

**ADUR DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2006/07**



**Andrew Gardiner**  
**Director of Resources**

# **STATEMENT OF ACCOUNTS 2006/07**

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# EXPLANATORY FOREWORD AND SUMMARY

The Council's accounts for the year 2006/07 are set out on the following pages. They comprise :-

**1. The Income and Expenditure Account (Page 18)**

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

**2. Statement of Movements on the General Fund Balance (Page 19 )**

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

**3. Note of reconciling items for the Statement of Movement on the General Fund Balance (Page 20 )**

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

**4. Statement of Total Recognised Gains and Losses (Page 21)**

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

**5. Balance Sheet (Page 22)**

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

**6. Cash Flow Statement (Pages 23-24)**

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

**7. Notes to the Core Single Entity Financial Statements (Pages 25-38)**

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

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

**8. The Housing Revenue Account (Page 39)**

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

**9. Statement of Movements on the Housing Revenue Balance (page 40 )**

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

**10. Note to the Housing Revenue Balance (page 41-43 )**

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

**11. Collection Fund (Page 44)**

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

# **OPERATING REVIEW OF THE YEAR 2006/07**

## **Introduction**

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

2006/07 has been yet another particularly challenging year for this Council.

The anticipated Government White Paper published in October 2006 was expected to say that all small councils should join together and form larger unitary authorities as a means of serving the public and producing the strict efficiency savings now required. Instead of which, the draft Bill, which came out in December 2006, allows Councils to propose how they wish to change and shape their organisations to achieve the 3% efficiency target now set for all councils for each of the next three years.

This has placed great emphasis on partnership working for future service delivery to help meet the changing needs of customers and the effectiveness we need to find.

Adur is well placed to take this forward having already commissioned a piece of work in September 2006 to explore the possibility of further partnership working with Worthing Borough Council. For many years we have faced difficult decisions to keep council tax increases low and yet deliver high quality services to the people of Adur. Providing services jointly with Worthing Borough Council, sharing overheads and continuing to work with our existing partners as well as looking for other, new partners, may help us to do this.

This future suggests a far more radical approach is needed and it is with this in mind that we are now looking at new and creative ways of serving the people of Adur. 2007/08 looks like a year of change for all of us but one which offers new and exciting challenges and hurdles for us to overcome. We are determined to succeed.

We remain committed to the people of Adur and their wellbeing. We will continue to strive for better education, better health, better jobs, more and better homes and better lives for all of us.

## **Preface**

In 2005 the Council took a decision not to merge with Worthing Borough Council. However, a commitment was made to further explore partnership working between the two councils in terms of service delivery.

With this in mind, elected Members from both Councils took a decision in September 2006 to commission a piece of work to look into the viability of creating a single officer structure and the intergration of services to provide joint delivery to the people of Adur and Worthing.

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

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

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

If, by working in partnership with our colleagues from Worthing and building on the success of our existing partnership arrangements with others we can achieve all of this, then this may indeed be the way forward.

Our aim is to continue to serve the people of Adur in the best way we can and all our efforts over the next few years will be to this end.

## Council Priorities

In April 2005 the Council identified five priorities following public consultation and feedback :

P1	Protect and enhance core services to the community
P2	Create a clean, green and safe environment
P3	Revitalise Adur
P4	Keep Council Tax increases to the minimum level practicable
P5	Contribute to the implementation of the <i>Community Strategy</i> and other partnership initiatives where practical and beneficial to the community to do so.

Our budget and resource allocation is targeted towards improving services in each of these areas.

For 2007/08 we will be reviewing performance against targets previously identified in the Council's Corporate Plan. This is due for review in light of the Member decision for a shared officer structure and shared service provision with Worthing Borough Council which occurred in July 2007. This also resulted in the creation of four new, shared corporate priorities listed below:

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

For more detailed information on how the council intends to deliver in each of these priority areas, please see the Council's Corporate Plan 2005-2008 (available via the Council's internet web-site) which was approved on 26th May 2005.

## Value Statement

In September 2004 the Council adopted its *Value Statement*

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

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

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

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

## Annual Audit Letter

The main messages for the Council included:

- \* The Council has improved its score in the use of resources assessment, but a number of arrangements need to be reviewed.
- \* The decision on joint working with Worthing BC will have a fundamental impact on the organisation of the Council and the arrangements it has in place for managing how it uses its resources
- \* Progress is being made against all of the Council's key priorities. However, progress is hard to measure objectively because targets are not SMART. These should be set when the key priorities are reviewed in 2007/08
- \* Whilst the Council's arrangements for data quality met minimum standards, auditing of performance indicators highlighted a number of errors and discrepancies

## Audit Committee

The Council, at its meeting on 21<sup>st</sup> February 2006 agreed Terms of Reference and a revision to the name of the Constitutional Panel to widen its remit to include matters relating to the various audit functions required under regulation. In future, the Constitutional Panel will be known as the Constitution and Audit Committee.

## Asset Management Plan

The Council's Asset Management Plan was agreed by the ODPM in 2003 as being fit for purpose. The Plan will be reviewed in the light of the decision on whether Adur and Worthing councils are to join the officer structures and provide shared services.

## Capital Strategy

The Council's *Capital Strategy* was agreed in 2003 as being fit for purpose. The Strategy will be reviewed in the light of the decision for Adur and Worthing councils to join the officer structures and provide shared services.

## Data Quality Strategy

On 30<sup>th</sup> January 2007 the Council agreed its Data Quality Strategy. It recognises the importance of data quality that provides reliable, accurate and timely performance information which allows us to manage services, inform users and account for our performance. All Council systems and processes that produce performance information are covered by the strategy. The Strategy is due for review in 2009 unless there is a more pressing need to do so before that time.

## Efficiency Statement

In accordance with the Office of the Deputy Prime Minister's Guidance on Efficiency: Delivering Efficiency in Local Services Part 1 and 2 dated 2005, Adur District Council submitted its Efficiency Statement based on the 2005/06 budget strategy and decisions on corporate priorities with available funding as required.

### Contribution to "Gershon" Efficiency Programme

As part of central government's annual efficiency savings programme to save £6.45bn over 3 years in the local government sector up to 2007/08 (the 'Gershon' agenda), Adur District Council are required to achieve a savings target of £922,050, half of which must be cashable. The target was determined in relation to actual revenue and capital spend in 2004/05, being 2.5% of that baseline and approximates to £307,350 per year (half cashable) over the three year cycle. In Adur's 2006/07 Forward Look Annual Efficiency Statement (AES), a target of £348,000 was declared (£268,000 cashable). The 2006/07 Backward Look AES details actual efficiency performance with savings of £392,000 (£322,000 cashable) having been made. The Forward Look AES for 2007/08 details target savings of £154,000 (£113,000 cashable). The savings are categorised as follows:

<b>Annual Efficiency Statement Categories</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
Culture & Sport	15	17
Environmental Services	183	16
Local Transport	2	0
LA Social Housing & Housing Revenue Accounts (HRA)	47	20
Corporate Services	64	14
Transactions	16	53
Miscellaneous Efficiencies	65	13
Procurement	0	21
	<b>392</b>	<b>154</b>

### **Direction of Travel Judgements or Statements**

For 2005/06 the Audit Commission introduced for district councils a direction of travel statement (not a scored judgement), and this approach has continued into 2006/07. The Annual Audit Letter contained comments on the progress made in various areas of the Council's work, without coming to a formal judgement on "direction of travel".

### **Use of Resources assessments**

Use of Resources assessments are based on the work of auditors under the new Code of Audit Practice. The new methodology for these assessments has been implemented at all councils, and a reassessment has taken place recently which is reported in the Letter.

The framework comprises five themes:

- \* Financial Reporting
- \* Financial Management
- \* Financial Standing
- \* Internal Control
- \* Value for Money

The Council has been awarded an overall score of 2, (Maximum 4, Minimum 1) which means that its performance in this area is adequate and meeting minimum requirements. A reference in the Annual Audit & Inspection letter from the Audit Commission states that: "*The Council has improved its scores in our use of resources assessment, but a number of arrangements need to be reviewed.*"

### **Performance Management**

Performance is managed at many levels across the organisation culminating in monthly meetings of the Council's Corporate Performance Team (CPT). Budgets, performance indicators, risk management and project management of key actions and issues for the authority are monitored here. Quarterly monitoring reports are subsequently reported to Members. In September 2006 it was agreed by the Council's Audit and Constitution Panel that responsibility for performance management be transferred to the Development and Scrutiny Committee as from 1<sup>st</sup> April 2007.

### **Risk Management**

The Council is committed to ensuring that all of its priority projects are delivered and to taking a proactive risk management approach to identifying barriers to the achievement of those goals.

On 4<sup>th</sup> April 2006 the Council agreed a Corporate Risk Register which identifies high, medium and low risks across all services. This is subject to six monthly monitoring and review by the Council's Corporate Performance Team (CPT).

The Corporate Risk Register was reviewed, up-dated and approved by Members of the Policy and Strategy Committee on 30<sup>th</sup> January 2007. The Risk Register will next be reviewed in June/July 2007.

### **Quality Marks and Best Practice**

**Investors in People (IIP)** In February 2004 Adur District Council was awarded Investors in People (IIP). The Council is currently working towards meeting the new criteria for this accreditation which significantly raises the level at which an organisation must be operating in order to qualify. The Council has retained status until April 2008 when it will then be reassessed.

**Housing Advice** The Housing Advice Service has been awarded the Community Legal Services Quality Mark for the third year running

**Adur Help Point** The Council's one stop customers services, as part of the West Sussex Help Point team, has been awarded Charter Mark status

**Community Safety** Adur's Crime and Disorder Reduction Partnership has been awarded Beacon status for best practice

**Building Control** ISO 9001- a certificated quality standard awarded by the International Organisation for Standardisation

## SUMMARY

There follows a brief summary of the salient features of the financial results for 2006/07 and the major influences thereon :-

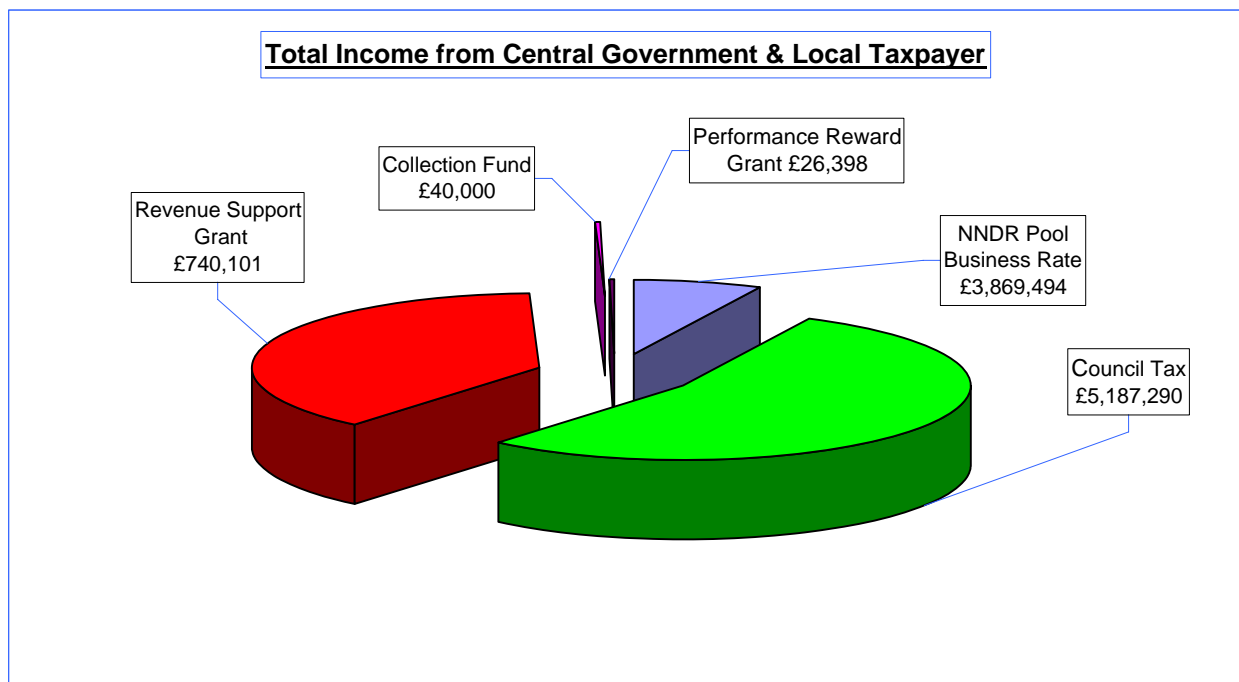
### GENERAL FUND

The Council set a balanced net General Fund budget of £9.878m, which was financed partly from central government support (£4.647m) and the balance from Council tax payers (£5.231m). The average council tax paid by Adur residents (for Adur services only) was £196.48 (£186.11 for 2005/06).

The Council's net expenditure against the original budget was £9.863m. £408,073 was transferred to earmarked reserves and £3,203 was transferred to general reserves.

The surplus on the General Fund is the net result of relatively small variations across some of the Council's activities. A summary, comparing total actual expenditure to the revised budget in respect of the main Committees, is shown below.

<b>Committee</b>	<b>Original Estimate £'000</b>	<b>Actual £'000</b>	<b>Variations £'000</b>
Planning and Regulatory	1,630	1,604	(26)
Community and Leisure Services	5,732	5,333	(399)
Housing and Central Services	3,343	3,080	(263)
Licensing	75	63	(12)
Trading Accounts	0	(236)	(236)
	<b>10,780</b>	<b>9,844</b>	<b>(936)</b>
Statement of movement	(902)	(392)	510
Earmarked reserves	0	408	408
	<b>9,878</b>	<b>9,860</b>	<b>(18)</b>
To Reserves	0	3	3
<b>Spend 2006/07</b>	<b>9,878</b>	<b>9,863</b>	<b>(15)</b>
Financed from:-			
Council Tax	5,187	5,187	0
NNDR Pool (Business Rate)	3,895	3,870	(25)
Revenue Support Grant	752	740	(12)
Collection Fund Surplus	44	40	(4)
Performance Reward Grant	0	26	26
	<b>9,878</b>	<b>9,863</b>	<b>(15)</b>





### **Central Government Support**

The Councils share of Business Rates and Revenue Support Grant has increased by £664,042 compared to 2005/06, an increase of 16.7%, due mainly to increased Government funding for the implementation of free bus travel.

### **Local Taxpayers**

During the year the Council collected £30.208m in Council Tax (28.524m in 2005/06), inclusive of £4.036m of council tax benefit (£3.707m in 2005/06). This represented 97.2% of the total council tax due (96.5% in 2005/06). Council tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.5% (74% in 2005/06), Sussex Police Authority 8.5% (8.6% in 2005/06) and Adur District Council 18.0% (17.4% in 2005/06).

The Council also collects non domestic rates from local businesses which are paid over to the government's national pool. The pool is then re-distributed back to Councils on a per capita basis. £13.758m (£13.542m in 2005/06) was collected during the year on behalf of the national pool and £3,869,494 was re-distributed from the pool to Adur (£2,265m in 2005/06).

## Revenue Reserves and Balances

Revenue reserves at 31st March 2007 were:

	<b>Balance at 31st March 2007 £'000</b>	<b>Balance at 1st April 2006 £'000</b>
Performance Reward Grant Fund	26	0
Community Fund - Bovis Homes	25	25
Discount Fund	273	273
Insurance Fund	53	60
New Technology Fund	26	153
Risk Management	9	9
Recycling Credits	80	0
Training Fund	4	4
Vehicle Renewal Fund	5	5
IT Disaster Recovery Fund	3	3
Partnership Development Fund	245	0
Others - General	2	2
Community Alarm	12	14
Health & safety	38	40
Investment Property Maintenance Fund	37	0
Civic Centre Maintenance fund	20	0
Totals	<b>858</b>	<b>588</b>

General Fund and Housing Revenue Fund Reserves

	<b>Balance at 31st March 2007 £'000</b>	<b>Balance at 1st April 2006 £'000</b>
General Fund reserves	835	832
Housing Revenue Account	1,272	1,240
Housing Repairs Account	532	490
	<b>2,639</b>	<b>2,562</b>

Provisions at 31st March 2007 were:

	<b>Balance at 31st March 2007 £'000</b>	<b>Balance at 1st April 2006 £'000</b>
HRA Scheme Managers Fund	100	0
Courtfields Major works reserve	102	97
Risk Management	138	0
	<b>340</b>	<b>97</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue/Repairs Accounts has made an operational surplus of £73,504 compared to a budgeted deficit of £34,110. No transfers have been made to a capital fund as was the case last year.

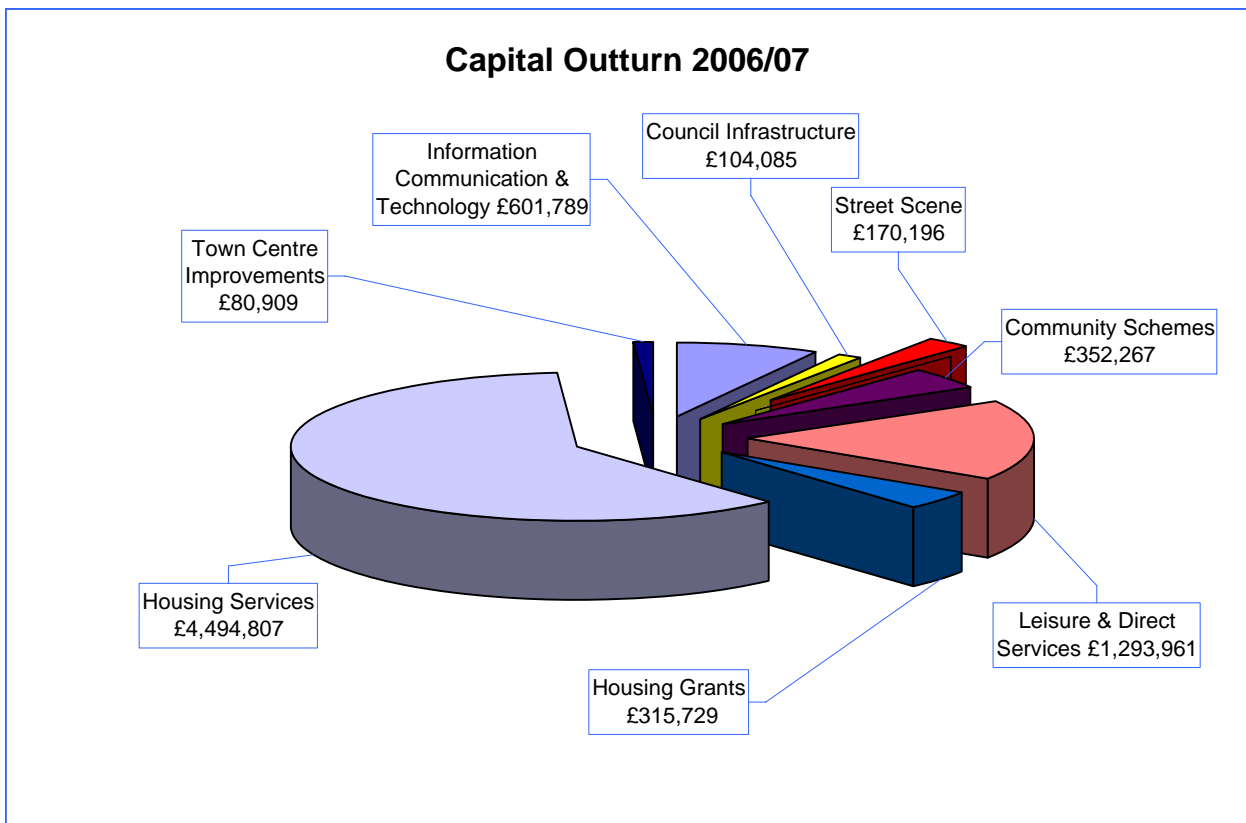
**TRADING SERVICES**

The former Direct Service Organisations (DSO), established under competitive tendering legislation, have now been designated as trading services until internal contractual arrangements expire. Building Maintenance generated a surplus of £13,714 (£33,120 in 2005/06). Horticultural Services generated a surplus of £22,210 (£15,549 deficit in 2005/06). Revenues Collection sustained a deficit of £39,342 (£1,805 deficit in 2005/06). Waste Management sustained a deficit of £9,187 (£45,639 deficit in 2005/06). Property Management generated a surplus of £248,153 (£125,388 surplus in 2005/06).

**CAPITAL EXPENDITURE AND FINANCING**

**Capital**

Local authorities are required to distinguish between revenue and capital expenditure. Revenue expenditure represents the day to day costs of running Council services. Capital expenditure represents expenditure on the acquisition, creation or enhancement of fixed assets, which yield benefits to the authority and the services it provides for a period of more than a year. Total capital expenditure for the year was £7.41m.



Capital expenditure for the year was financed from the following sources:

	<b>2006/07</b>
	<b>£'000</b>
Capital receipts	1,267
Government grants via Housing Subsidy	161
Other contributions	183
Revenue Contribution	450
Major repairs allowance	2,942
Loan	2,407
<b>Total</b>	<b><u><u>7,410</u></u></b>

## **PENSION FUND ACCOUNTS**

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

The pension fund deficit has decreased from £22.93m to £19.21m. This is due to an increase in the actuarial gain in the pension scheme.

### **Further Information**

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

# ADUR DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

For the year ended 31st March 2007

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required :-

- a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Resources.
- b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

#### The responsibilities of the Director of Resources

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

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

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

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

This Statement of Accounts presents fairly the financial position of the Council at 31st March 2007 and its income and expenditure for the year ended on that date.



Andrew Gardiner  
**Director of Resources**

Dated : 28th September 2007

#### Certificate of Approval by Policy and Strategy Committee

I confirm that these Accounts were approved by the Policy and Strategy Committee of Adur District Council on 4th December 2007



Chairman, Policy and Strategy Committee

Dated: 4th December 2007

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2006/07 (ACOP), the Best Value Accounting Code of Practice (BVACOP) and also with guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of Financial Reporting Standards (FRS) and Statement of Standard Accounting Practices (SSAPs).

The Statement of Accounting Policies for 2006/07 Accounts were presented to and agreed by the Constitution and Audit Committee on the 11th June 2007

### Accounting Concepts

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

#### Relevance

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

#### Reliability

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

#### Comparability

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

#### Understandability

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

#### Materiality

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

#### Accruals

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

#### Going Concern

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

#### Primacy of Legislative Requirements

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

## **2. Fixed Assets**

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

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

The Council's housing fixed assets were revalued as at April 2006, and incorporated in the balance sheet at these values, adjusted as appropriate by additions and disposals during the year. Other fixed assets were revalued as at April 2005.

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

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

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

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

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

Revenue accounts now bear a capital financing charge, comprising of just a charge for depreciation. These notional charges are then adjusted in the Movement in General Fund Balances.

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

A further statutory provision, the Minimum Revenue Provision, representing the amount to be set aside for principal repayments on outstanding loan debt and notional interest on credit arrangements, is charged to general fund balance in accordance with the Local Government and Housing Act 1989. The total amount set aside in 2006/07 was £145,118 to the General Fund Revenue Account (2005/06 £201,687).

## **4. Capital Receipts**

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

Under the Local Government and Housing Act, 1989, a specified proportion (75%) of all capital receipts had to be set aside to repay outstanding debt, the remaining proportion being available for use by the authority. Arrangements from 2004/05 require that the former set aside capital receipt be paid to central government for housing redistribution purposes.

## **5. Grants**

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

## **6. Deferred Charges**

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

## **7. Debtors and Creditors**

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

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

## **8. Stocks and Work in Progress**

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

Work in progress on uncompleted jobs is valued at cost.

## 9. Cost of Support Services

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

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

## 10. Leasing

The capital value of material items acquired during the year under leases is recorded as a note to the Balance Sheet. Rental payments under finance leases have not been apportioned between the finance charge and the principal element (i.e. the reduction of the liability to pay future rentals) as the amounts involved are not significant. Finance lease rentals were paid during the year to the value of £11,189. Operating lease rentals are charged to revenue on an accruals basis.

Rentals were paid during the year on finance leases to the value of £11,189. Items leased: Computer Equipment £18,823 over 3 years, Horticultural Equipment £10,080 over 3 years, Horticultural Equipment £4,744 over 5 years and Car Park Machines over £9,464 over 5 years. These items have not been capitalised.

## 11. Debt Redemption

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

## 12. Reserves

The latest capital accounting rules require the setting up of two reserve accounts in the Balance Sheet :-

- a. a. Fixed Asset Restatement Account - This represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- b. b. Capital Financing Account - This includes the provision for credit liabilities representing amounts set aside for repayment of outstanding debt, being the statutory proportion of capital receipts together with the balance of the Minimum Revenue Provision.

## 13. Pensions

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

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

In accordance with FRS 17 - Retirement Benefits - The Council's accounts have been prepared to disclose the Council's indebtedness to West Sussex County Council's Local Government Pensions Scheme. As such, at 31st March 2007 the Council has included in its accounts a deficit of £19,210,000.

## 14. Internal Interest

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

## 15. Investments

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

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

FRS 3 requires that any prior year adjustments to previous year accounts are reported appropriately.

## 17. Value Added Tax (VAT)

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



**18. Bad Debt Provision**

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

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

The above are target bad debt provisions but actual contributions are based on affordability, so the Council does not budget for bad debt provision but historically has made provision towards the target levels from budget underspends at the year-end.

**19. LOBOs**

The Council holds three stepped interest rate LOBO's, where the initial period of the loan is at a relatively low rate, and the rate increases on a specified date to a higher rate. Thereafter the Lender has the Option to increase that rate, if general market trends increase, and at that time the Borrower (the Council) has the Option to repay.

Interest is currently charged to the accounts at the rate prevailing at the time and not based on the average life of the loan.

## INCOME AND EXPENDITURE ACCOUNT

	2006/07 Gross Expenditure £'000	2006/07 Gross Income £'000	2006/07 Net Expenditure £'000	2005/06 Net Expenditure £'000
<b>NET EXPENDITURE ON SERVICES</b>				
Central Services to the Public	5,778	(4,961)	817	988
Cultural, Environmental and Planning Services	7,627	(2,005)	5,622	5,390
Highways, Road and Transport Services	1,273	(269)	1,004	408
General Housing Services	14,938	(13,766)	1,172	1,199
Corporate and Democratic Core	1,804	(521)	1,283	1,248
Non-Distributed Costs	360	(159)	201	1,385
<b>Net cost of services</b>	<b>31,780</b>	<b>(21,681)</b>	<b>10,099</b>	<b>10,618</b>
Housing Revenue Account	8,489	(9,640)	(1,151)	(1,218)
	<b>40,269</b>	<b>(31,321)</b>	<b>8,948</b>	<b>9,400</b>
(Gains / Loss on disposal of fixed assets)			(17)	(6)
Precepts and levies			226	213
(Surplus)/deficits on trading undertakings not included in Net Cost of Service			(236)	(77)
Interest payable and similar charges			1,561	1,446
Contribution of housing capital receipts to the government pool			1,253	1,199
Interest and investment income			(472)	(503)
Pension interest cost and expected return on pension assets			390	600
<b>Net operating expenditure</b>			<b>11,653</b>	<b>12,272</b>
<b>Amount to be met from Government Grants &amp; Local Taxpayers</b>			<b>11,653</b>	<b>12,272</b>
<b>SOURCES OF FINANCE</b>				
Demand on Collection Fund - including the local precepts of £226,058			(5,414)	(5,114)
Transfer from Collection Fund in respect of previous year's surplus			(40)	(32)
Revenue Support Grant			(740)	(1,717)
Distribution from Non-Domestic Rate Pool			(3,870)	(2,265)
Performance Reward Grant			(26)	0
<b>NET GENERAL FUND SURPLUS (DEFICIT)</b>			<b>(1,563)</b>	<b>(3,144)</b>

The notes to this statement can be found on page 25

## Statement of Movement on the General Fund Balance

	2006/07 Current Year £000s	2005/06 Previous Year £000s
(Surplus)/Deficit for the year on the Income and Expenditure Account	1,563	3,144
Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year. (Explanation is on the following page)	(1,566)	(3,234)
Increase in General Fund Balance for the Year	(3)	(90)
General Fund Balance brought forward	(832)	(782)
General Fund Balance carried forward	<u>(835)</u>	<u>(872)</u>
Transfer to Health and Safety fund		40
Amount of General Fund Balance generally available for new expenditure	<u>(835)</u>	<u>(832)</u>

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

	2006/07 Current Year £000s	2005/06 Previous year £000s
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Depreciation and impairment of fixed assets	(1,089)	(1,092)
Housing Revenue Account Depreciation	(119)	(96)
Government Grants Deferred amortisation	405	329
HRA Amortisation of improvement grant debt	(53)	0
Write downs of deferred charges to be financed from capital resources	(211)	(313)
Net profit on sale of fixed assets	17	6
Net charges made for retirement benefits in accordance with FRS17	(200)	(1,490)
	(1,250)	(2,656)
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>		
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,253)	(1,199)
Statutory provision for repayment of debt (MRP)	145	202
Capital expenditure charged in-year to revenue	450	666
	(658)	(331)
<b>Transfers to or from the General Fund Balances that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Housing Revenue Account balance transferred	32	120
HRA earmarked reserve transferred to capital funding	0	(300)
Net transfer to earmarked reserves general fund	258	(91)
Net transfer to earmarked reserves Housing Revenue Account	52	24
	342	(247)
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(1,566)</b>	<b>(3,234)</b>

Links to Statement of movement on the General fund show on previous page

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	<b>2006/07</b> <b>Current Year</b> <b>£000s</b>	<b>2005/06</b> <b>Previous year</b> <b>£000s</b>
(Surplus)/Deficit for the year on the Income and Expenditure Account	1,563	3,144
Collection fund movement	(5)	(9)
(Surplus)/Deficit arising on revaluation of fixed assets	(7,968)	14,347
Actuarial (gains)/Losses on pension fund assets and liabilities	(3,920)	1,180
<b>Total Recognised Gains and Losses</b>	<b>(10,330)</b>	<b>18,662</b>

# BALANCE SHEET

	Note	31st March 2007		31st March 2006
		£'000	£'000	£'000
<b>Fixed Assets</b>	<b>1-4</b>			
Intangible Assets			28	42
<b>Operational Assets</b>				
Council Dwellings			165,199	158,885
Other Land and Buildings			20,353	16,746
Vehicles, Plant, Furniture & Equipment			2,442	2,451
Infrastructure			1,064	975
Community Assets			1,963	1,887
Non-operational Assets			5,959	5,844
<b>Total Net Fixed Assets</b>			<b>197,008</b>	<b>186,830</b>
Long Term Investments			5	5
Long Term Debtors	<b>11</b>		25	45
Deferred premiums on the early repayment of debt			1,506	1,765
<b>Total Long Term Assets</b>			<b>198,544</b>	<b>188,645</b>
<b>Current Assets</b>				
Stocks and Work in Progress	<b>8</b>		50	52
Debtors	<b>9</b>		6,347	3,655
Investments	<b>13</b>		13,191	15,030
Cash in Hand			2	2
			<b>19,590</b>	<b>18,739</b>
<b>Less Current Liabilities</b>				
Creditors	<b>10</b>		4,145	3,943
Temporary Loans			20	20
Bank Overdraft			284	349
Long Term Borrowing due within one year			0	0
			<b>4,449</b>	<b>4,312</b>
<b>Net Current Assets</b>			<b>15,141</b>	<b>14,427</b>
Long term borrowing	<b>12</b>		(32,895)	(28,895)
Provision			(340)	(97)
Capital Grants			(9)	(9)
Government grants deferred			(1,366)	(1,587)
Deferred liabilities			(20)	(37)
Unapplied Grants and contribution			(355)	(356)
Liability related to defined benefit pension	<b>16</b>		(19,210)	(22,930)
			<b>(54,195)</b>	<b>(53,911)</b>
			<b>159,491</b>	<b>149,161</b>
<b>Reserves</b>				
Usable Capital Receipts Reserve			1,261	2,026
Major Repairs Reserve (HRA)			0	1,068
Fixed Asset Restatement Account			141,416	135,231
Capital Financing Account			32,473	30,567
Consolidated Revenue Account			835	832
Housing Revenue Account			1,272	1,240
Housing Repairs Account			532	490
HRA Earmarked Reserves			16	16
Earmarked Reserves			858	588
Adur share of collection Fund Surplus			38	33
Pension Reserve			(19,210)	(22,930)
			<b>159,491</b>	<b>149,161</b>
<b>Total Net Worth</b>			<b>159,491</b>	<b>149,161</b>

The notes to this statement can be found on page 31

## CASH FLOW STATEMENT 2006/07

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

	Note	2006/07 £'000	2006/07 £'000	2005/06 £'000
<b>REVENUE ACTIVITIES</b>				
<b>Expenditure</b>				
Cash paid to and on behalf of employees			11,693	11,714
Other operating costs			10,852	9,942
Housing benefit paid out			16,189	15,015
National Non-Domestic Rate Payments to national pool			15,699	12,192
Payments to precepting Authorities			25,034	23,405
			<b>79,467</b>	<b>72,268</b>
<b>Income</b>				
Rents (after rebates)		(9,893)		(9,799)
Council Tax		(30,208)		(28,194)
Revenue Support Grant		(740)		(1,717)
Non-Domestic rate income		(13,798)		(13,650)
National Non-Domestic Rate Receipts from national pool		(3,895)		(2,265)
DSS Grants for rebates		(16,207)		(14,760)
Other Government Grants		3,018		2,960
Cash received for goods and services		(4,967)		(3,080)
Other Revenue cash payments/income		(2,556)		(4,517)
			<b>(79,246)</b>	<b>(75,022)</b>
<b>Revenue surplus/(Deficit)</b>	<b>1</b>		<b>221</b>	<b>(2,754)</b>
<b>Servicing of Finance</b>				
Expenditure/Income				
Interest paid out			1,608	1,438
Interest received			(632)	(1,194)
			<b>976</b>	<b>244</b>
<b>CAPITAL ACTIVITIES</b>				
<b>Expenditure</b>				
Purchase of fixed assets		7,075		5,440
Premium to repay debt		0		0
Other Capital expenditure		432		754
Pooled Capital Payments to ODPM		1,215		986
			<b>8,722</b>	<b>7,180</b>
<b>Income</b>				
Sale of fixed assets		(1,931)		(3,285)
Capital grants received		(2,099)		(2,266)
Other capital cash payments/income		(115)		0
			<b>(4,145)</b>	<b>(5,551)</b>
			<b>4,577</b>	<b>1,629</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
<b>Short term deposits</b>				
Investments made		160,403		153,985
Investments realised		(156,492)		(154,828)
			<b>3,911</b>	<b>(843)</b>
<b>Other liquid resources</b>				
Investments made	4	59,200		69,550
Investments realised		(54,950)		(68,550)
External managed funds realised		(10,000)		
External managed funds made		0		3,000
			<b>(5,750)</b>	<b>4,000</b>
Increase (decrease) in short term investments			<b>(1,839)</b>	<b>3,157</b>
<b>Net cash (inflow) outflow before financing</b>			<b>3,935</b>	<b>2,276</b>

## **FINANCING**

	<b><u>2006/07</u></b> <b><u>£'000</u></b>	<b>2006/07</b> <b>£'000</b>	<b>2005/06</b> <b>£'000</b>
<b>Payments</b>			
Repayment of long term loans	0		36
Repayment of market loans	0		0
Repayment of short term (temporary) loans	673		813
		<b>673</b>	<b>849</b>
<b>Receipts</b>			
New long term loans raised	(4,000)		(2,000)
New short term (temporary) loans raised	(673)		(813)
		<b>(4,673)</b>	<b>(2,813)</b>
<b>Total loans redeemed</b>		<b>(4,000)</b>	<b>(1,964)</b>
<b>Increase/(decrease) in overdraft</b>		<b>(65)</b>	<b>312</b>

The notes to this statement can be found on page 38



**NOTES TO INCOME AND EXPENDITURE ACCOUNT**

**1 Explanation of Prior Period Adjustments**

In the 2006/07 Statement of Accounts, the council has been required to adopt three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account.

- \* Capital Financing Charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- \* Gains and losses on the disposal of fixed assets are recognised in the I & E account
- \* In addition the restatement of the 2005/06 accounts in the new format has highlighted other changes, in the HRA and the movement in reserves.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table).

	<b>Consolidate d Revenue Account in 2005/06 Statement of Accounts £'000</b>	<b>Removal of capital financing charges £'000</b>	<b>Recognition of gains and losses on disposal of fixed assets £'000</b>	<b>Restatement of HRA £'000</b>	<b>2005/06 comparative movement in reserves £'000</b>	<b>2005/06 comparatives in Income &amp; Expenditure Accounts £'000</b>
Central services to the public	990	(52)	0	0	50	988
Cultural , environmental and planning services	5,795	(518)	0	0	113	5,390
Highways, roads and transport services	444	(36)	0	0	0	408
Housing general	1,213	(26)	0	0	12	1,199
Housing Revenue Account	4,924	(5,737)	0	(381)	(24)	(1,218)
Corporate and democratic core	1,024	0	0	221	3	1,248
Non-Distributed Costs	1,385	0	0	0	0	1,385
<b>Services</b>	<b>15,775</b>	<b>(6,369)</b>	<b>0</b>	<b>(160)</b>	<b>154</b>	<b>9,400</b>
Trading Accounts	69	(146)	0		0	(77)
accounts (interest payable assets	(5,070)	6,515	(6)	0	0	1,445
Interest & Investment Income	(758)			255		(503)
<b>Expenditure</b>	<b>10,016</b>	<b>0</b>	<b>(6)</b>	<b>95</b>	<b>154</b>	<b>10,259</b>

## 2 Trading Accounts

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

	<b>2006/07 Gross Expenditure £'000</b>	<b>2006/07 Gross Income £'000</b>	<b>2006/07 Net Expenditure £'000</b>	<b>2005/06 Net Expenditure £'000</b>
Waste Management	1,770	1,761	9	45
Council Tax Collection	352	313	39	2
Horticultural Services	570	592	(22)	15
Leisure Management	0	0	0	84
Building Maintenance	635	649	(14)	(33)
	<hr/> 3,327	<hr/> 3,315	<hr/> 12	<hr/> 113
Golden Sands Caravan Park	0	0	0	25
Property Management	214	462	(248)	(125)
	<hr/> <hr/> 3,541	<hr/> <hr/> 3,777	<hr/> <hr/> (236)	<hr/> <hr/> 13

The above figures include adjustments in respect of FRS17 pension fund deficit adjustments

The council operates the five direct service organisations as shown in first part of the statement above. The above statement summarises their operations. From 2007/08 the Director of Resources has determined that Waste Management and Revenues Collection are no longer trading accounts on the basis that they are no longer subject to competition, being amalgamated into AWS and CenSus partnership arrangements respectively. A full set of their accounts may be obtained from the Director of Resources at the Civic Centre, Ham Road, Shoreham By Sea, West Sussex, BN43 6PR.

## 3 Finance and Operating Leases

Rentals were paid during the year on finance leases to the value of £11,189. The Council has operating leases on vehicles, plant and equipment. The amounts paid under these arrangements in 2006/07 were £539,542 (£519,000 in 2005/06), and the total commitments outstanding at 31st March 2007 amounted to £444,608 (£635,243 in 2005/06). This includes financing arrangements for the contract hire of the refuse and recycling vehicle fleet.

## 4 Expenditure on Publicity

The Council incurred expenditure of £68,238 during the year on publicity (£74,007 in 2005/06), mainly in respect of advertising the Authority's facilities, and producing a local newspaper.

## 5 Pensions & Retirement Benefits

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

<b>2005/06 £,000</b>		<b>2006/07 £,000</b>
	<i>Net cost of Service</i>	
(1,330)	Current service cost	(1,520)
(1,260)	Settlements & Curtailments	(150)
	<i>Net Operating Expenditure</i>	
(2,760)	Interest cost	(2,990)
2,160	Expected return on scheme assets	2,600
	<i>Statement of movement</i>	
1,490	Movement on Pensions Reserve	200
<hr/> <hr/> <b>(1,700)</b>	Employer's contributions payable	<hr/> <hr/> <b>(1,860)</b>

Note 16 to the balance sheet contains details of the assumptions made in estimating the figures included in this note.

## 6. Members' Allowances

Total allowances paid to members was £104,323 (£87,616 in 2005/06).

## 7. Remuneration of Employees

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

### Remuneration Bands

	Number of employees	
	2006/07	2005/06
£50,000 to £59,999	4	5
£60,000 to £69,999	1	2
£70,000 to £79,999	1	0
£80,000 to £89,999	0	1
£90,000 to £99,999	1	0

## 8. Building Control Trading Account

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

	Chargeable £	Non- Chargeable £	Total Building Control £
<u>Expenditure</u>			
Employee expenses	101,495	95,241	196,736
Supplies and Services	46,112	266	46,378
Support Costs	38,507	31,784	70,291
Total Expenditure	186,114	127,291	313,405
<u>Income</u>			
Building Regulation Charges	155,190	-	155,190
Deficit/(Surplus) for year	<b>30,924</b>	<b>127,291</b>	<b>158,215</b>

There is a requirement in the Building Control Regulations for chargeable activities to at least break-even over a 3 year cycle. Virtually the entire Building Control permanent staff left the authorities employment during the year and as result the 'defined' account has fallen into deficit. Overall this make a net deficit over the three years; 2004/05 - 2006/07 of £54,285. The Council is implementing partnership working/management with Worthing from April 2008 to reduce costs and maximise income.

## 9. Related Party Transactions

The accounts are required to disclose any material transactions with 'related parties' during the year. A related party transaction is defined as 'the transfer of assets or liabilities or the performance of service by, to or for, a related party, irrespective of whether a charge is made'. Related parties include the following:-

Central Government departments for revenue and capital grants;

- \* West Sussex County Council, Sussex Police Authority and Parish Councils within Adur District for precepts;
- \* West Sussex County Pension Fund for pension contributions from and on behalf of Adur District Council employees;
- \* Members and Chief Officers of the Authority, and members of their close family/household.

Details of transactions with these listed organisations are provided elsewhere in the Statement of Accounts.

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

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

## 10. Section 137 Expenditure

The majority of the provisions of Section 137 of the Local Government Act 1972 have been repealed by the "well-being" powers contained in Part 1 of the Local Government Act 2000. This gives local authorities a discretionary power to do anything they consider likely to promote or improve the economic, social or environmental well-being of their area. There is no spending limit attached to this new power as there was under Section 137 limits.

Local authorities still need to disclose any expenditure incurred under s137 (3), eg, donations to charities, not-for-profit bodies and mayoral appeals which are detailed below.

	2006/07	2005/06
	£	£
Miscellaneous grants	7,916	8,204
CAB - Shoreham	45,090	43,170
CAB - Lancing	26,970	25,820
Community Associations	23,282	22,369
Charities - refuse collection	1,140	1,110
Adur Learning Exchange	15,890	15,210
Adur Council for Voluntary Services	26,970	25,940
Young Peoples Information Shop	5,493	5,526
Adur Safe Scheme	5,000	5,000
Residents Associations	675	600
Youth Council	262	624
Enterprise Centre	0	5,000
Adur Economic Partnership	5,000	5,000
Area Investment Framework	0	2,500
Lancing Business Park	0	4,500
West Sussex Economic Partnership	11,000	0
Ropetackle Community Facility	17,849	0
	<u><u>192,537</u></u>	<u><u>170,573</u></u>

## 11. Audit Costs

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

<b>2005/06</b> £'000		<b>2006/07</b> £'000
82,394	Services carried out by the auditor	98,955
3,015	Statutory Inspection	5,000
23,615	Certification of grant claims and returns	45,948
0	Other services provided by the auditor	0
<u><b>109,024</b></u>	Total	<u><b>149,903</b></u>

2006/07 audit costs include 13 months costs and there has been a substantial increase in the certification of grant claims and returns

## 12. Performance Reward Grant

Performance Reward Grant – over the past 3 years the Council has achieved the targets set within the Local Area Agreement and has 'earned' a Performance Reward Grant of £200,000. Of this sum £34,000 has been received and is included in the 2006/07 accounts, a further £98,000 is due in 2007/08 and £68,000 in 2008/09.

## Note of Movement on Reserves

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

	CAPITAL RESERVES				REVENUE RESERVES					2006/07 TOTAL RESERVES	Other Capital Balances				2006/07 TOTAL OTHER BALANCES
	Fixed Asset Restatement Account	Capital Financing Account	Major Repairs Reserve	Usable Capital Receipts	General Fund	Other Specific Reserves	Housing Reserve Account	Pensions Reserve	Collection Fund Surplus		Deferred Capital Receipts	Capital Grants Deferred	Premia	Un applied	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	
<b>Balance as at 1st April 2006</b>	<b>135,231</b>	<b>30,567</b>	<b>1,068</b>	<b>2,026</b>	<b>832</b>	<b>588</b>	<b>1,746</b>	<b>(22,930)</b>	<b>33</b>	<b>149,161</b>	<b>37</b>	<b>1,596</b>	<b>(1,765)</b>	<b>355</b>	<b>223</b>
<b>Net revenue surplus (deficit) for the year</b>	0	0	0	0	3	270	74	0	0	<b>347</b>	0	0	0	0	<b>0</b>
<b>Transfers to Revenue Accounts</b>										<b>0</b>					<b>0</b>
General Fund depreciation	0	(1,067)	0	0	0	0	0	0	0	<b>(1,067)</b>	0	0	0	0	<b>0</b>
Impairment	0	(23)	0	0	0	0	0	0	0	<b>(23)</b>	0	0	0	0	<b>0</b>
Housing Revenue Account depreciation	0	(1,993)	1,993	0	0	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Housing reserve applied	0	0	0	0	0	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Pension Costs in revenue accounts	0	0	0	0	0	0	0	(200)	0	<b>(200)</b>	0	0	0	0	<b>0</b>
Use of Revenue Resources	0	450	0	0	0	0	0	0	0	<b>450</b>	0	0	0	0	<b>0</b>
Minimum Revenue Provision	0	145	0	0	0	0	0	0	0	<b>145</b>	0	0	0	0	<b>0</b>
Deferred Receipts received	0	0	0	0	0	0	0	0	0	<b>0</b>	(17)	0	0	0	<b>(17)</b>
Pension Fund actuarial gains and losses	0	0	0	0	0	0	0	3,920	0	<b>3,920</b>	0	0	0	0	<b>0</b>
Capital Grants & contributions received	0	0	0	0	0	0	0	0	0	<b>0</b>	0	366	0	(183)	<b>183</b>
Amortisation of grants and contribution:	0	404	0	0	0	0	0	0	0	<b>404</b>	0	(404)	0	0	<b>(404)</b>
capital receipts received	0	0	0	1,755	0	0	0	0	0	<b>1,755</b>	0	0	0	0	<b>0</b>
HRA capital receipts government pooled	0	0	0	(1,253)	0	0	0	0	0	<b>(1,253)</b>	0	0	0	0	<b>0</b>
Unrealised gains (losses) on revaluation of fixed assets	4,447	0	0	0	0	0	0	0	0	<b>4,447</b>	0	0	0	0	<b>0</b>
Elimination on Revaluation	3,476	0	0	0	0	0	0	0	0	<b>3,476</b>	0	0	0	0	<b>0</b>
use of PCL's to fund premia redemption	0	0	0	0	0	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Premia on redemption of loan	0	0	0	0	0	0	0	0	0	<b>0</b>	0	0	259	0	<b>259</b>
Collection Surplus	0	0	0	0	0	0	0	0	5	<b>5</b>					
<b>Effects of Disposals of fixed assets</b>															
Cost or valuation of assets disposed of	(1,738)	0	0	0	0	0	0	0	0	<b>(1,738)</b>	0	0	0	0	<b>0</b>
Proceeds of disposals	0	0	0	0	0	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Net Surplus (deficit)	(1,738)	0	0	0	0	0	0	0	0	<b>(1,738)</b>	0	0	0	0	<b>0</b>
<b>Financing of fixed assets</b>															
Use of Capital Receipts	0	1,267	0	(1,267)	0	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Use of Capital Grants & Contributions	0	0	0	0	0	0	0	0	0	<b>0</b>	0	(183)	0	183	<b>0</b>
Use of Major Repairs Reserve	0	2,941	(3,061)	0	0	0	0	0	0	<b>(120)</b>	0	0	0	0	<b>0</b>
Financing of capital expenditure not producing a fixed asset	0	(218)	0	0	0	0	0	0	0	<b>(218)</b>	0	0	0	0	<b>0</b>
<b>Balance as at 31st March 2007</b>	<b>141,416</b>	<b>32,473</b>	<b>0</b>	<b>1,261</b>	<b>835</b>	<b>858</b>	<b>1,820</b>	<b>(19,210)</b>	<b>38</b>	<b>159,491</b>	<b>20</b>	<b>1,375</b>	<b>(1,506)</b>	<b>355</b>	<b>244</b>

These notes support the statement on page 22

## NOTES TO THE BALANCE SHEET

### 1. Movements in Fixed Assets

	Council dwellings £'000	Other land & buildings £'000	Vehicles plant and equipment £'000	Infrastructure & Community £'000	Non Operational Assets £'000	TOTAL £'000
Gross value at 1 April 2006	160,766	18,464	6,167	2,883	5,844	194,124
Additions	4,495	1,437	800	173	97	7,002
Disposals	(1,653)	(79)	(6)	(1)	0	(1,739)
Revaluations	3,464	1,058	6	6	18	4,552
Impairments	0	(74)	(7)	0	0	(81)
Gross value at 31 March 2007	167,072	20,806	6,960	3,061	5,959	203,858
Depreciation at 1 April 2006	1,881	1,718	3,716	21	0	7,336
Depreciation for year	1,873	330	802	13	0	3,018
Elimination on revaluation	(1,881)	(1,595)				(3,476)
Depreciation at 31 March 2007	1,873	453	4,518	34	0	6,878
NBV at 31 March 2007	<b>165,199</b>	<b>20,353</b>	<b>2,442</b>	<b>3,027</b>	<b>5,959</b>	<b>196,980</b>

	Intangible Assets £'000
Gross value at 1 April 2006	128
Additions	28
Disposals	0
Revaluations	0
Impairments	0
Gross value at 31 March 2007	156
Depreciation at 1 April 2006	86
Depreciation for year	42
Depreciation at 31 March 2007	128
NBV at 31 March 2007	<b>28</b>

### Impairments of Fixed Assets

There has been partial impairment of five assets during 2006/07, although the buildings have been removed the land is still classed as an asset with a value. However an impairment value of £81,447 has been allocated against the appropriate asset category in the accounts and charged to the service.

## 2. Capital Expenditure and Financing

	2006/07 £000	2005/06 £000	
Opening Capital Financing Requirement		17,190	15,824
<b>Capital Investment:</b>			
Council Dwellings	4,495	3,225	
Operational assets	1,437	975	
Vehicles plant & equipment	800	1,125	
Non-operational assets	97	15	
Intangible assets	28	0	
Community and Infrastructure assets	173	100	
Deferred charges	219	426	
Disable Facilities grant 60% government financed	161	146	
Leasing	0	65	
<b>Total capital investment</b>	<u>7,410</u>	<u>6,077</u>	
Capital receipts	(1,267)	(949)	
Government grants via Housing Subsidy	(161)	(321)	
Other contributions	(183)	(710)	
Revenue Contribution	(450)	(666)	
Major repairs allowance	(2,942)	(1,863)	
<b>Total financing other than from loan</b>	<u>(5,003)</u>	<u>(4,509)</u>	
Net investment financed from loan		2,407	1,568
Revenue provision for repayment of loans		(145)	(202)
Closing Capital Financing requirement		<u>19,452</u>	<u>17,190</u>

The credit ceiling figures used in the above statement include an adjustment for Premia of £2,292,000, as there is an outstanding query from the District Auditor on prior year treatment of premia. The authority has sought additional information from Department for Community and Local Government, but as yet this has not been resolved, so there is a known variance between the Capital Financing Requirement shown above and the balance sheet entries.

In addition to the capital investment detailed above the Council made a payment of £351,000 in April 2007 in respect of works to refurbish the Leisure Centres. This payment relates to work which was substantially undertaken in March 2007 but which will be included in the capital investment for 2007/08.

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

	2006/07 £'000	2005/06 £'000
Fixed Assets	197,008	186,830
Government Grants & External Contributions Deferred	(1,375)	(1,550)
Capital Financing Account	(32,473)	(30,567)
Fixed Asset Restatement Account	(141,416)	(135,231)
Premia adjustment	(2,292)	(2,292)
	<u>19,452</u>	<u>17,190</u>



### 3. Information on Fixed Assets

The Council owns the following fixed assets:-

	31st March 2007	31st March 2006
<b>Council Dwellings:-</b>		
Council houses (including flats etc.)	2,718	2,735
Council garages	1,088	1,088
<b>Land and Buildings:-</b>		
Civic Centre	1	1
Sub Offices	2	2
Depots	1	1
Off street car parks	13	13
Public conveniences	16	16
Leisure Centre's	2	2
Community Pool	1	1
Community Centre's	4	3
Allotment sites	13	13
Shops	56	56
Commercial premises	15	15

The council dwellings and garages were mis-stated for last year which has been corrected above.

#### **Infrastructure:-**

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

#### **Vehicles, plant and equipment:-**

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

#### **Community Assets:-**

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

#### **Intangible Assets:**

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

#### **Non-operational assets:-**

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

#### **Basis of Valuations**

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

Council Dwellings have been valued by the District Valuer as at 1st April 2006, at net realisable value in existing use.

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

### 4. Depreciation

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

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

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

Vehicles, plant and equipment except computer equipment - 5 years

Computer equipment - 3 years

## 5. Finance Leases

Rentals were paid during the year on finance leases to the value of £11,189. Items leased: Computer Equipment £18,823 over 3 years, Horticultural Equipment £10,080 over 3 years, Horticultural Equipment £4,744 over 5 years and Car Park Machines £9,464 over 5 years. These items have not been capitalised.

## 6. Deferred Charges

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

	Balance 1st April 2006	Expenditure	Amounts written off	Balance 31st March 2007
	£'000	£'000	£'000	£'000
Disabled Facility Grants	0	107	(107)	0
Improvement grants	0	39	(39)	0
Redundancy	0	40	(40)	0
Other - General	0	33	(33)	0
	<b>0</b>	<b>219</b>	<b>(219)</b>	<b>0</b>

## 7. Deferred Credits

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

## 8. Stocks and Work-in-Progress

	31st March 2007 £'000	31st March 2006 £'000
Work-in-progress		
Rechargeable works	19	17
Direct Services Unit	9	27
	<b>28</b>	<b>44</b>
Stocks		
Maintenance	15	8
General	7	0
	<b>22</b>	<b>8</b>
Total	<b>50</b>	<b>52</b>

## 9. Debtors

	31st March 2007 £'000	31st March 2006 £'000
Amounts falling due in one year:-		
Government Departments	2,989	635
Housing rents	388	449
Council Taxpayers	1,368	1,130
Non Domestic Rate Payers	312	0
Sundry debtors	2,638	2,834
	<b>7,695</b>	<b>5,048</b>
Less provision for doubtful debts (see point 18 in Statement of Accounting Policy's)	1,531	1,591
	<b>6,164</b>	<b>3,457</b>
Amounts falling due after one year:-		
Car loans to employees	183	198
	<b>6,347</b>	<b>3,655</b>
The amount due from Government Departments includes :-		
Housing Benefit Grant holding Account	1,004	209
NNDR Contribution to Pool	1,270	0
HM Revenues and Customs	715	426
	<b>2,989</b>	<b>635</b>

## 10. Creditors

	<b>31st March 2007 £'000</b>	<b>31st March 2006 £'000</b>
Government Departments	1,058	821
Other Local Authorities	110	371
Sundry creditors	2,978	2,751
	<b>4,146</b>	<b>3,943</b>

The amounts due to Government Departments include:-

NNDR income due to the Government Pool	0	758
SRB grants	0	13
Others	724	50
Planning delivery grant	334	0
	<b>1,058</b>	<b>821</b>

## 11. Long Term Debtors

	<b>31st March 2007 £'000</b>	<b>31st March 2006 £'000</b>
Private sector house purchase	5	8
Council house purchase	20	37
Other	0	0
	<b>25</b>	<b>45</b>

## 12. Long Term Borrowing

	<b>Total outstanding as at 31st March</b>	
Source of loans;	<b>2007 £'000</b>	<b>2006 £'000</b>
Public Works Loan Board	14,455	14,455
Other Commercial Lenders	18,440	14,440
	<b>32,895</b>	<b>28,895</b>

	<b>31st March 2007 £'000</b>	<b>31st March 2006 £'000</b>
An analysis of loan debt by maturity is:-		
Maturing within one year	0	0
	<b>0</b>	<b>0</b>
Maturing in 1-2 years	0	0
Maturing in 2-5 years	0	0
Maturing in 5-10 years	1,000	500
Maturing in more than 10 years	31,895	28,395
	<b>32,895</b>	<b>28,895</b>

Some debt rescheduling has taken place during the year, whereby loan periods have been extended in order to reduce interest rates.

### 13. Investments

£9.25M of the Council's surplus funds were invested externally at 31st March 2007 for periods of up to 3 years. Other external investments are shown at cost and relate only to small investments of War Stock and Consolidated Gas Stock made by former authorities in the 1940s. There was a reduction of amounts invested during the year of £5.75m used to fund the capital programme.

### 14. Contingent Liability

A claim has been made against the Council for compensation arising from the planning notices served in respect of the movement of live animals through Shoreham Harbour in 1998.

The Council is resisting the total claim through its insurers, Zurich Municipal, and at this stage it is inappropriate to make a reasonable estimate of the potential liability, if any.

Free bus travel – following the introduction of free bus travel from April 2006, one of the bus operators submitted an appeal to the Department for Transport (DfT) regarding the method of reimbursing the operators for the costs of the free journeys. The DfT has required that reimbursement costs be recalculated based on near actual costs and journeys for which data is available and that appropriate cash adjustments be made between the operators and local authorities. It is not possible to place a figure on the potential liability, which may require an additional payment by Adur.

### 15. Events after the balance sheet date

The statement of accounts were approved on 28th September 2007 and there have been no material post balance sheet events.

### 16. Pension Scheme

Note 4 to the Income & Expenditure Account contains details of the Council's participation in the Local Government Pension Scheme. The scheme is a defined benefit statutory scheme, administered by West Sussex County Council.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £19.2 million has an impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Sussex County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31st March 2004.

The main assumptions used in the their calculations have been:-

- \* Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange (commutation) for a reduction in their future annual pension.
- \* An allowance of 25% has been made for this legislative change.
- \* No allowance has been made for the removal of the Rule of 85 for new members from 1st October 2006.
- \* Changes in other factors

	<b>31st March 2007 Per annum</b>	<b>31st March 2006 Per annum</b>
Price increases	3.2%	3.1%
Salary increases	4.7%	4.6%
Pension increases	3.2%	3.1%
Discount rate	5.4%	4.9%

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

Fair value of attributable assets held at 31st March 2006 :

Assets	Assumed Long Term Return	Fund Assets	Expected Return	Assumed Long Term Return	Fund Assets	Expected Return
		£'000	£'000 p.a.		£'000	£'000 p.a.
Equities	7.8%	30,960	2,415	7.4%	29,340	2,171
Bonds	4.9%	5,380	264	4.6%	4,690	216
Property	5.8%	3,190	185	5.5%	2,480	136
Cash	4.9%	730	36	4.6%	1,450	67
<b>Total</b>	<b>7.2%</b>	<b>40,260</b>	<b>2,899</b>	<b>6.8%</b>	<b>37,960</b>	<b>2,590</b>

Net pension assets :	31st March 2007 £'000	31st March 2006 £'000	31st March 2005 £'000
<b>Adur District Council share</b>			
Estimated employer assets (A)	40,250	37,960	30,210
Present value of scheme liabilities	57,060	58,490	48,810
Present value of unfunded liabilities	2,400	2,400	1,660
Total value of liabilities (B)	<u>59,460</u>	<u>60,890</u>	<u>50,470</u>
Net Pension Assets (A)-(B)	<b><u>(19,210)</u></b>	<b><u>(22,930)</u></b>	<b><u>(20,260)</u></b>

Movements in the surplus/deficit on the scheme	31st March 2007 £'000	31st March 2006 £'000	31st March 2005 £'000
Deficit at beginning of the year	(22,930)	(20,260)	(12,760)
Current Service Costs	(1,520)	(1,330)	(1,270)
Employer contributions	1,670	1,520	1,510
Contributions in respect of unfunded benefits	190	180	110
Past service costs	0	0	(130)
Impact of settlements and curtailments	(150)	(1,260)	0
Net return on assets	(390)	(600)	(260)
Actuarial gains/(losses)	3,920	(1,180)	(7,460)
	<b><u>(19,210)</u></b>	<b><u>(22,930)</u></b>	<b><u>(20,260)</u></b>

There have been no post balance sheet events in respect of FRS 17 Pension Cost.

## 17 Revenue Reserves and Balances

Revenue reserves at 31st March 2007 were:

	Balance at 31st March 2007 £'000	Balance at 1st April 2006 £'000
Performance Reward Grant Fund	26	0
Community Fund - Bovis Homes	25	25
Discount Fund	273	273
Insurance Fund	53	60
New Technology Fund	26	153
Risk Management	9	9
Recycling Credits	80	0
Training Fund	4	4
Vehicle Renewal Fund	5	5
IT Disaster Recovery Fund	3	3
Partnership Development Fund	245	0
Others - General	2	2
Community Alarm	12	14
Health & safety	38	40
Investment Property Maintenance Fund	37	0
Civic Centre Maintenance fund	20	0
Totals	<b><u>858</u></b>	<b><u>588</u></b>

**These notes support the statement on page 23**  
**NOTES TO THE CASH FLOW STATEMENT**

**1. Reconciliation to Consolidated Revenue Account**

	<b>Net Expenditure 2006/07 £'000</b>	<b>Net Expenditure 2005/06 £'000</b>
Income & Expenditure Account Surplus / (deficit)	(1,563)	(3,144)
Movement on Collection Fund	(5)	0
Revenue movements on:		
Stocks and Work in Progress	2	(10)
Debtors	(2,692)	457
Creditors	202	633
Provision	243	20
Pension	200	1,490
Housing Pool	1,253	1,199
Depreciation	1,208	1,188
Amortisation grants and Contributions	(352)	(329)
Deferred Charges	211	313
Exclude :-		
Net servicing of Finance	1,089	943
Profit and loss on Fixed Assets	(17)	(6)
<b>Net cash flow on Revenue activities</b>	<b>(221)</b>	<b>2,754</b>

**2. Government Grants**

	<b>2006/07 £'000</b>	<b>2005/06 £'000</b>
<b>Revenue</b>		
Housing Subsidy	1,600	1,273
Other Government Grants	1,418	1,687
Housing Benefits	(13,200)	(11,857)
Grants for rebates	(3,007)	(2,903)
	<u>(13,189)</u>	<u>(11,800)</u>
<b>Capital</b>		
Improvement and other grants	161	0
	<u><b>(13,028)</b></u>	<u><b>(11,800)</b></u>

**3. Increase / decrease in cash**

	<b>31st March 2007 £'000</b>	<b>31st March 2006 £'000</b>	<b>Movement in year £'000</b>
Cash in Hand	2	2	0
Bank Overdraft	(284)	(349)	65
Total cash balances	<u><b>(282)</b></u>	<u><b>(347)</b></u>	<u><b>65</b></u>

**4. Other Liquid Resources**

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

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

	<b>1st April 2006 £'000</b>	<b>Movement in year £'000</b>	<b>31st March 2007 £'000</b>
Short term investments	15,030	(1,839)	13,191
Long term borrowing	(28,895)	(4,000)	(32,895)
Temporary loans	(20)	0	(20)
	<u><b>(13,885)</b></u>	<u><b>(5,839)</b></u>	<u><b>(19,724)</b></u>

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

	2006/07 Net Expenditure £'000	2005/06 Net Expenditure £'000
<b>INCOME</b>		
Dwelling rents (gross)	8,561	8,292
Non-dwelling rents (gross)	376	368
Charges for services and facilities	637	620
Contributions towards expenditure	66	79
	<b>9,640</b>	<b>9,359</b>
<b>EXPENDITURE</b>		
Repairs and maintenance	1,768	1,774
Supervision and management	3,000	2,922
Rents, rates, taxes and other charges	19	17
Negative housing revenue account subsidy payable (including the MRA element)	1,600	1,273
Negative housing revenue account subsidy transferable to the General Fund under the transitional arrangements	0	73
<b>Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP</b>		
Depreciation and impairment of fixed assets	1,992	1,977
Increased provision for bad or doubtful debts	60	28
Debt management costs	50	77
	<b>8,489</b>	<b>8,141</b>
<b>Total Expenditure</b>		
<b>Net Surplus of HRA Services as included in the whole Authority Income and Expenditure Account</b>	<b>1,151</b>	<b>1,218</b>
HRA services share of Corporate and Democratic Core	(190)	(221)
	0	(190)
<b>Net Cost of HRA Services</b>	<b>961</b>	<b>997</b>
Gain or (loss) on sale of HRA fixed assets	17	6
Interest payable and similar charges	(542)	(464)
Amortisation of premiums and discounts	(260)	(260)
Interest and investment income	106	(679)
(Deficit)/surplus for the year on HRA Services	<b>282</b>	<b>404</b>

## Statement of Movement on the HRA Balance

	2006/07 £000s	2005/06 £000s
(Surplus) for the year on the HRA Income and Expenditure Account	(282)	(404)
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	250	284
(Increase) or decrease in the Housing Revenue Account for the Year	(32)	(120)
Housing Revenue Account surplus brought forward	(1,240)	(1,120)
Housing Revenue Account surplus carried forward	(1,272)	(1,240)
Housing Repairs Account surplus brought forward	(490)	(490)
(Increase) or decrease in the Housing Repairs Account for the Year	(42)	0
Housing repairs account surplus carried forward	(532)	(490)
Housing Revenue Account and Housing Repairs surplus carried forward	(1,804)	(1,730)

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

	2006/07 £000s	2005/06 £000s
<b>Items included in the HRA income and Expenditure Account but excluded from the movement on HRA balance for the year</b>		
Gain or loss on sale of HRA fixed assets	17	6
HRA share of contributions to or from the Pensions Reserve	0	0
Sums directed by the Secretary of state to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0	0
	17	6
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the Housing Revenue Account for the year</b>		
Transfers to/(from) Housing Repairs Account	42	0
Contribution to/from reserves	10	24
Transfer to/from Major Repairs Reserve	(119)	(96)
Capital expenditure funded by the HRA	300	350
	233	278
<b>Net additional amount required to be debited or credited to the Housing Revenue Account balance for the year</b>	250	284



## NOTES TO HOUSING REVENUE ACCOUNT

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

	2006/07 31st March	2005/06 31st March
Houses	1,061	1,072
Bungalows	173	173
Mobile homes	37	37
Flats	1,447	1,453
Total dwellings	2,718	2,735

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

	2006/07 31st March £'000	2005/06 31st March £'000
Council dwellings	165,199	158,875
Other land and buildings	5,607	5,045
Non-operational assets	752	734
Total balance sheet value of land, houses and other property	171,558	164,654

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

	2006/07 £'000	2005/06 £'000
	363,628	332,062

The vacant possession value and balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

### 4. Movements on the Major Repairs Reserve

	2006/07 £'000	2005/06 £'000
Balance at 1st April	1,068	1,051
Amount transferred to Major Repairs Reserve	1,874	1,881
Debits to Major Repairs Reserve in respect of capital expenditure	(2,942)	(1,864)
Balance at 31st March	0	1,068

### 5. Movements on the Housing Repairs Account

	2006/07 £'000	2005/06 £'000
Balance at 1st April	490	490
Transfer from HRA to Housing Repairs Account	1,768	1,774
Debits to Housing Repairs Account for expenditure	(1,726)	(1,774)
Balance at 31st March	532	490

## 6. Financing of capital expenditure within the HRA

	2006/07 £'000	2005/06 £'000
- borrowing	1,250	712
- usable capital receipts	0	0
- revenue contributions	300	350
- capital fund	0	300
- Major Repairs Reserve	2,942	1,863
Total capital expenditure	<b>4,492</b>	<b>3,225</b>

## 7. Capital receipts

	2006/07 £'000	2005/06 £'000
Capital Receipts from the disposal of HRA property :		
- sale of council dwellings	1,653	1,593
- Mortgage Receipts received from previous years sale of Council Dwellings	17	6
- sale of land	0	0
	<b>1,670</b>	<b>1,599</b>
Retained for capital investment	417	400
Paid to central government	1,253	1,199
	<b>1,670</b>	<b>1,599</b>

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

There is no cost of capital charge to the HRA for 2006/07 and the accounts for 2005/06 have been restated to take this into consideration.

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

	2006/07 £'000	2005/06 £'000
- council dwellings	1,873	1,881
- other land and buildings	119	96
- non-operational assets	0	0
Total depreciation in year	<b>1,992</b>	<b>1,977</b>

## 10. Impairment Charges

No impairment charges were incurred in the year

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

	2006/07 £'000	2005/06 £'000
- allowance for management	1,350	1,290
- allowance for maintenance	2,738	2,559
- allowance for major repairs	1,873	1,881
- charges for capital	930	910
- rent rebates	0	0
- rent	(8,512)	(7,913)
- interest on receipts	(2)	(2)
- rental constraint allowance	40	0
- prior year adjustment	(17)	2
	<b>(1,600)</b>	<b>(1,273)</b>

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

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

**13. Rent Arrears**

	<b>2006/07</b>	<b>2005/06</b>
	<b>31st March</b>	<b>31st March</b>
	<b>£'000</b>	<b>£'000</b>
Net arrears as at 31st March	<u>388</u>	<u>447</u>
Bad debt provision for uncollectable debts	<u>253</u>	<u>235</u>

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

No sums are to be debited or credited to the HRA

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

No exceptional or prior year items are disclosed in the statement

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

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

	Note	2006/07 £'000	2005/06 £'000
<b>INCOME</b>			
Council Tax	1	26,172	24,817
<b>Transfers from General Fund</b>			
Council Tax Benefits		4,036	3,707
Income Collectable from Non-Domestic Ratepayers	2	13,758	13,542
	3	<b>43,966</b>	<b>42,066</b>
<b>EXPENDITURE</b>			
<b>Demands and Precepts</b>		29,997	28,306
<b>Non-Domestic Rates</b>			
Payment to National Pool		13,670	13,452
Costs of Collection Allowance		88	90
<b>Bad and Doubtful Debts</b>			
Provision for uncollectible amounts of council tax		0	34
		<b>43,755</b>	<b>41,882</b>
Movement on Fund balance		<b>211</b>	<b>184</b>
<b>Collection Fund Balance</b>			
Balance at Beginning of Year		184	241
Movement on Fund Balance		211	184
		<b>395</b>	<b>425</b>
Redistribution of Surplus brought forward		184	241
<b>Balance at End of Year</b>	4	<b>211</b>	<b>184</b>
<b>Share of Surplus:</b>			
West Sussex County Council		155	135
Sussex Police Authority		18	16
Adur District Council		38	33
		<b>211</b>	<b>184</b>
Balance transferred to use of funds 2006/07		<b>211</b>	<b>184</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. Council Tax

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

	No. of Chargeable Dwellings	Less Discounts	Net Dwellings	Ratio to Band D	No. of Band D Equivalents	Plus 2nd Homes Discount	Total No. of Band D Equivalents
Band A	7	1.06	5.94	5/9ths	3.3	0.0	3.3
Band A	2,482	402.70	2,079.30	6/9ths	1,386.2	6.7	1,392.9
Band B	4,617	547.97	4,069.03	7/9ths	3,164.8	13.1	3,177.9
Band C	10,670	884.86	9,785.14	8/9ths	8,697.9	30.6	8,728.5
Band D	5,872	398.00	5,474.00	9/9ths	5,474.0	19.6	5,493.6
Band E	1,872	87.71	1,784.29	11/9ths	2,180.8	4.4	2,185.2
Band F	672	32.52	639.48	13/9ths	923.7	2.9	926.6
Band G	305	14.48	290.52	15/9ths	484.2	3.3	487.5
Band H	2	0.25	1.75	18/9ths	3.5	0.0	3.5
<b>Total</b>	<b>26,499</b>	<b>2,369.55</b>	<b>24,129.45</b>		<b>22,318.4</b>	<b>80.6</b>	<b>22,399.0</b>

Less allowance for loss on collection and void properties (1.75%) 391.9

22,007.1

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

Authority	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	22,036,590	/	22,007.1	=	1,001.34
Sussex Police Authority	2,547,102	/	22,007.1	=	115.74
Adur District Council (inc. parishes)	5,413,348	/	22,007.1	=	245.98

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

Non-domestic rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole (43.3p in 2006/07 and 43.0p in 2005/06) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £35.47m (£35.73m in 2005/06). The total rates collected are paid to the NDR pool which is administered to the government and redistributed to each authority on a per capita basis.

### 3. Demands and Precepts on the Fund

	2006/07 £'000 £	2005/06 £'000 £
West Sussex County Council	22,037	20,790
Sussex Police Authority	2,547	2,402
Adur District Council (includes parish precepts)	5,413	5,114
	<u><u>29,997</u></u>	<u><u>28,306</u></u>

#### 4. Bad and doubtful debts

No extra requirement for bad and doubtful debts has been provided for in 2006/07 as the existing provision is adequate.

#### 5 Balance at end of year

The balance at the end of the year will be redistributed to precepting authorities as follows :-

	<b>£'000</b>
West Sussex County Council	155
Sussex Police Authority	18
Adur District Council (includes parish precepts)	38
	<hr/> <b>211</b> <hr/>

## Statement on Internal Control for the year ended 31<sup>st</sup> March 2007

### Scope of Responsibility

The 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 as to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal controls which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risks

### The Purpose of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### The Internal Control Environment

The key elements of the internal control environment are as follows:

- \* Adur District Council operates under a Constitution which is updated annually and facilitates policy and decision making by setting the framework of the operation that is reviewed by the Monitoring Officer. The Constitution requires that Members and Directors ensure that all decisions are compliant with policies and procedures, laws and regulations. This is set out in the Scheme of Delegation;
- \* Adoption of a Code of Corporate Governance and the provision of a challenge mechanism through the development of Overview & Scrutiny committees to ensure that effective, efficient and economic use is made of resources and that continuous improvement is achieved in the way in which the Council exercises its functions as required by the Best Value duty;
- \* Introduction of a Code of Conduct for employees;
- \* Financial and Contract Procedure Rules which make clear statements on the responsibilities of Officers and Members;
- \* Adoption of a Risk Management Strategy which makes clear the responsibilities of Officers and Members of the Council. Implementation of a risk management framework and processes including production of a Risk Register;
- \* The development of the Council's Corporate Plan (2005-2008) which includes the Council's value statement and associated principles and also sets out the Council's five key priorities. Adoption and monitoring of related Service plans;
- \* The setting of performance targets within the Best Value Performance Plan;
- \* Adoption of a Performance Management framework with monthly monitoring of key corporate objectives through the Chief Executive's Corporate Performance Team which focuses on ownership and accountability for progress against targets. The outcome of this process is reported to Members on a quarterly basis;
- \* Corporate priorities being linked to individual targets monitored through twice yearly through the personal "Performance and Development Review" process;
- \* Review programmes by External Audit, Internal Audit and other regulatory bodies with reports presented to Policy & Strategy Committee.

## Review of Effectiveness

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

There were no significant weaknesses highlighted in last year's statement and progress is being made on the two key issues reported in that statement. In particular:

- \* Assurance framework - the Council's Risk Register has been completed and agreed by Members. All risks assigned to Chief Executive, Directors and Divisional Managers to review and manage;
- \* Council's corporate governance arrangements required by the Audit Commission in their Use of Resources assessment - Officers are keeping under review to ensure that minimum requirements are being met.
- \* Joint working agreements with Worthing being produced as and when arrangements are agreed, with a schedule of progress on completion of relevant documentation being considered at the regular Joint Chief Officer management meetings.

The review of effectiveness of internal control has been undertaken for this statement by:

- \* Reviewing the list of statutory/principal obligations and organisational objectives drafted for the 2005/06 Statement on Internal Control. The review included updating the list with specific risk information from the
- \* Obtaining assurance on the key controls employed in respect of these objectives and risks from internal audit reports; external audit reports and letters; and from other documents, reports etc available on the Council's Intranet;
- \* Identifying gaps in the assurance process and noting actions required to address such gaps;
- \* Highlighting any significant internal control issues.

The Constitution & Audit Committee has been advised on the result of the review of the effectiveness of the system of internal control. An action plan to address the issues identified and to ensure continuous improvement in the system of internal control is being developed with the actions required being assigned to relevant officers for implementation.



## Significant Internal Control Issues

The following significant control issue has been identified following the review of the systems of internal control:

The decision to implement closer joint working with Worthing Borough Council will have a major impact on risk,

Key issues which have been notified to us by the Internal and External Auditors are as follows:

- \* The continued development and adoption of an Assurance Framework to allow the Council to systematically look at the principal risks which threaten the achievement of its strategic objectives;
- \* The implementation and continued development of new computer systems has impacted on the control environment of some key financial systems;
- \* Improve the standards of budget monitoring reports for committees and ensure that reports are received on a timely basis throughout the year;

- Should the Council decide to extend the joint working with Worthing Borough Council, it will be essential to work through and update all of the Council's key corporate documents and strategies, in particular key documents including the Council's Asset Management Plan and Capital Strategy are already in need of major review and update;
- \* Ensure that officers commit to providing high quality data as a means of measuring outcomes and underpinning value for money.

We propose over the coming year to take steps to ensure continued improvements of the systems in place and to further enhance our corporate governance arrangements

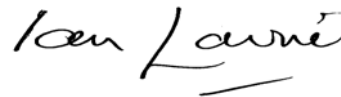
Neil Parkin  
Leader of the Council

Ian Lowrie  
Chief Executive



Signed

Signed



Dated  
28th June 2007

Dated  
28th June 2007

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

I have audited the financial statements of Adur District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Adur District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

### **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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

### **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  
44 West Street  
Chichester PO19 1RP  
Date

# GLOSSARY OF ACCOUNTING TERMS

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

## **Accounting Period**

The period of time covered by the accounts. The current year is 2006/07 which means the year commencing 1st April 2006 and ending 31st March 2007. The end of the accounting period is the date at which the balance sheet is drawn up.

## **Accrual**

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

## **Balance Sheet**

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

## **Capital Charge**

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

## **Capital Expenditure**

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

## **Capital Receipts**

The proceeds from the sale of fixed assets.

## **Community Assets**

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

## **Consistency**

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

## **Contingent Liability**

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

## **Creditors**

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

## **Current Assets / Liabilities**

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

## **Debtors**

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

## **Deferred Charges**

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

## **Depreciation**

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

## **Direct Service Organisations (DSO)**

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

## **Expenditure**

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

## **Finance Lease**

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

## **Fixed Assets**

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

## **Impairment**

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

## **Infrastructure Assets**

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

## **Intangible Assets**

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

## **Investments**

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

## **Liquid Resources**

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

## **Net Book Value**

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

## **Non-Operational Assets**

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

**Operating lease**

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

**Post Balance Sheet Events**

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

**Provision**

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

**Prior Year Adjustment**

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

**Prudence**

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

**Reserves**

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

**Virement**

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