenditure is written off to the Income and Expenditure Account in the year it is incurred.

Statement of Accounting Policies

9. **Current Assets**

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

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

10. **Accounting for Financial Instruments**

Financial Instruments are broadly defined in the SORP 2007 as contracts that give rise to a financial asset in one entity and a financial liability in another entity. Typical financial instruments are:

Liabilities

Trade payable and other payables
Borrowings
Financial guarantees

Assets

Bank deposits
Trade receivables
Loans receivable
Other receivables and advances
Investments

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

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

Financial Liabilities

- amortised cost
- fair value through profit or loss

Financial Assets

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

The Council's financial assets include trade debtors, bank deposits and investments, while its financial liabilities include all operational creditors and external borrowing. Both classes of financial instruments have been accounted for at amortised cost taken as the carrying amount on initial recognition (i.e. the transaction price), or (as in the case of investments and borrowing), principal plus accrued interest to 31st March, 2008

Statement of Accounting Policies

10. ***Accounting for Financial Instruments*** (continued)

In the case of PWLB debt, the measure of amortised cost includes an adjustment using the effective interest rate (EIR) that spreads the cost of the liability on inception equally over the life of the debt. In this case, amortised cost is the principal amount borrowed plus accrued interest payable for 2007/08 taken to the Income and Expenditure Account, less the amount of principal and interest actually paid in the year. For the purposes of the EIR calculation, a loan arrangement fee of £630 has been excluded as permitted within the SORP on the grounds of immateriality.

The SORP 2007 requires that each class of financial assets and financial liabilities be disclosed at "fair value" in a way that permits it to be compared with the carrying amount in the statement of accounts. Comparisons of fair value with the carrying amounts are shown where required within the Notes to the Core Financial Statements.

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

Soft Loans

The SORP 2007 also introduced for 2007/08 specific accounting requirements in respect of "soft loans", being loans made to third parties at preferential rates of interest below market rates. The SORP requires the fair value of soft loans to be estimated as the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

Although the council issues soft loans to employees in respect of car loans, it was agreed with the Council's auditors that no adjustment be made to the accounts to reflect the requirements of the SORP 2007 on the grounds that the balance of loans outstanding at 31 March 2008 (£32,075) is immaterial

The Council also has an investment of £50,000 in a debenture scheme for the Association of District Councils, for which the coupon rate of interest is zero percent. This falls within the definition of soft loans, but no adjustment has been made to the carrying amount because it is also considered to be immaterial.

11. ***Investments***

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

Statement of Accounting Policies

12. *Reserves*

The Council maintains earmarked reserves to meet future spending need. A brief explanation of the purpose of each provision and reserve is provided and an analysis of the reserves is included in Note 28, page 39.

13. *Provisions*

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

14. *Debtors and Creditors*

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the SORP. Sums due to or payable by the Council at the end of each financial year are brought into account (irrespective of whether cash has been received or payment has been made). Where actual costs are not available, accruals are made on a best-estimate basis. At the end of each financial year an estimate is made of doubtful debts – amounts due to the Council, but unlikely to be received. The total value of these amounts is provided for and deducted from the debtors balance in the Balance Sheet.

15. *Value Added Tax*

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

16. *Pension Costs*

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

Income and Expenditure Account

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

Note	2007/08 Gross Expenditure £'000	2007/08 Income £'000	2007/08 Net Expenditure £'000	2006/07 Net Expenditure £'000
Central Services to the Public	7,959	6,496	1,463	1,488
Cultural, Environmental and Planning Services	24,604	12,221	12,383	10,799
Highways, Roads and Transport Services	1,741	1,138	603	198
Housing Services	26,762	24,218	2,544	1,249
Social Services	23	3	20	22
Corporate & Democratic Core	2,374	25	2,349	2,386
Non-Distributed Costs	579	164	415	247
Net Cost of Services	64,042	44,265	19,777	16,389
(Profit)/loss on disposal of asset			(483)	-
Exceptional Items:			-	(1,233)
Shoreham Airport				
(Surplus)/Deficit on Holding A/cs			(106)	(164)
Surplus on non-operational properties			(276)	(239)
Contribution to housing capital receipts to government pool			19	
Interest & Investment Income			(1,295)	(1,104)
Interest payable			15	-
Pensions interest costs net of expected returns			660	760
Net Operating Expenditure			18,311	14,409
General government grants			(1,444)	(1,224)
Non-domestic rates redistribution			(6,628)	(6,315)
Transfer from/to Collection Fund			(7,412)	(7,058)
Transfers (from)/to the Collection Fund - surpluses/deficits			(34)	(38)
Net (Surplus)/deficit for the year			2,793	(226)
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE				
(Surplus)/Deficit for year on Income and Expenditure			2,793	(226)
Net additional amount required by statute and non-statute to be debited and credited to the General Fund			(2,793)	226
Increase in General Fund for the year			-	-
General Fund Brought Forward			(1,140)	(1,140)
General Fund Carried Forward			(1,140)	(1,140)

Statement of Movement on the General Fund Balance

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

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

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

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

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

2006/07 £'000	Deficit for the year on the Income and Expenditure Account	2007/08 £'000
(226)	(Surplus)/deficit for year on Income and Expenditure	2,793
226	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balance for the year.	(2,793)
-	Increase in the General Fund Balance for the year	-
(1,140)	General Fund Balance Brought Forward	(1,140)
(1,140)	GENERAL FUND BALANCE CARRIED FORWARD	(1,140)

Statement of Movement on the General Fund Balance

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

Note of Reconciling Items

2006/07 £'000			2007/08 £'000	
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(1,975)		Depreciation and impairment of fixed assets	(3,345)	
200		Government grant deferred amortisation	226	
1,993		Net (loss)/profit on sale of fixed assets	489	
(805)		Write down of deferred charges to be financed from capital resources	(1,269)	
140		Amount by which pension costs calculated in accordance with the SORP are different from the contribution due under the pension scheme regulations	630	
	(447)			(3,269)
		Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement in the General Fund for the year		
46		Capital expenditure in year charged to the General Fund Balance	94	
-		Transfer from usable capital receipts to meet payments to the Housing Capital receipts pool	(19)	
	46			75
		Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
627		Net transfer to and from earmarked reserves	401	
	627			401
	226	Net additional amount required by statute and non-statute to be debited and credited to the General Fund		(2,793)

Statement of Total Recognised Gains and Losses

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

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

2006/07 £'000		2007/08 £'000
(226)	(Surplus)/Deficit for the year on the Income and Expenditure Account	2,793
127	(Surplus)/Deficit for the year on the Collection Fund	563
(32,590)	(Surplus)/Deficit arising from the revaluation of fixed assets	(1,882)
-	Correction to valuation of fixed assets not included in the Income and Expenditure Account *	1,287
673	Impairment due to price decreases	13
(5,681)	Actuarial (gains)/losses on pension fund assets and liabilities	(3,430)
(6)	Other	0
(37,703)	TOTAL RECOGNISED (GAIN)/LOSS FOR THE YEAR	(656)
* This was due to an error in reporting in 2006/07		

Balance Sheet as at 31st March, 2008

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

	See Note No:	As at 31.03.2008		As at 31.03.2007	
		£'000	£'000	£'000	£'000
Intangible Assets	20		117		92
Tangible Fixed Assets	15				
Operational:					
Land and Buildings		79,125		80,956	
Community		4,946		4,946	
Infrastructure		1,062		184	
Vehicles, Plant, Furniture & Equipment		3,872		1,567	
		89,005		87,653	
Non-Operational:					
Investment property		9,372		7,760	
Assets under construction		184		1,627	
Surplus assets for disposal		5,939		6,545	
Total Tangible Fixed Assets		15,495	104,500	15,932	103,585
Long Term Investments					50
Long Term Debtors					
Housing Advances		6		48	
Council House Sales		42		56	
Other Advances		34	82	12	116
Total Net Long Term Assets			104,699		103,843
Current Assets					
Stocks and Work in Progress		136		150	
Debtors and Prepayments	38	9,177		9,522	
Provision for doubtful debts		(2,379)		(2,301)	
Investments		18,093		16,580	
Cash and Bank		54	25,081	36	23,987
Less: Current Liabilities					
Creditors and Receipts in Advance		(8,409)		(5,497)	
Govt Grants & Capital Cont. Unapplied	35	(1,566)		(826)	
Provision for VAT Liability				(205)	
Provision for Concessionary Fares	31	(197)			
Temporary Borrowing	41	(28)		(28)	
Bank Overdraft		(141)	(10,341)	(333)	(6,889)
Total Assets Less Current Liabilities			119,439		120,941
Long Term Liabilities					
Liability related to Pensions Scheme	39		(29,170)		(33,230)
Commuted Sums	23		(182)		(182)
Government Grants - deferred	33		(1,303)		(1,216)
Amortised cost of Financial Liabilities			(1,815)		-
Total Assets Less Liabilities			86,969		86,313
Financed by:					
Capital Adjustment Account	25		95,913		98,771
Revaluation Reserve	24		1,769		
Deferred Credits	34		43		56
Usable Capital Receipts Reserve	26		13,747		15,887
Pensions Reserve	39		(29,170)		(33,230)
Earmarked Reserves	28		3,913		3,512
Revenue Fund Balances	30		754		1,317
			86,969		86,313

Cash Flow Statement

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

	See Note No:	2007/08		2006/07	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		17,846		16,864	
Other operating cash payments		12,885		13,646	
Payments to the capital receipts pool		19			
Housing Benefit paid out		23,638		22,093	
National non-domestic rate payments to national pool		28,195		24,438	
Precepts paid		44,930	127,513	42,324	119,365
Cash Inflows:					
Rents		(1,973)		(1,977)	
Council Tax Receipts		(46,806)		(43,450)	
National non-domestic rate receipts from national pool		(6,629)		(6,315)	
Non-domestic rate receipts		(27,813)		(24,486)	
Revenue Support Grant		(1,112)		(1,224)	
DWP grants for benefits		(31,241)		(29,091)	
Other government grants	53	(688)		(891)	
Cash received for goods & services	49	(12,150)	(128,412)	(11,434)	(118,868)
Returns on Investments & Servicing of Financing					
Cash Outflows: Interest paid					
Cash Inflows: Interest received					
Capital Activities					
Cash Outflows:					
Purchase of fixed assets		4,155		2,296	
Long Term Investments		-		-	
Other capital cash payments		1,766	5,921	1,206	3,502
Cash Inflows:					
Sale of fixed assets		(1,328)		(1,890)	
Capital grants received	53	(945)		(524)	
Other capital cash receipts		(796)		(403)	
Sale of long-term investments		(50)	(3,119)	(7,000)	(9,817)
Net cash (inflow)/outflow before financing	50		420		(6,627)
Management of Liquid Resources					
Net increase/(decrease) in s/term deposits	51		1,170		6,880
Financing					
Cash Outflows:					
Repayment of amounts borrowed					-
Cash Inflows:					
New long-term loans			(1,800)		-
(Increase)/Decrease in cash	50		(210)		253

Notes to Core Financial Statements

1. **Trading Activities**

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

	2007/08 Income £'000	2007/08 Expenditure £'000	2007/08 Deficit/(Surplus) £'000	2006/07 Deficit/(Surplus) £'000
Vehicle Maintenance	469,590	469,590	-	7

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

2. **Discretionary Expenditure**

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

	2007/08 £'000	2006/07 £'000
Grants to Voluntary Organisations	140	150

3. **Expenditure on Publicity**

Under Section 5 of the Local Government Act 1986 local authorities are required to disclose how much expenditure is incurred on publicity. In 2007/08 expenditure totalled £374,337 (£344,406 in 2006/07). The main areas of expenditure were in publicising Worthing as a resort £59,688 (£59,286), advertising entertainments £176,932 (£175,352), and recruitment advertising £64,217 (£74,989).

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

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

Notes to Core Financial Statements

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

Building Regulations Charging Account 2007/08

	2007/08 Chargeable £'000	2007/08 Non- Chargeable £'000	2007/08 Total Building Control £'000	2006/07 Total Building Control £'000
<u>EXPENDITURE</u>				
Employees	182	116	298	338
Transport	6	3	9	10
Supplies and Services	6	8	14	17
Central and Support Service charges	71	63	134	106
TOTAL EXPENDITURE	265	190	455	471
<u>INCOME</u>				
Building regulations charges	(313)	-	(313)	(264)
NET OUTTURN FOR YEAR	(48)	190	142	207

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

	(Surplus)/Deficit £
2005/06	(4,666)
2006/07	9,425
2007/08	(47,633)
Cumulative Surplus	(42,874)

5. **Agency Agreement**

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough.

Notes to Core Financial Statements

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

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides electricity and maintains grounds for the Worthing Law Courts, which in total amounted to £18,362 (£16,257 in 2006/07). These costs are recovered in full and are not included in the Income and Expenditure Account.

7. **Partnership Working**

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

	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000
EXPENDITURE			
Cultural, Environmental & Planning Services	2,709	(836)	1,873
Corporate and Democratic Core	20	-	20
NET COST OF SERVICES	2,729	(836)	1,893
Holding Accounts	-	-	92
Net Operating Expenditure	-	-	1,985
Funded By:			
Adur District Council			(738)
Worthing Borough Council			(1,247)
(SURPLUS)/DEFICIT			-

8. **Local Area Agreements**

The Local Area Agreement (LAA) is a three-year agreement between a local area and central government. The LAA sets out how local priorities will be met by applying local solutions. It also contributes to national priorities set out by the government.

The LAA is negotiated between the local strategic partnership (LSP) and the regional Government Office (GO). The LSP consists of all the key players in a local area who deliver services. West Sussex County Council is the lead partner or accountable body in the LSP, and now has a statutory duty to prepare the LAA. The Local Authority negotiates the LAA on behalf of its LSP and is the only body accountable to government. Other partner bodies in the LSP are as follows:

Notes to Core Financial Statements

8. *Local Area Agreements* (continued)

The LAA partners are:

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

An estimated £11.5m reward grant from achieving targets set in the agreement has been invested in funding in the Local Area Agreement, which builds upon the framework of the Public Service Agreement (PSA) for delivering the priorities of local people. A pump priming grant of £1.5m has also been received by the County Council. The County Council will receive £9.4m of this total towards its own targets. Payments to other partners will total £3.6m, which will be distributed on a bid basis.

Of this total, the Worthing LSP was allocated £218,992 in 2007/08, which was used to support local initiatives. Worthing CDRP was awarded £134,015 of this total (see Note 13).

Notes to Core Financial Statements

12. **Disclosure of Audit Costs**

In 2007/08 Worthing Borough Council incurred the following Audit Commission fees relating to external audit and inspection:

	2007/08 £'000	2006/07 £'000
Audit – Code of Practice work e.g. accounts, performance review and financial controls	105	107
Inspection – e.g. CPA or scoring of particular services	6	5
Grant Claim Certification	23	20
Adur and Worthing Joint Committee	12	-
TOTAL	146	132

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

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

MEMORANDUM ACCOUNTS 2007/08	£000s	£000s
<u>INCOME</u>		
Adur District Council	(15)	
Sussex Police	(47)	
West Sussex County Council	(134)	
West Sussex PCT	(20)	
Worthing Borough Council	(11)	
Registered Social Landlords	(13)	
Total Income		(240)
<u>EXPENDITURE</u>		
Revenue	265	
Capital	33	
Total Expenditure		298
Excess Expenditure Over Income		58
<u>Balances Brought Forward 1st April, 2007:</u>		(201)
BALANCES CARRIED FORWARD 31ST MARCH, 2008		(143)

Notes to Core Financial Statements

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

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

The balances carried forward at 31st March, 2008 will be used to fund a range of agreed specific projects aimed at:

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

14. **Non-Distributed Costs**

This expenditure is excluded from the recharge to particular services by the Best Value Accounting Code of Practice. Net expenditure of £415,138 relates principally to costs in relation to pensions backfunding and added years £282,891 (£290,017), staff redundancy and early retirement payments of £339,200 and depreciation and impairment on non-approved assets of £76,765 (£129,470). These costs are offset by the receipt of a defective dwelling grant of £9,240 (£19,240 in 2006/07), unused VAT partial exemption provision written back of £120,000 and net income from recharges of £154,478 to Adur Council under partnership working.

15. **Tangible Fixed Assets**

(a) **Operational Assets**

Movements during the year:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	TOTAL £'000
Certified Valuation at 31.03.07	81,569	-	-	-	-
Accumulated Depreciation and Impairment	(613)	-	-	-	-
Net Book Value on Assets at 31.03.07	80,956	1,567	184	4,946	87,653
Movements in 2007/08					
Additions	1,281	2,644	350	-	4,275
Disposals	-	(2)	-	-	(2)
Impairments	(458)	-	-	-	(458)
Reclassifications	605	381	589	-	1,575
Revaluations	83	-	-	-	83
Depreciation	(2,055)	(718)	(61)	-	(2,834)
Other Movements	(1,287)	-	-	-	(1,287)
Net Book Value of Assets at 31.03.08	79,125	3,872	1,062	4,946	89,005

Notes to Core Financial Statements

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

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

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	TOTAL £'000
Certified Valuation at 31.03.07	7,862	-	6,547	-
Accumulated Depreciation and Impairment	(102)	-	(2)	-
Net Book Value of Assets at 31.03.07	7,760	1,627	6,545	15,932
Movements in 2007/2008				
Additions	15	66	-	81
Disposals	-	-	(695)	(695)
Impairments	(14)	(13)	(6)	(33)
Reclassifications	(85)	(1,496)	-	(1,581)
Revaluations	1,696	-	104	1,800
Depreciation	-	-	(9)	(9)
Net Book Value of Assets at 31.03.2008	9,372	184	5,939	15,495

(c) **Land and Buildings**

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

(d) **Community Assets**

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

(e) **Non-operational Assets**

This category includes properties and sites owned by the Authority, which are not directly occupied, used or consumed in the delivery of services, or for the strategic objectives of the Authority. The components at 31st March, 2008 were:

	£'000
Investment Properties:	
Car Parks	86
Industrial Sites	3,965
Pavilions & Other Recreational Premises	2,390
Properties and Developments	2,931
	9,372
Assets under Construction:	184
Surplus Assets held for disposal:	5,939
	15,495

Further asset revaluations are anticipated in 2008/09 to reflect a rolling programme of revaluation in accordance with CIPFA guidelines.

Notes to Core Financial Statements

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

(f) **Capital Expenditure & Financing**

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

	2007/08 £'000	2006/07 £'000
Opening Requirement as at 1st April 2007	3,738	3,738
Capital Investment		
Intangible Assets	43	-
Operational Assets	4,275	890
Non-Operational Assets	81	1,134
Deferred Charges/Long Term Debtors	1,766	1,205
	6,165	3,229
Sources of Finance		
Capital Receipts	(3,363)	(2,453)
Government Grants and Other Contributions	(809)	(636)
Revenue Provision (direct and from reserves)	(94)	(140)
	(4,266)	(3,229)
Closing Requirement as at 31st March, 2008	5,637	3,738

Explanation of movements in year:

	2007/08 £'000	2006/07 £'000
Increase in underlying need to borrow (supported by Government financial assistance).	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance).	1,900	-
Total	1,900	-

Notes to Core Financial Statements

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

(f) **Capital Expenditure & Financing**

TOTAL ASSETS AND FINANCING	2007/08 £'000	2006/07 £'000
Balance as at 31st March, 2008:		
Fixed Assets	104,499	103,585
Intangible Assets	117	92
Fixed Asset Restatement Account	-	(77,323)
Capital Financing Account	-	(21,448)
Capital Adjustment Account	(95,913)	-
Revaluation Reserve	(1,769)	-
Government Grants Deferred	(1,303)	(1,216)
Long Term Debtors	6	48
Capital Financing Requirement as at 31st March 2008	5,637	3,738

(j) **Impairment Review**

As required under capital accounting regulations, the Council completed an Impairment Review of all its assets at 31st March, 2008 to ensure that fixed assets held are recorded at no more than their recoverable amount. The Council incurred total impairment of £490,795 of which £12,474 was written down to the Revaluation Reserve and £478,321 was charged to revenue. Impairment resulted from: the demolition of the public convenience at Offington Lane (£174,360); general price decreases (£19,614); and enhancements to assets which did not result in an increase in the overall value of the assets, although the services provided by the assets were significantly improved (£296,821).

Notes to Core Financial Statements

16. **Commitments Under Capital Contracts**

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

	£'000
Affordable Housing:	
3TO/Norfolk Hotel	209
Victoria Road	54
AWS Refuse/Recycling Service	
Provision of Wheeled Bins	98
Coast Protection	
Sea Place/Eirene Road Grout Curtain	69
Seafront Enhancements Phase 6	
Refurbishment of Alinora Seafront Shelter	63

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

In addition, the Council has firm plans for the following significant capital schemes, which are expected to be entered into by 31st March, 2009:

	£'000
Assembly Hall	
Structural Wall Repairs and Replacement Windows	362
AWS Refuse/Recycling Service	
Refuse and Recycling Vehicles	657
Wheeled Bins	644
Chapel Road/Marine Parade	
Contribution to WSCC Road Safety Scheme	100
Electronic Service Delivery	139
Play Areas	
Tarring Recreation Ground Multi Use Games Area	76
Longcroft Park Play Area	65
Public Conveniences	
Selected Location Refurbishment	60
Street Cleansing	
Replacement of 4 vehicles	128
Worthing Theatres	
New Box Office System	125

Notes to Core Financial Statements

17. *Deferred Charges*

Movements during the year were:

	Balance at 31.03.07 £'000	Expenditure £'000	Written off £'000	Balance at 31.03.08 £'000
Affordable Housing	-	925	(925)	-
House Renovation Grants	-	763	(763)	-
Other	-	78	(78)	-
	-	1,766	(1,766)	-

Gross expenditure includes £763,474 (£773,297 in 2006/07) relating to the write-off of deferred charges, being amounts paid to third parties for private house renovation, and £924,541 (£341,120 in 2006/07) relating to Affordable Housing Grants. This is funded by a contribution from the Capital Adjustment account (see Note 22) and from Government Grants deferred.

18. *Fixed Assets Held By The Council At 31st March, 2008*

TYPE OF ASSET	NUMBER
OPERATIONAL:	
<i>Land and Buildings</i>	
Bus Shelters	54
Car Parks	37
Community Centres	14
Crematorium and Cemeteries	3
Entertainment Venues	24
Historic Buildings	1
Properties and Developments	11
Public Conveniences	34
Shelters	17
Swimming Pool	1
Other	11
	207
<i>Community Assets</i>	
Civic Regalia	6
Parks and Open Spaces	122
	128

Notes to Core Financial Statements

18. **Fixed Assets Held By The Council At 31st March, 2008** (continued)

TYPE OF ASSET	NUMBER
Vehicles, Plant, Furniture and Equipment	
Equipment	80
Furniture	3
Vehicles	42
	125
NON-OPERATIONAL:	
Bus Shelters/Sites	447
Car Parks	4
Industrial Sites	63
Pavilions and Other Recreational Premises	64
Properties and Developments	49
	627

19. **Leasing**

Various vehicles, plant and office equipment are held on operating leases. Rentals paid in 2007/08 were £400,854.

The Council was committed at 31st March, 2008 to making payments of £163,185 under operating leases for vehicles, plant and equipment in 2008/09 and beyond comprising the following:

	Committed at 31st March, 2008 £
Leases expiring in 2008/09	17,106
Leases expiring between 2009/10 and 2012/13	146,079
Leases expiring after 2012/13	0

Notes to Core Financial Statements

20. *Intangible Assets*

Movements during the year:

	Purchased Software Licences £'000
Original Cost 1 st April, 2006	72
Additions to 1 st April, 2007	52
Amortisations to 1 st April 2007	(32)
Balance at 1st April, 2007	92
Reclassifications	6
Expenditure in year	43
Written off to Revenue in year	(24)
BALANCE AT 31ST MARCH, 2008	117

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

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

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

	Land & Buildings £'000	Vehicles, Plant, etc. £'000	TOTAL £'000
Valued at historical cost	5,122	7	5,129
Valued at net book value	1,062	3,872	4,934
Valued in:			
Current year	4,342	-	4,342
Previous year 31.03.07	66,902	-	66,902
Two years ago 31.03.06	745	-	745
Three years ago 31.03.05	14,282	-	14,282
Four years ago 31.03.04	8,165	-	8,165
TOTAL	100,620	3,879	104,499

Notes to Core Financial Statements

22. **Contribution from Capital Adjustment Account**

The sum of £1,268,812 has been transferred from the Capital Adjustment Account to offset the impact of the cost of Affordable Housing Grants (£924,541), Renovation Grants (£343,974) and other capital grants (£297) written off to service expenditure. This transfer is required by the Accounting Code of Practice to ensure that the write-off of this expenditure has no effect upon the amount of money to be raised via local taxation.

23. **Commutated Sums**

	Balance at 31.03.07 £'000	Increases £'000	Utilised £'000	Balance at 31.03.08 £'000
Open Spaces	182	-	-	182
Total Commuted Sums	182	-	-	182

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

24. **Revaluation Reserve**

	£'000
Opening Balance at 01.04.07	-
Revaluations	1,883
Depreciation	(1)
Impairment relative to price decreases	(13)
Disposals	(100)
Closing Balance at 31.03.08	1,769

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

25. **Capital Adjustment Account**

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

Notes to Core Financial Statements

25. **Capital Adjustment Account** (continued)

	£'000	£'000
Opening Balance 01.04.07.		98,771
Less: Depreciation and impairment losses		(3,117)
		95,654
Plus: 2007/08 expenditure financed from capital receipts	3,362	
2007/08 expenditure financed from revenue account	93	3,455
Less: Write down of deferred charges		(1,269)
Write down of long-term debtors		(42)
Disposals of Fixed Assets		(598)
Valuation adjustment from 2006/07		(1,287)
Balance carried forward at 31.03.08		95,913

26. **Usable Capital Receipts Reserve**

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

Movements in the year were as follows:

	£'000	£'000
Balance at 01.04.2007		15,887
Add: New receipts in year:		
Capitalised Interest	25	
Contribution from Housing Association to Pooling Requirement	19	
Fixed asset sales	821	
LSVT receipts	317	
Repayments of advances	55	
Repayments of grants	4	1,241
Amount utilised to finance capital expenditure		(3,362)
Pooling requirement		(19)
Balance at 31.03.2008		13,747
To be utilised as follows:		
General Capital Financing		6,446
Ring fenced for future "Leisure Provision"		3,046
Ring fenced for Affordable Housing (RTB Clawback Receipts)		4,251
Ring fenced for Housing Renewal Grants		4
		13,747

Notes to Core Financial Statements

27. Note on Movement on Capital Reserves

	Revaluation Reserve £'000	Capital Adjustment A/c £'000	Government Grants Deferred £'000	Usable Capital Receipts £'000	Government Grants Unapplied £'000
Balance as at 1st April, 2007	-	98,771	1,216	15,887	826
Transfers to Revenue Accounts					
General Fund depreciation	(1)	(2,865)	-	-	-
Impairment	-	(478)	-	-	-
Funding of Revenue Expenditure	-	-	-	-	(6)
Capital Grants and Contributions	-	-	-	-	1,555
Amortisation of Grants and Contributions	-	226	(722)	-	(809)
Capital Receipts received	-	-	-	1,222	-
Upward Revaluation of Fixed Assets	1,883	-	-	-	-
Impairment due to price decreases	(13)	-	-	-	-
Write down of long term debtors	-	(42)	-	-	-
Write down of deferred charges	-	(1,269)	-	-	-
Other adjustments	-	(1,287)	-	-	-
Disposal of Assets	(100)	(598)	-	-	-
Financing of Capital Programme					
Use of Capital Receipts	-	3,362	-	(3,362)	-
Use of Capital Grants and Contributions	-	-	809	-	-
Revenue Contributions and Reserves	-	93	-	-	-
BALANCE AS AT 31.03.08	1,769	95,913	1,303	13,747	1,566

Notes to Core Financial Statements

28. **Note on Movement on Revenue Reserves**

Movements during the year were as follows:

	Closing Balance at 31.03.07 £'000	Increase £'000	Decrease £'000	Closing Balance at 31.03.08 £'000
EARMARKED RESERVES				
Capacity Issues	668	665	(381)	952
Community Initiatives	10	-	-	10
Conservation Grants – closed	1	-	(1)	-
Cremator Abatement	94	66	-	160
Crematorium Improvement	-	47	(47)	-
Economic Development Initiatives	163	-	(81)	82
Insurance	268	39	(23)	284
Joint Health Promotion	80	-	(28)	52
Leisure Lottery & Other Partnerships	133	-	-	133
Leisure Options	101	191	-	292
Museum Reserve	130	-	(20)	110
Oncost & Working Accounts	23	-	(23)	-
Pay and Grading Review	32	-	(32)	-
Pension Contributions	850	-	(225)	625
Pier Repair and Renewals	5	-	(5)	-
Planned Maintenance	29	-	(29)	-
Planning Delivery Grant	280	196	(219)	257
Special & Other Emergency Expenditure	325	250	-	575
VAT Partial Exemption	247	-	-	247
Vehicle Repairs and Renewal	-	61	-	61
	3,439	1,515	(1,114)	3,840
CAPITAL EXPENDITURE RESERVE				
Transfers from General Revenue Fund	73	-	-	73
	73	-	-	73
TOTAL	3,512	1,515	(1,114)	3,913

29. **Reserves**

- (i) The capacity issues reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.
- (ii) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.

Notes to Core Financial Statements

29. **Reserves** (continued)

- (iii) The Cremator Abatement Reserve and Crematorium Improvement Reserve were established in November 2005 and consist of funds set aside from increases in fees and charges. They are designed to provide funds towards the cost of mercury emission abatement measures and crematorium infrastructure improvements respectively.
- (iv) The Economic Development Initiatives Reserve was established in 2000 to meet the costs of future economic development initiatives.
- (v) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (vi) The Joint Health Promotion reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (vii) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (viii) The Leisure Options Reserve has been established using the interest earned from the proceeds of the disposal of certain assets being sold to generate funds to re-provide swimming facilities and refurbishing the Leisure Centre. The reserve will be used for one-off initiatives or pump-priming projects in line with the Council's Corporate Plan priorities.
- (ix) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (x) The Pay and Grading Review Reserve has been set up to carry forward unspent monies set aside to fund the Pay and Grading Review being undertaken in 2006/07.
- (xi) The Pension Contributions Reserve was established in 1997/98 to provide funding for the inevitable increases in the Council's contributions to the West Sussex Pensions Fund beginning in 1999/2000 following the Government's withdrawal of Advance Tax Credits.
- (xii) The Pier Repairs and Renewals Reserve relates to the Pier Undertaking.
- (xiii) The Planning Delivery Grant Reserve was set up in 2006/07 to carry forward grant received in previous years, which has been approved by Cabinet to be spent on specific planning initiatives
- (xiv) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.

Notes to Core Financial Statements

29. **Reserves** (continued)

- (xv) VAT Partial Exemption Reserve was originally set up in 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in 2002 and surplus funds redistributed to other reserves leaving a balance of £247,000 to meet potential VAT liabilities.
- (xvi) The Vehicle Repairs and Renewal Fund was set up in 2008 to meet future maintenance costs of the Adur Worthing Council Services Fleet.
- (xvii) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

30. **Revenue Fund Balances**

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

	Balance at 31.03.07 £'000	Increase £'000	Decrease £'000	Balance at 31.03.08 £'000
General Fund	1,140	-	-	1,140
Collection Fund	177	-	(563)	(386)
	1,317	-	(563)	754

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

31. **Provisions**

A provision of £197,000 for concessionary fares has been set aside for the probable outcome of a High Court judicial review that is being actioned by one of the bus operators.

32. **Contingent Assets**

Prospective Sale of Assets

The Council has exchanged contracts with potential developers for the sale of land and property in respect of Sea Place, Eirene Road and its Grafton site. Completion of the sale of these assets is contingent upon the purchasers receiving future planning approval for redevelopment. Consequently, the deposits paid by the developers, some £390,000 for Sea Place and Eirene Road, and £1,530,000 for the Grafton site, represent contingent assets the ultimate realisation of which is uncertain at the balance sheet date. This is because the deposits held are returnable under the terms of the sale if planning permission is not forthcoming. If the sales are completed the amount the Council will ultimately receive is subject to negotiation, but are expected to be in the region of £18m. The proceeds from this sale are earmarked as capital receipts to be used for financing the replacement of the Council's leisure facilities

Notes to Core Financial Statements

32. **Contingent Assets** (continued)

VAT

Following a recent decision in the House of Lords, HM Revenue & Customs are receiving claims for overpaid VAT backdated to the introduction of VAT. The VAT Officer has investigated areas where claims have previously been submitted and has submitted further claims backdated to 1980. This amounts to approximately £50,000 plus interest. No accrual has been made for these in 2007/08 as the settlement of these are dependant on a decision by HMRC. Additional claims have been made in respect of Car Parking income but these rest on the outcome of a European Court of Justice ruling and are speculative.

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

Movements during the year were:

	Balance at 31.03.07 £'000	Increases £'000	Written off £'000	Balance at 31.03.08 £'000
Coast Protection (DEFRA)	20	77	(78)	19
I.T.(DCLG/DCA)	472	36	(159)	349
House Renovation Grants (DCLG)	-	390	(390)	-
Other	73	118	(43)	148
Government Grants	565	621	(670)	516
Environmental Improvements	651	188	(52)	787
Capital Contributions	651	188	(52)	787
Total Government Grants Deferred	1,216	809	(722)	1,303

The table above includes £497,095 funding for deferred charges written off.

34. **Deferred Credits**

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

Notes to Core Financial Statements

35. **Government Grants Unapplied**

Movements during the year were:

	Balance at 31.03.07 £'000	Received in Year £'000	Transferred to Government Grants Deferred £'000	Transferred Revenue £'000	Balance at 31.03.08 £'000
Government Grants	202	855	(778)	-	279
Other Contributions (Section 106)	624	700	(31)	(6)	1,287
	826	1,555	(809)	(6)	1,566

36. **Trust Funds**

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

37. **Long Term Investments**

- (a) In 1989 the Council invested £50,000 in a 22 year debenture with the Association of District Councils, to assist that body in acquiring new office accommodation. In 1996/97 a repayment plan was agreed with The Association to secure repayment by the year 2011. On 17th April, 2008 the Association wrote to the council to confirm its intention to repay the debenture on 1st October 2008, plus a premium of approximately 15% (i.e. £7,500) of the debenture value. The repayment follows the sale of the ADC Accommodation on 1st April, 2008.
- (b) At 31st March, 2008, the Council has no long-term market investments as all investments held at that date will mature within twelve months.

38. **Debtors**

Amounts falling due within one year:

	31.03.08 £000s	31.03.07 £000s
NNDR Payers and Council Taxpayers	1,636	1,715
Government Departments	806	1,265
Sundry Debtors	4,208	4,044
Prepayments	148	197
	6,798	7,221

Notes to Core Financial Statements

38. **Debtors** (continued)

Debtors are shown net of the following allowances for doubtful debts

	31.03.08 £000s	31.03.07 £000s
NNDR Payers and Council Taxpayers	1,606	1,600
Housing Benefit Overpayments	711	636
Sundry Debtors	62	65
	2,379	2,301

39. **Retirement Benefits**

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

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

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account (I&E) as part of the Movement in the General Fund statement.

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

	2007/08 £'000	2006/07 £'000
Net Cost of Services:		
- current service cost	(1,740)	(2,240)
- past service costs	-	-
- curtailments and settlements	-	-
Net Operating Expenditure:		
- Interest cost	(5,090)	(4,780)
- Expected return on assets in the scheme	4,430	4,020
NET CHARGE TO THE INCOME AND EXPENDITURE	(2,400)	(3,000)

Notes to Core Financial Statements

39. Retirement Benefits (continued)

	2007/08 £'000	2006/07 £'000
Statement of Movement in the General Fund Balance		
- Reversal of net charges made for retirement benefits in accordance with FRS17	2,400	3,000
Actual amount charged against the General Fund Balance for pensions in the year		
- employers' contributions payable to scheme	(2,740)	(2,850)
- contributions in respect of unfunded benefits	(290)	(290)
NET MOVEMENT	(630)	(140)

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:-

	31.03.2008 £000s	31.03.2007 £000s
Estimated Employer Assets	58,370	61,800
Present value of scheme liabilities	(83,790)	(91,140)
Present value of unfunded liabilities	(3,750)	(3,890)
Net Pension Asset/(Liabilities)	(29,170)	(33,230)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The decrease in Net Pension Liabilities is analysed below:

	Year to 31.03.08 £000s	Year to 31.03.07 £000s
Net Liability at beginning of the year	(33,230)	(39,051)
Current Service Costs	(1,740)	(2,240)
Employer Contributions	2,740	2,850
Contributions in respect of Unfunded Benefits	290	290
Impact of settlements and curtailments	-	-
Expected return on Assets	4,430	4,020
Interest on Pension Scheme Liabilities	(5,090)	(4,780)
Actuarial gains/(losses)	3,430	5,681
Net Liability at end of the year	(29,170)	(33,230)

Notes to Core Financial Statements

39. **Retirement Benefits** (continued)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £29,170,000 has a substantial 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:

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

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 Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The Estimates for the fund being based on the latest full valuation of the scheme as at 31st March, 2008.

	31.03.2008 % per annum	31.03.2007 % per annum
Price increases	3.6%	3.2%
Salary increases	5.1%	4.7%
Pension increases	3.6%	3.2%
Discount rate for scheme liabilities	6.9%	5.4%
Take up option to convert annual pension into retirement grant.	50%	25%

Assets in the Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories:

	Long-term Return % per annum	Assets at 31.03.2008		Assets at 31.03.2007	
		£000s	%	£'000	%
Equities	7.70%	41,710	71%	47,530	77%
Bonds	5.70%	9,890	17%	8,260	13%
Property	5.75%	4,610	8%	4,890	8%
Cash	4.80%	2,160	4%	1,120	2%
TOTAL	7.1%	58,370	100%	61,800	100%

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2008.

Notes to Core Financial Statements

39. *Retirement Benefits* (continued)

	2007/08		2006/07		2005/06		2004/05		2003/04	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Difference between the expected and actual return on assets	(6,260)	10.7	(1,150)	1.9	8,210	14.0	1,994	4.2	5,783	13.9
Differences between actuarial assumptions about liabilities and actual experience	13,600	15.5	6,820	7.2	(9,583)	9.8	(12,206)	14.4	-	-
Changes in experience gains/ (losses) on Liabilities	(3,910)	4.5	11	0.01	4	0.01	(2,121)	-	(87)	-
	3,430		5,681		(1,369)		(12,333)		5,696	

40. *Contingent Liabilities*

The Council is required to carry out an Equalities Audit as part of the Job Evaluation. The outcome of this has not yet been resolved but it is likely that some staff will receive some increased remuneration. Approximately £50,000 had been allowed in the 2007/08 revised budget but this cannot be quantified exactly at this stage.

41. *Temporary Borrowing*

	At 31.03.07 £'000	New/ Addition £'000	Repaid £'000	At 31.03.08 £'000
Temporary Borrowing: (term 3-12 months)	28	-	-	28
	28	-	-	28

Notes to Core Financial Statements

41. **Temporary Borrowing** (continued)

This item relates to an amount of £27,700 held by the Council in its capacity as trustee for the Highdown Towers Gardens Charity – note 35 refers.

42. **Financial Instruments**

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

	LONG TERM		CURRENT	
	31.03.07 £'000	31.03.08 £'000	31.03.07 £'000	31.03.08 £'000
Financial Liabilities at Amortised Cost	-	1,815	28	28
TOTAL BORROWINGS	-	1,815	28	28
Loans and Receivables	50	-	16,580	18,093
TOTAL INVESTMENTS	50	-	16,580	18,093

Total borrowings at 31 March 2008 relate to a single loan from the Public Works Loan Board obtained on 24 January 2008 for a period of 5 years 6 months, at a fixed rate of interest of 4.40%, and with a maturity date of 1 July 2013.

Total investments at 31 March 2008 relate to 16 cash deposits of £1m-£2m placed with approved counter parties at fixed rates of interest between 5.15-6.39%, and all with maturity dates of less than one year from the balance sheet date. In accordance with the SORP the carrying amounts shown for 31st March, 2007 have not been re-measured to amortised cost and are shown at the nominal amounts for principal sums invested at that date.

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

There are no gains or losses recognised in the Income & Expenditure Account or Statement of Total Recognised Gains or Losses in respect of financial instruments for 2007/08. This is because the amounts recognised in the Income and Expenditure Account relate only to accrued interest expenses on fixed rate borrowing, and accrued or actual interest receivable from investments outstanding at 31 March 2008.

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

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

Notes to Core Financial Statements

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

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

The fair values calculated are as follows:

	31ST MARCH, 2007		31ST MARCH, 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing	-	-	1,815	1,852
Trade and Other Payables	41,517	41,517	40,018	40,018
Total Financial Liabilities	41,517	41,517	41,833	41,870
Loans & Receivables				
Investments	16,630	16,630	18,093	18,093
Other Receivables and Advances	3,831	3,831	4,262	4,262
Total Loans & Receivables	20,411	20,411	22,355	22,355

Financial Liabilities

The fair value for borrowing at 31 March 2008 is higher than the carrying amount since it reflects the PWLB premature repayment set of rates in force at that date which were lower than the actual rate of borrowing, and would result in a premium payable had the loan been redeemed.

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

Loans and Receivables

The fair values at 31 March 2008 have been assessed as the carrying amount as all investments outstanding at that date were of fixed rate of interest and unimpaired, the contracts for which do not permit premature redemption. Other receivables and advances have been disclosed at the invoiced or actual amount on initial recognition.

Notes to Core Financial Statements

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

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

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

The Council's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by designated officers in the central finance function in accordance with prescribed Treasury Management Practices (TMPs), and under policies contained in the Annual Treasury Management Strategy and Annual Investment Strategy Report approved at the start of the financial year.

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

46. **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they satisfy the minimum independent credit ratings specified within the treasury management policy. For 2007/08 the minimum requirements were :

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

Notes to Core Financial Statements

46. **Credit Risk** (continued)

The authority has a policy of not lending more than £5m or 50% of total funds with any one financial institution for long term investments. For short term investments the lending limit is £3m for all institutions except the council's own banker, which has a total limit of £2m or 25% of total funds, whichever is the higher. Average total investments for 2007/08 were £21.23m, of which £5m was long term investments between one and two years duration.

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

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

Credit Risk Exposure	Carrying amount at 31.03.08 £000's	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31.03.08 %	Estimated Maximum Exposure to Default and Uncollectability £000's
Deposits with banks and financial institutions	18,043	-	-	-
ADC Debenture Stock	-	-	-	-
Customers	4,212	1.27	2.24	94
	22,255			94

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

The authority does not generally allow credit for customers, such that £1,408m of the balance of £4.2m is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 3 months	1,106
Three to six months	132
Six months to one year	97
More than one year	73
TOTAL DEBT OUTSTANDING AT 31 MARCH 2008	1,408

Notes to Core Financial Statements

47. Liquidity Risk

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

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

In any event, the Council obtains independent external advice from professional treasury management consultants for the purposes of borrowing and debt rescheduling. The maturity analysis of financial liabilities at 31 March 2008 is:

	£000's
Less than 1 year	-
Between 1 and 5 years	-
More than 5, but less than 6 years	1,815

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

48. Interest Rate Risk

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

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been :

Interest Rate Risk	£000's
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(21.4)
Impact on Income and Expenditure Account	(21.4)

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

Notes to Core Financial Statements

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

	2007/08	
	£'000	£'000
(SURPLUS)/DEFICIT FOR THE YEAR		
Income and Expenditure Account	2,793	
Collection Fund	563	
		3,356
NON-CASH TRANSACTIONS		
Government Grants deferred	226	
Depreciation and Impairment of Fixed Assets	(3,345)	
Write-down of Deferred Charges	(1,269)	
Net charges from Retirement Benefits	630	
Contribution to provision	(77)	
Other Capital Adjustments	544	
		(3,291)
ITEMS CLASSIFIED ELSEWHERE IN THE CASH FLOW STATEMENT		
Add: Interest received	1,483	
Less: Interest paid	-	
		1,483
ITEMS ACCRUED		
Increase/(decrease) of stock and work in progress	(14)	
Increase/(decrease) in revenue debtors	85	
(Increase)/ decrease in revenue creditors	(2,518)	
		(2,447)
REVENUE ACTIVITIES NET CASH FLOW		(899)

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

	2007/08 £000	2006/07 £000
Balances at beginning of year:		
Cash in hand/(overdrawn)	(298)	(45)
Balances at end of the year:		
Cash in hand (overdrawn)	(89)	(298)
Movement in Cash	210	(253)
(Decrease)/Increase in short-term investment	1,170	6,880
New loans raised	(1,800)	-
Movement in Net Funds	(420)	6,627

Notes to Core Financial Statements

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

	2007/08 £'000	2006/07 £'000
Balances at beginning of year:		
Short-term investments	16,580	9,700
Investments made	132,831	145,720
Investments realised	(130,975)	(138,840)
Adjustment for amortisation	(343)	-
Balances at end of the year:	18,093	16,580

52. **Liquid Resources**

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

53. **Analysis of Government Grants**

	2007/08 £'000	2006/07 £'000
Revenue Grants:		
DEFRA Waste Performance and Efficiency	42	40
DCLG Homeless Initiative	125	60
DCLG Defective Dwellings	19	54
DCLG Planning Delivery	197	271
DCLG Local Authority Business Growth Initiative	39	326
DCLG NNDR Administration Grant	129	131
Dept. of health Non-Smoking Grant	-	9
Concessionary Fares Admin. Grant	75	-
DWP Local Housing Allowance	62	-
	688	891
Capital Grants:		
DCA Election Grant	12	2
DCLG Planning Delivery Grant	75	90
ODPM Specified Grants for Housing Renovation	390	360
DWP Local Housing Allowance	78	-
DEFRA Coast Protection	347	32
DEFRA Waste Performance and Efficiency	43	40
	945	524

Collection Fund

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

INCOME AND EXPENDITURE			
	See Note No.	2007/08	2006/07
		£'000	£'000
INCOME			
Council Tax receivable (net of benefits)	1	46,561	44,256
Transfer from General Fund re: benefits	1	5,644	5,466
Contribution from precepting authorities re: previous year's deficit			-
Income collectable from business ratepayers	2	27,412	25,970
		79,617	75,692
EXPENDITURE			
Precepts and demands	3	52,341	49,382
Business Rate:			
Payment to National Pool	2	27,269	25,811
Costs of Collection Allowance		129	131
Interest on Refunds		14	28
Council Tax - write-offs and bad debt provision	1	189	209
Contribution to precepting authorities from previous year's surplus		238	258
		80,180	75,819
Surplus/(Deficit) for year		(563)	(127)
Surplus/(Deficit) at 1st April Brought Forward		177	304
Surplus/(Deficit) at 31st March Carried Forward	4	(386)	177

Notes to Collection Fund

1. **Council Tax**

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings. For 2007/08, the Council Tax Base was estimated in September 2006 to be 38,287 calculated as follows:

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	5,138	6/9	3,424
B	8,581	7/9	6,674
C	11,235	8/9	9,987
D	8,002	9/9	8,002
E	4,865	11/9	5,946
F	2,110	13/9	3,048
G	806	15/9	1,343
H	7	18/9	14
	40,744		38,438
Less: adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief and exempt properties.			(151)
COUNCIL TAX BASE			38,287

The Council Tax at Band D was set at £1,367.10 (Borough Council's element £193.59) in order to raise estimated income of £52,342,000. The actual income was £326,000 lower at £52,016,000 made up as follows:

	£'000
Council Tax receivable	46,561
Council Tax Benefit from General Fund	5,644
Write-offs and movements in bad debt provision	(189)
	52,016

2. **Income from Business Ratepayers**

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

The total non-domestic rateable value at the 31st March, 2008 was £68,921,078. The national non-domestic multiplier for the year was 44.4p (44.1p small business relief).

Notes to Collection Fund

3. ***Precepts and Demands***

	£'000
West Sussex County Council	40,233
Sussex Police Authority	4,697
Worthing Borough Council	7,411
	52,341

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

Council Tax - the deficit in the Collection Fund is £385,753. A contribution of £384,290, £44,917 and £71,410 is expected in 2008/09 from West Sussex County Council, Sussex Police Authority and Worthing Borough Council respectively. Any remaining deficit at the end of 2008/09 will be recovered in subsequent financial years from these bodies in proportion to the value of their respective precepts and demands made on the Collection Fund.

Council Tax arrears at 31st March, 2008 were £1,364,100, after providing for estimated bad debts of £1,228,400, (2006/07 : £1,544,700 and £1,116,900 respectively).

Annual Governance Statement

1. *Scope Of Responsibility*

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.worthing.gov.uk or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

2. *The Purpose Of The Governance Framework*

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

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

The governance framework has been in place at the Council for the year ended 31st March, 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 General Purposes Committee on the 26th June, 2008.

3. *The Governance Framework*

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

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

Annual Governance Statement

3. *The Governance Framework* (continued)

- reviewing the authority's vision and its implications for the authority's governance arrangements
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating standing orders, 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.

4. *Review Of Effectiveness*

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Annual Governance Statement

4. *Review Of Effectiveness* (continued)

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Cabinet, the General Purposes Committee, the Overview and Scrutiny committees, the Standards Committee
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the General Purposes Committee, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

5. *Significant Governance Issues*

There are no significant governance issues identified.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements and an action plan has been developed to enable the Council to meet this objective. 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:

Date:

26th June, 2008

**Councillor Keith Mercer
Leader of the Council
Worthing Borough Council**

Signed:

Date:

26th June, 2008

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

Independent Auditor's Report to Worthing Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Worthing Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Explanatory Foreword, the Income and Expenditure Account, the 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 Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Worthing Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 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 Authority accounting 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 account 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. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

Independent Auditor's Report to Worthing Borough Council

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 and Relationship Manager
Audit Commission,
44-45 West Street,
Chichester,
West Sussex, PO19 1RP
September 2008

Independent Auditor's Report to Worthing Borough Council

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Worthing Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Independent Auditor's Report to Worthing Borough Council

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 21 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 and Relationship Manager
Audit Commission,
44-45 West Street,
Chichester,
West Sussex,
PO19 1RP
25th September 2008