



Worthing
BOROUGH COUNCIL

***Statement of
Accounts
2006/2007***

WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2007

C O N T E N T S

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Explanatory Foreword

1. Introduction

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

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2006/07. In addition, an outline of the overall financial position of the Council is given.

2. Explanation of Accounting Statements

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

	Page No:
Statement of Responsibilities	8
This statement sets out the respective responsibilities of the Borough Council and the Assistant Director (Financial Services) in respect of the Council's accounts.	
Statement of Accounting Policies	9 – 13
This details the accounting policies that have been adopted in preparing the Statement of Accounts. The purpose of this statement is to enable a fuller understanding of the accounts and specifically to describe the policies that have been adopted for all material items.	
The Income & Expenditure Account	14
This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed from central government grants, national non-domestic rates and income from local council taxpayers.	
Statement of Movement in the General Fund Balance	15 – 16
The accounting basis for the Income and Expenditure Account does not take into account the statutory provisions when setting local taxes. This statement provides a reconciliation of the necessary adjustments.	
The Statement of Total Recognised Gains & Losses	17
The statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.	
The Balance Sheet	18
This sets out the financial position of the Council on the 31st March 2007. The Balance Sheet reflects the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in all of its operations, together with summarised information on the fixed assets held.	

Explanatory Foreword

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

	Page No:
The Cashflow Statement	19
This summarises the Council's cash transactions for the year.	
Notes to Core Financial Statements	20 - 44
The Collection Fund	45 – 47
The Council is required to maintain a separate collection fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for their distribution to preceptors (West Sussex County Council and The Sussex Police Authority) and the Council's own General Fund. The fund also records the Council's contribution to the National Non-Domestic Rating Pool. The Collection Fund is incorporated in the Balance Sheet and The Cash Flow Statement.	
The Group Income and Expenditure Account	49 – 50
This statement, which together with the following Group Statements, includes the Borough Council's share of the income and expenditure of all entities in which it has a material interest. For Worthing Borough Council this entails adding its share of the activities of Shoreham Airport which is jointly owned, two thirds by Brighton and Hove City Council and one third by Worthing Borough Council.	
The Group Statement of Total Recognised Gains and Losses	50
Bringing the gains and losses connected with Shoreham Airport, together with the Borough Council's statement of Total Recognised Gains and Losses outlined above.	
The Group Balance Sheet	51 – 52
As explained above this Balance Sheet includes not only the Balance Sheet, but also the Council's share of the assets and liabilities of Shoreham Airport.	
The Group Cashflow Statement	53
This summarises the Council's cash transactions for the year.	

Also included is a Statement of Internal Control (pages 54 - 56), which has been completed under the Corporate Governance Requirements. This gives reasonable assurance that an effective system of internal control is maintained and operated in connection with the resources concerned.

3. ***Revenue Spending in 2006/07***

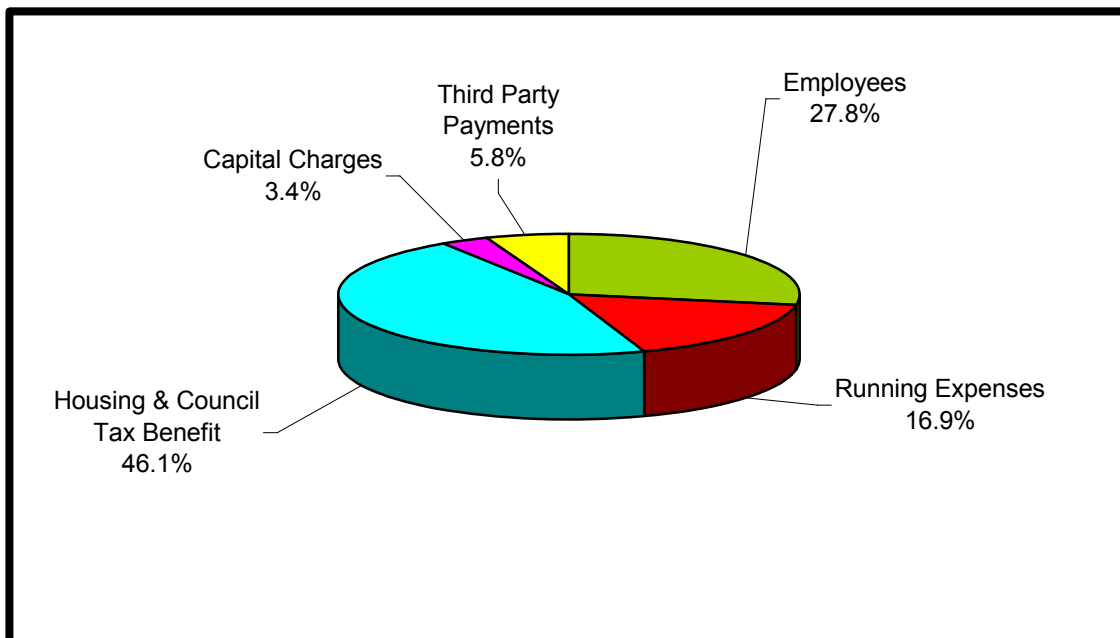
Revenue spending is the day-to-day expenditure incurred by the Council to deliver its services. This expenditure is financed from a variety of sources including Council Tax, Government Grant, charges for services, interest and rents. Total revenue expenditure amounted to £60.5m, of which £27.5m (45%) was on Housing and Council Tax Benefits. However, this expenditure was met by a specific government grant of £27.7m.

Explanatory Foreword

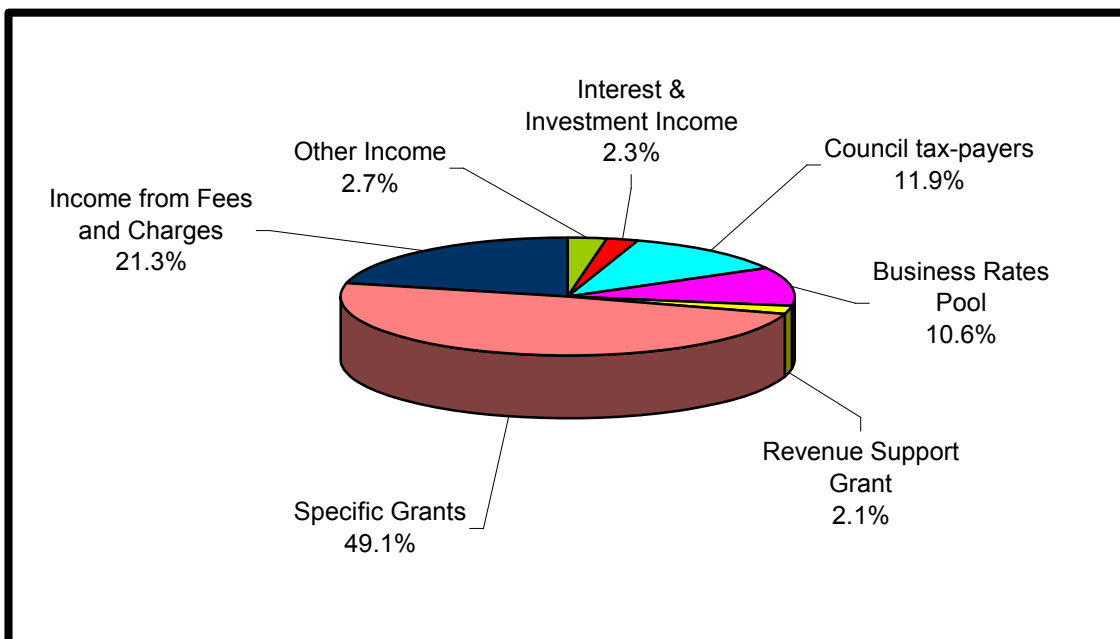
3. ***Revenue Spending in 2006/07*** (continued)

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

Expenditure by Type



Types of Income



Net operating expenditure amounted to £20.1m. This was an increase of £3,515,000 from the Revised Estimate approved in February 2006. The main reasons for the increase are listed on the next page.

Explanatory Foreword

3. ***Revenue Spending in 2006/07*** (continued)

	Variance (under)/over £'000
Additional income from Car Parks	(128)
Additional net income from theatres	(94)
Additional income from recycling credits	(71)
Higher return on investments	(132)
Additional net Housing Benefit grant due to successful recovery of overpayments.	(74)
Additional VAT payable as a result of losing partial exemption status	120
Other smaller variations	(127)
Year end accounting adjustments:	
FRS 17	(140)
Deferred charges	805
Change in accounting treatment for planning delivery grant	(280)
Loss on disposal of Shoreham Airport	4,319
LSVT receipts due to Worthing Borough Council from Worthing Homes	(637)
Capital funded from revenue	(46)
	3,515

After allowing for transfers to and from reserves the net budget requirement to be met from general government grants and Council Tax was £14.6m, up 9.95% from 2005/06, just over half of which £7.1m, was raised from Council Taxpayers. At the end of the year the Council retained Working Balances of £1.14m (unchanged from 2005/06) and had earmarked revenue reserves of £3.438m (£2.897m in 2005/06).

4. ***Capital Spending 2006/07***

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

Capital spending for the year totalled £3.229m, this was £786,241 less than the revised estimate mainly due to delays in progressing schemes.

An analysis of the main areas of expenditure in 2006/07 is given below.

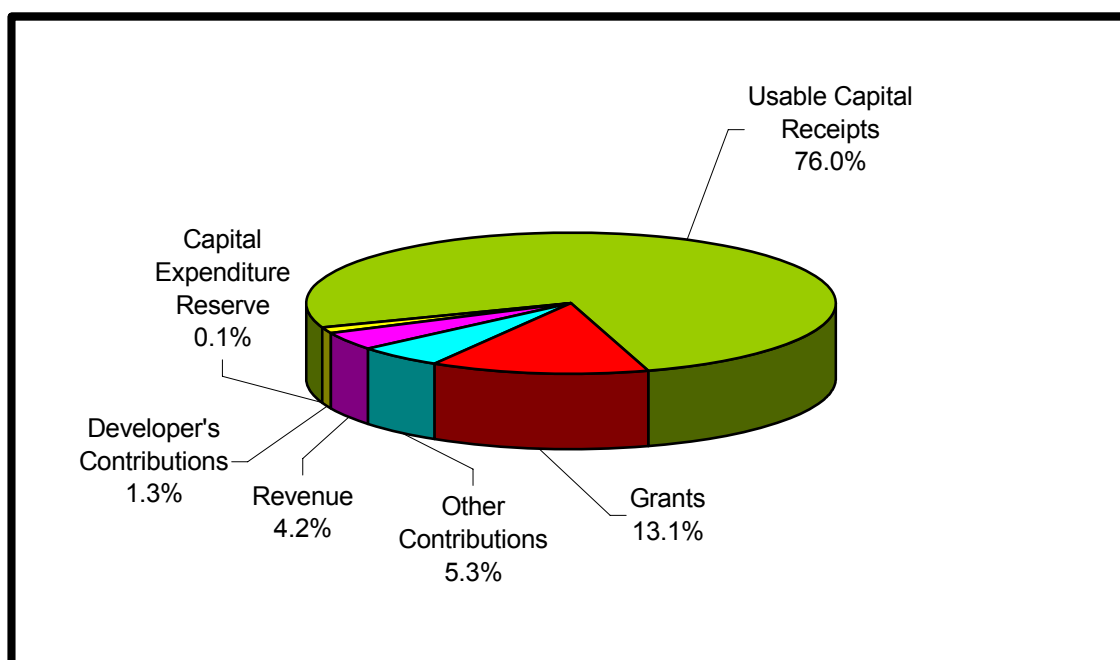
	What the capital money was spent on £'000
Affordable Housing	341
Crematorium	481
Disability Discrimination Act Improvements	299
Cultural, Leisure and Sport	526
Electronic Service Delivery	409
Housing Renewal Grants	773
Other General Fund	400
	3,229

Explanatory Foreword

4. ***Capital Spending 2006/07*** (continued)

The capital spending was financed from the following:

Where The Capital Monies Came From



5. ***Current Issues and Future Plans***

Revenue Plans

Generally expenditure on services remains firmly under control with any increases over and above inflation being generated by statutory requirements or by unavoidable changes, e.g. the decline in Local Land Charge income.

The largest items of revenue growth to be incurred in 2007/08 are:

	£'000
• The impact of the pay and grading review	320
• Increase in energy costs due to high inflation	222
• Increase in annual contributions to the pension fund	150

Major Capital Projects

The Council has embarked on a project to replace its current swimming pool, the Aquarena, and to refurbish its main Leisure Centre. Capital budget provision of approximately £24m over the three years 2007/08 to 2009/10 has been made for these schemes to be financed by disposal of specific sites within the Borough. Receipts to the value of £3m have already been secured and the completion of the disposal of sites with anticipated receipts of approximately £18m is at an advanced stage.

Explanatory Foreword

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

Major Capital Projects (continued)

The Council is planning, with its partner Adur District Council, to replace the refuse and recycling fleet over the next 2 years at a cost of £1.9m. Wheeled bins will be introduced as part of this new service at an additional cost of £1.8m.

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

West Sussex County Council Pension Fund

The Borough Council, in common with all other Districts in the County, is a member of the West Sussex County Council Pension Fund. The latest triennial valuation of the fund, carried out in 2004, identified a requirement for a stepped increase in pension contributions each year from 2005/06 to 2007/08. This translates into an increase of approximately £150,000 per annum in each of these years.

The Council maintains an earmarked reserve specifically to help offset the cost of future Pension Fund contributions. There was a balance of £0.85m in this reserve at 31st March, 2007.

In addition, in accordance with the Code of Accounting Practice and Financial Reporting Standard 17, the Council is required to recalculate the Pension Fund deficit as at 31st March each year. To do this it obtains an actuarial valuation from Hymans Robertson, the Pension Fund's actuary. This shows that the deficit has fallen by £6m in the year to stand at £33.2m.

Shoreham Airport – Exceptional Item

On 27th April, 2006 Worthing Borough Council and Brighton and Hove City Council agreed to sell a long leasehold interest in the Airport to the Erinaceous Group plc. This Council owned one third of the Airport, the other two thirds was owned by Brighton and Hove. This Council's share of the capital receipts (£1.357m) and reserves (£0.083m) has been partially offset by the future pension liability (£0.207m) in respect of airport employees.

6. *Use of Resources*

The Audit Commission has undertaken a second use of resources assessment, the results of which were published in May 2007. The assessment looks at how financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It is carried out annually as part of the Council's external audit. The Council's overall score for 2006 improved from a "2" to "3", the second highest category which denotes "performing well, consistently above minimum requirements. The comparative scores for 2005 and 2006 are shown below.

Explanatory Foreword

6. ***Use of Resources*** (continued)

The assessment was scored over 5 elements.

ELEMENT	ASSESSMENT (OUT OF 4)	
	2006	2005
Financial Reporting	3	3
Financial Management	2	2
Financial Standing	3	3
Internal Control	3	2
Value for Money	2	2
Overall	3	2

Note: 1 = lowest, 4 = highest

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

The Council approved its first Medium Term Financial Plan (MTFP) in October 2005. Since then further revisions in September 2006 and March 2007 have been made culminating in the latest plan for 2008-2011 that was considered by Council on 26th June, 2007. The plan supports the Council's corporate planning processes by determining the level of resources that are likely to be available in the future, the demands and pressures that are likely to arise, and how the Council responds to these challenges in order to deliver a balanced budget that matches resources to spending.

The plan is based on a policy of no overall growth in revenue spending other than that due to statutory or unavoidable commitments but with a redirection of resources to the Council's highest priorities as set out in its corporate plan. The aim is for at least 1% of the budget (c.£158,000) every year to be transferred to reserves to be made available for one-off projects or items of expenditure.

This supports the aim within the MTFP to maintain General Fund balances of between 6-8% of net expenditure, and to limit Council Tax increases to 5% or below.

To manage these objectives for 2007/08 the links between service planning and financial planning are being strengthened by the introduction of a new integrated service and financial planning process. This will be used by the Council to quantify and substantiate the financial effects of service proposals, thereby improving the links between business development and financial management.

The key objectives set in the Medium Term Financial Plan are regularly monitored by the Council using its Performance Management system, Covalent.

8. ***Further Information***

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

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

The Assistant Director (Financial Services) and Section 151 Officer's Responsibilities

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

In preparing this Statement of Accounts, the Assistant Director (Financial Services) and Section 151 Officer has:

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

The Assistant Director (Financial Services) and Section 151 Officer has also:

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

Certification of Assistant Director (Financial Services) & Section 151 Officer

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2007.

SARAH GOBEY
Assistant Director (Financial Services) & Section 151 Officer

Dated: 27th June, 2007

Certificate of Approval by General Purposes Committee

I confirm that these Accounts were approved by the General Purposes Committee of Worthing Borough Council on 28th June, 2007.

NOEL ATKINS
Chairman General Purposes Committee

Dated: 27th June, 2007

Statement of Accounting Policies

1. *General*

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2006 and the Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Fundamental accounting policies and estimation techniques in line with the requirements detailed in Financial Reporting Standard FRS18 have been adopted.

The SORP 2006 has introduced some substantive changes to accounting practices, this is to further comply with UK General Accepted Accounting Practices (GAAP.) The Consolidated Revenue Account has been replaced by an Income and Expenditure Account. Notional interest capital charges have been removed. Government grants deferred are no longer credited to the Asset Management Revenue Account, they are now posted to the service revenue accounts. Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure account. A new Movement in the General Fund statement has been introduced to meet statutory requirements for determining the Council's budget requirement and council tax charge. Items to be adjusted such as depreciation, Government grants and employer's contribution to the pension fund are included in this statement. This reconciliation statement summarises the differences between the outturn on the Income & Expenditure Account and the General Fund Balance.

A new Statement of Total Recognised Gains & Losses (STRGL) has been introduced in line with FRS3 and this has replaced the Statement of Total Movement in Reserves. The STRGL includes gains and losses that are not included in the Income & Expenditure Account. It shows the change in net worth over the financial year. Items in the Balance Sheet have been moved from "financed by" to Assets and Liabilities to match the movement in the STRGL.

The main financial statements are now grouped together followed by the notes and the Collection Fund. The 2005/06 accounts have been re-stated to reflect the new accounting requirements.

The council has reviewed its accounting policy for the recognition of trading accounts. Refuse collection, street cleaning, grounds maintenance and leisure management are no longer reported as trading accounts. Vehicle maintenance continues to operate within the BVCOP definition of a trading operation and is required to continue to maintain a trading account.

2. *Income and Expenditure*

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

3. *Costs of Support Services*

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

Statement of Accounting Policies

4. *Government Grants*

Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year ended 31st March, 2007.

5. *Leases*

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

6. *Intangible Fixed Assets*

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

7. *Tangible Fixed Assets*

(a) *Expenditure and Valuation principles*

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

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

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

For 2006/07 the values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per item has been applied to new vehicles, plant and equipment, and £50,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

Statement of Accounting Policies

7. *Tangible Fixed Assets* (continued)

(a) Expenditure and Valuation principles

Income from the disposal of fixed assets is accounted for on an accruals basis. The gain or loss on disposal is accounted for within the Income & Expenditure account and adjusted in the Statement of Movement in the General Fund Balance for the usable capital receipts in accordance with SORP 2006.

(b) Charges to Revenue for Fixed Assets

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

(d) Impairment

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

(e) Depreciation

Depreciation is charged to service revenue accounts for all fixed assets except for buildings under a value of £50,000:

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

8. *Government Grants and Contributions*

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

Statement of Accounting Policies

9. ***Deferred Charges***

Capital expenditure for which no tangible fixed assets exist is classified as deferred charges in the balance sheet. All deferred charges expenditure is written out to Revenue in the year it is incurred.

10. ***Current Assets***

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

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

11. ***Investments***

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

12. ***Reserves***

The Council maintains earmarked reserves to meet future spending programmes. A brief explanation of the purpose of each provision and reserve is provided and an analysis of the reserves is included in Note 32, page 38.

13. ***Provisions***

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

14. ***Debtors and Creditors***

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

Statement of Accounting Policies

15. ***Value Added Tax***

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

16. ***Pension Costs***

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

17. ***Exceptional Item***

The Income and Expenditure Account contains an exceptional item relating to the cessation of a trading entity following the sale of Shoreham Airport to Erinaceous Plc on 30th June, 2006. In the single entity accounts the amount of the exceptional item relates to the capital receipt of £1,357,000 and the share of reserves and pension costs of £124,000. In the group accounts the amount of the exceptional item relates to the Council's share of loss on disposal of £4.45m. The loss on disposal is based on a valuation by commercial property valuers, Drivers Jonas, in 2004. The valuation was based on individual value of assets rather than the airport's worth as a single entity. This valuation methodology is in accordance with CIPFA Code of Practice requirements.

Income and Expenditure Account

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

Notes	2006/07 Gross Expenditure £'000	2006/07 Income £'000	2006/07 Net Expenditure £'000	2005/06 Net Expenditure £'000
Central Services to the Public	7,835	6,347	1,488	949
Cultural, Environmental and Planning Services	23,592	12,793	10,799	10,186
Highways, Roads & Transport Services	1,446	1,248	198	(178)
Housing Services	24,979	23,730	1,249	1,792
Social Services	23	1	22	19
Corporate and Democratic Core	2,402	16	2,386	2,149
Non-Distributed Costs	266	19	247	462
Net Cost of Services	60,543	44,154	16,389	15,379
(Profit)/loss on disposal of asset			-	(72)
Exceptional Items – Shoreham Airport			(1,233)	-
(Surplus)/Deficit on Holding Accounts			(164)	(56)
Surplus on trading activities			(239)	(172)
Interest & Investment Income			(1,104)	(1,041)
Interest payable			-	-
Pensions interest costs net of expected returns			760	1,187
Net Operating Expenditure			14,409	15,225
General government grants			(1,224)	(3,849)
Non-domestic rates redistribution			(6,315)	(2,827)
Transfer from/to Collection Fund			(7,058)	(6,702)
Transfers (from)/to the Collection Fund – surpluses/deficits			(38)	72
(Surplus)/deficit for the year			(226)	1,919
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE				
(Surplus)/Deficit for year on Income and Expenditure			(226)	1,919
Net additional amount required by statute and non-statute to be debited and credited to the General Fund			226	(1,919)
Increase in General Fund for the year			-	-
General Fund Brought Forward			(1,140)	(1,140)
General Fund Carried Forward			(1,140)	(1,140)

Income and Expenditure Account

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

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

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

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

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

2005/06 £'000	Deficit for the year on the Income and Expenditure Account	2006/07 £'000
1,919	(Surplus)/deficit for year on Income and Expenditure	(226)
(1,919)	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balance for the year.	226
-	Increase in the General Fund Balance for the year	-
(1,140)	General Fund Balance Brought Forward	(1,140)
(1,140)	GENERAL FUND BALANCE CARRIED FORWARD	(1,140)

Income and Expenditure Account

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

Note of Reconciling Items

2005/06 £'000			2006/07 £'000	
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the general Fund Balance for the year		
(1,924)		Depreciation and impairment of fixed assets	(1,975)	
212		Government grant deferred amortisation	200	
72		Net (loss)/profit on sale of fixed asset	-	
(980)		Write down of deferred charges to be financed from capital resources	(805)	
(3,036)		Net charge made for retirement benefits in accordance with FRS17	(3,000)	
	(5,656)			(5,580)
		Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement in the General Fund for the year		
6		Capital expenditure in year charged to the General Fund Balance	46	
2,880		Employees contribution payable to the West Sussex County Council Pension Fund and retirement benefits payable direct to pensioners	3,140	
	2,886			3,186
		Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
439		Capital Receipts	1,993	
412		Net transfer to and from earmarked reserves	627	
	851			2,620
	(1,919)	Net additional amount required by statute and non-statute to be debited and credited to the General Fund		226

Income and Expenditure Account

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

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

2005/06 £'000		2006/07 £'000
1,919	Surplus for the year on the Income and Expenditure Account	(226)
(646)	(Surplus)/Deficit for the year on the Collection Fund	127
13	(Surplus)/Deficit arising from the revaluation of fixed assets	(32,590)
-	Impairment of fixed assets due to price decreases	673
1,369	Actuarial (gains)/losses on pension fund assets and liabilities	(5,681)
(4)	Other	(6)
2,651	TOTAL RECOGNISED (GAIN)/LOSS FOR THE YEAR	(37,703)

Balance Sheet as at 31st March, 2007

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

	See Note No.	As at 31.03.2007		As at 31.03.2006	
		£'000	£'000	£'000	£'000
<u>Intangible Assets</u>	18		92		57
<u>Tangible Fixed Assets</u>	19				
Operational:					
Land and Buildings		80,956		51,800	
Community		4,946		4,946	
Infrastructure		184		217	
Vehicles, Plant, Furniture & Equipment		1,567		1,449	
		87,653		58,412	
Non-Operational:					
Investment property		7,760		6,259	
Assets under construction		1,627		1,031	
Surplus assets for disposal		6,545		5,951	
<u>Total Tangible Fixed Assets</u>		15,932	103,585	13,241	71,653
<u>Long Term Investments</u>	21		50		7,050
<u>Long Term Debtors</u>					
Housing Advances		48		53	
Council House Sales		56		90	
Other Advances		12	116	113	256
<u>Total Net Long Term Assets</u>			103,843		79,016
<u>Current Assets</u>					
Stocks & Work in Progress		150		114	
Debtors & Prepayments	22	7,221		7,763	
Investments		16,580		9,700	
Cash and Bank		36	23,987	46	17,623
<u>Less: Current Liabilities</u>					
Creditors and Receipts in Advance		(5,497)		(6,993)	
Government Grants – deferred	28	(1,216)		(1,180)	
Government Grants Unapplied	31	(826)		(503)	
Provision for VAT Liability		(205)		-	
Temporary Borrowing	23	(28)		(28)	
Bank Overdraft		(333)	(8,105)	(91)	(8,795)
<u>Total Assets Less Current Liabilities</u>			119,725		87,844
<u>Long Term Liabilities</u>					
Liability related to Pension Scheme	24		(33,230)		(39,051)
Commuted Sums	25		(182)		(183)
<u>Total Assets Less Liabilities</u>			86,313		48,610
Financed by:					
Fixed Asset Restatement Account	26		77,323		45,406
Capital Financing Account	27		21,448		21,439
Deferred Credits	29		56		173
Usable Capital Receipts Reserve	30		15,887		16,224
Pensions Reserve	24		(33,230)		(39,051)
Earmarked Reserves	32		3,512		2,975
Revenue Fund Balances	33		1,317		1,444
			86,313		48,610

Cash Flow Statement

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

	Note	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		16,864		16,328	
Other operating cash payments		13,646		12,214	
Housing Benefit paid out		22,093		20,566	
National non-domestic rate payments					
To national pool		24,438		26,347	
Precepts paid		42,324	119,365	40,158	115,613
Cash Inflows:					
Rents (after Rebates)		(1,977)		(1,883)	
Council Tax receipts		(43,450)		(41,856)	
National non-domestic rate					
Receipts from national pool		(6,315)		(2,827)	
Non-domestic rate receipts		(24,486)		(25,429)	
Revenue Support Grant		(1,224)		(3,849)	
DWP grants for benefits		(29,091)		(25,900)	
Other government grants	39	(891)		(999)	
Cash received for goods and services	35	(11,434)	(118,868)	(11,077)	(113,820)
			497		1,793
Returns on Investments and Servicing of Finance					
Cash outflows:					
Interest paid			2	-	
Interest element of finance lease		-		-	
Rental payments					
Cash inflows:					
Interest received			(811)		(1,131)
Capital Activities					
Cash outflows:					
Purchase of fixed assets		2,296		2,392	
Long Term Investment		-		4,000	
Other capital cash payments		1,206	3,502	1,268	7,660
Cash inflows:					
Sale of fixed assets		(1,890)		(2,470)	
Capital grants received	39	(524)		(580)	
Other capital cash receipts		(403)		(789)	
Sale of long-term investments		(7,000)	(9,817)	-	(3,839)
Net cash (inflow)/outflow before financing	36		(6,627)		4,483
Management of Liquid Resources					
Net increase/(decrease) in s/term deposits	37		6,880		(4,025)
Financing					
Cash outflows:					
Repayment of amounts borrowed			-		-
Cash inflows:					
New Short-term loans			-		-
(Increase)/Decrease in cash	36		253		458

Notes to Core Financial Statements

1. **Explanation of Prior Period Adjustments**

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Adjustment for Changes to Capital Charges £'000	Change in Accounts Treatment for Trading Accounts £'000	Recognition of Gains and Losses on Disposal of Fixed Assets £'000	2005/06 Comparatives in Income and Expenditure Account £'000
Central Services to the Public	1,007	(58)	-	-	949
Cultural, Environmental and Planning Services	12,038	(1,892)	40	-	10,186
Highways, Roads and Transport Services	84	(262)	-	-	(178)
Housing Services	2,289	(58)	-	(439)	1,792
Social Services	19	-	-	-	19
Corporate and Democratic Core	2,206	(57)	-	-	2,149
Non-distributed Costs	462	-	-	-	462
Impact on Net Cost of Services	18,105	(2,327)	40	(439)	15,379
(Profit)/Loss on the Disposal of Fixed Assets	-	-	-	(72)	(72)
(Surplus)/Deficit on Trading Undertakings	40	-	(40)	-	-
(Surplus)/Deficit on Departmental Holding Accounts	(55)	(1)	-	-	(56)
Asset Management Revenue Account	(2,365)	2,365	-	-	-
Interest and Investment Income	(1,176)	(37)	-	-	(1,213)
Pension Interest Costs net of expected pension assets	1,187	-	-	-	1,187
Impact on Net Operating Expenditure	15,736	-	-	(511)	15,225

Notes to Core Financial Statements

2. Pensions Costs

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

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

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

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

	2006/07 £'000	2005/06 £'000
Net Cost of Services:		
- current service cost	(2,240)	(1,800)
- past service costs	-	-
- curtailments and settlements	-	(49)
Net Operating Expenditure:		
- Interest cost	(4,780)	(4,550)
- Expected return on assets in the scheme	4,020	3,363
NET CHARGE TO THE INCOME AND EXPENDITURE	(3,000)	(3,036)

	2006/07 £'000	2005/06 £'000
Statement of Movement in the General Fund Balance		
- Reversal of net charges made for retirement benefits in accordance with FRS17	3,000	3,036
Actual amount charged against the General Fund Balance for pensions in the year		
- employers' contributions payable to scheme	(2,850)	(2,592)
- contributions in respect of unfunded benefits	(290)	(288)
NET MOVEMENT	(140)	156

Notes to Core Financial Statements

3. Affordable Housing and House Renovation Grants

Gross expenditure includes £773,297 (£692,808 in 2005/06) relating to the write-off of deferred charges, being amounts paid to third parties for private house renovation, and £341,120 (£590,323 in 2005/06) relating to Affordable Housing Grants. This is funded by a contribution from the Capital Financing account (see Note 7) and from Government Grants deferred.

4. Non-Distributed Costs

This expenditure is excluded from the recharge to particular services by the Best Value Accounting Code of Practice. Net expenditure of £247,041 relates principally to costs in relation to pensions added years £290,017 (£291,685), provision for VAT payment £120,000 and depreciation and impairment on non-approved assets £129,470. These costs are offset by the receipt of a defective dwelling grant of £19,240 (£54,241 in 2005/06) curtailments and settlements £273,205 (£224,000 in 2005/06).

5. Trading Activities

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

	2006/07 Income £'000	2006/07 Expenditure £'000	2006/07 Deficit/(Surplus) £'000	2005/06 Deficit/(Surplus) £'000
Vehicle Maintenance	488	495	7	23

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

6. Exceptional and Extraordinary Items

Exceptional Items

Cessation of a Trading Entity following the sale of Shoreham Airport to Erinaceous Plc on 30th June, 2006, the amount included in the Single Entity Income and Expenditure Account of £1.233m relates to Worthing Borough Council's 1/3 share of capital receipt, reserve and pension costs.

The amount included in the Group Accounts of £4.45m relates to Worthing Borough Council's 1/3 share of the loss on disposal and the cost of disposal.

Extraordinary Items

There are no Extraordinary Items to disclose.

Notes to Core Financial Statements

7. Contribution from Capital Financing Account

The sum of £804,846 has been transferred from the Capital Financing Account to offset the impact of the cost of Affordable Housing Grants (£341,120), Renovation Grants (£407,238) and other capital grants (£56,488) written off to service expenditure. This transfer is required by the Accounting Code of Practice to ensure that the write-off of this expenditure has no effect upon the amount of money to be raised via local taxation.

8. Leasing

Various vehicles, plant and office equipment are held on operating leases. Rentals paid in 2006/07 were £407,150.

The Council was committed at 31st March, 2007 to making payments of £606,882 under operating leases for vehicles, plant and equipment in 2007/08 comprising the following:

	Committed at 31st March, 2007 £
Leases expiring in 2007/08	133,177
Leases expiring between 2008/09 and 2011/12	473,705
Leases expiring after 2011/12	0

9. Expenditure on Publicity

Under Section 5 of the Local Government Act 1986 local authorities are required to disclose how much expenditure is incurred on publicity. In 2006/07 expenditure totalled £344,406 (£357,974 in 2005/06). The main areas of expenditure were in publicising Worthing as a resort £59,286 (£56,855), advertising entertainments £175,352 (£138,317), and recruitment advertising £74,989 (£117,230).

10. Officers' Emoluments

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

Remuneration Band	2006/07 No. of Employees	2005/06 No. of Employees
£50,000 - £59,999	6	8
£60,000 - £69,999	4	2
£70,000 - £79,999	-	1
£80,000 - £89,999	2	1
↓ £170,000 - £179,999	-	1
	12	13

Notes to Core Financial Statements

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

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

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

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides electricity and maintains grounds for the Worthing Law Courts, which in total amounted to £16,257 (£11,711 in 2005/06). These costs are recovered in full and are not included in the Income and Expenditure Account.

12. **Disclosure of Audit Costs**

In 2006/07 Worthing Borough Council incurred the following Audit Commission fees relating to external audit and inspection:

	2006/07 £'000	2005/06 £'000
Audit – Code of Practice work e.g. accounts, performance review and financial controls	107	102
Inspection – e.g. CPA or scoring of particular services	5	5
Grant Claim Certification	20	13
TOTAL	132	120

13. **S137 Local Government Act 1972**

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

	2006/07 £'000	2005/06 £'000
Grants to Voluntary Organisations	150	139

Notes to Core Financial Statements

14. **Related Party Transactions**

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

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 39.

Members of the Council have direct control over the Council's financial and operating policies. No members, or officers, declared any related party transactions in 2006/07.

Joint Committees - the Council has a one-third interest in Shoreham Airport and relevant transactions are disclosed in the notes to the Group Accounts about such interests.

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

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

Building Regulations Charging Account 2006/07

	2006/07 Chargeable £'000	2006/07 Non- Chargeable £'000	2006/07 Total Building Control £'000	2005/06 Total Building Control £'000
<u>EXPENDITURE</u>				
Employees	205	133	338	327
Transport	6	4	10	10
Supplies and Services	7	10	17	15
Central and Support Service charges	55	51	106	100
TOTAL EXPENDITURE	273	198	471	452
<u>INCOME</u>				
Building regulations charges	(264)	-	(264)	(269)
NET OUTTURN FOR YEAR	9	198	207	183

Notes to Core Financial Statements

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

Building Regulations Charging Account 2006/07

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

	(Surplus)/Deficit £
2004/05	(16,668)
2005/06	(4,666)
2006/07	9,425
Cumulative Surplus	(11,909)

16. **Members' Allowances**

The total amount of allowances paid to Council Members during 2006/07 was £186,021 (£173,948 in 2005/06).

17. **Worthing Crime and Disorder Reduction Partnership (CDRP)**

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

MEMORANDUM ACCOUNTS 2006/07	£000s	£000s
<u>INCOME</u>		
Adur, Arun and Worthing PCT	(40)	
Adur CDRP	(20)	
Adur District Council	(15)	
Government Grants	(10)	
Sussex Police	(38)	
Worthing Borough Council	(13)	
West Sussex County Council	(221)	
Registered Social Landlords	(11)	
Total Income		(368)

Notes to Core Financial Statements

17. **Worthing Crime and Disorder Reduction Partnership (CDRP)** (continued)

MEMORANDUM ACCOUNTS 2006/07	£000s	£000s
<u>INCOME</u>		(368)
<u>EXPENDITURE</u>		
Revenue	295	
Capital	35	
Total Expenditure		330
Excess Income Over Expenditure		(38)
<u>Balances Brought Forward 1st April, 2006:</u>		(162)
BALANCES CARRIED FORWARD 31ST MARCH, 2007		(200)

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

The balances carried forward at 31st March, 2007 will be used to fund a range of agreed specific projects aimed at:

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

18. **Intangible Assets**

Movements during the year:

	Purchased Software Licences £'000
Original Cost 1 st April, 2006	72
Amortisations to 1 st April 2006	(15)
Balance at 1st April, 2006	57
Expenditure in year	52
Written off to Revenue in year	(17)
BALANCE AT 31ST MARCH, 2007	92

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

Notes to Core Financial Statements

19. **Tangible Fixed Assets**

(a) **Operational Assets**

Movements during the year:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra- structure £'000	Community Assets £'000	TOTAL £'000
Certified Valuation at 31.03.06	55,118	-	-	-	-
Accumulated Depreciation and Impairment	(3,318)	-	-	-	-
Net Book Value on Assets at 31.03.06	51,800	1,449	217	4,946	58,412
Movements in 2006/07					
Additions	436	255	-	148	839
Disposals	-	-	-	-	-
Impairments	(343)	(3)	-	(241)	(587)
Reclassifications	(686)	196	-	103	(387)
Revaluations *	31,142	37	-	-	31,179
Depreciation	(1,393)	(367)	(33)	(10)	(1,803)
Net Book Value of Assets at 31.03.07	80,956	1,567	184	4,946	87,653
* The Council's major assets were revalued during 2006/07					

(b) **Non-Operational Assets**

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	TOTAL £'000
Certified Valuation at 31.03.06	7,569	-	6,108	-
Accumulated Depreciation and Impairment	(1,310)	-	(157)	-
Net Book Value of Assets at 31.03.2006	6,259	1,031	5,951	13,241
Movements in 2006/2007				
Additions	80	1,054	-	1,134
Disposals	-	-	-	-
Impairments	(202)	-	(31)	(233)
Reclassifications	714	(458)	132	388
Revaluations	909	-	502	1,411
Depreciation	-	-	(9)	(9)
Net Book Value of Assets at 31.03.2007	7,760	1,627	6,545	15,932

Notes to Core Financial Statements

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

(c) **Land and Buildings**

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

(d) **Community Assets**

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

(e) **Non-operational Assets**

This category includes properties and sites owned by the Authority, which are not directly occupied, used or consumed in the delivery of services, or for the strategic objectives of the Authority. The components at 31st March, 2007 were:

	£'000
Investment Properties:	
Car Parks	86
Industrial Sites	2,310
Pavilions & Other Recreational Premises	2,382
Properties and Developments	2,982
	7,760
Assets under Construction:	1,627
Surplus Assets held for disposal:	6,545
	15,932

Further asset revaluations are anticipated in 2007/08 to reflect a rolling programme of revaluation in accordance with CIPFA guidelines.

(f) **Capital Expenditure & Financing**

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

	2006/07 £'000	2005/06 £'000
Opening Requirement as at 1st April 2006	3,738	3,738
Capital Investment		
Operational Assets	890	1,051
Non-Operational Assets	1,134	1,032
Deferred Charges/Long Term Debtors	1,205	1,296
	3,229	3,379
Sources of Finance		
Capital Receipts	(2,453)	(2,533)
Government Grants and Other Contributions	(636)	(830)
Revenue Provision (direct and from reserves)	(140)	(16)
	(3,229)	(3,379)
Closing Requirement as at 31st March, 2007	3,738	3,738

Notes to Core Financial Statements

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

(g) **Commitments Under Capital Contracts**

Contracts for current and future capital expenditure, which were entered into by 30th June, 2007, include the following significant commitments:

	£'000
Affordable Housing:	
Angola Road	126
3TO/Norfolk Hotel	418
Victoria Road	643
Crematorium Improvement Scheme	763
Disability Discrimination Act Improvements	
Provision of minor alterations and improvements to Council Buildings	67
Public Conveniences	
Selected Location Refurbishment	50
Refuse Collection	
Replacement of 2 Vehicles	240
Seafront Enhancements 2006/07	82
Street Cleansing	
Replacement of 3 Vehicles	69

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

In addition, the Council has firm plans for the following significant capital schemes, which are expected to be entered into by 31st March, 2008:

	£'000
Greening the Borough	50
Information Technology	325
Museum and Art Gallery	
Provision of Air Conditioning	66
Revised Refuse/Recycling Service	
Provision of Refuse and Recycling Vehicles and Wheeled Bins	2,032
Seafront Enhancements 2007/08	80
Street Cleansing	
Replacement of 5 Vehicles	137
Town Centre Master Plan	
Implementation	189

Notes to Core Financial Statements

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

(h) Fixed assets held by the Council at 31st March, 2007 include:

TYPE OF ASSET	NUMBER
OPERATIONAL:	
Land and Buildings	
Bus Shelters	58
Car Parks	47
Community Centres	15
Crematorium and Cemeteries	3
Entertainment Venues	32
Historic Buildings	1
Parks, Open Spaces, Recreation Grounds	22
Properties and Developments	11
Public Conveniences	34
Shelters	20
Swimming Pool	1
Other	120
	364
Community Assets	
Civic Regalia	6
Parks and Open Spaces	80
	86
Vehicles, Plant, Furniture and Equipment	
Equipment	76
Furniture	3
Vehicles	19
	98
NON-OPERATIONAL:	
Bus Shelters/Sites	444
Car Parks	5
Industrial Sites	42
Pavilions and Other Recreational Premises	32
Properties and Developments	61
	584

Notes to Core Financial Statements

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

(i) **Valuations of fixed assets carried at current value**

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

	Land & Buildings £'000	Vehicles, Plant, etc. £'000	TOTAL £'000
Valued at historical cost	6,367	390	6,757
Valued at net book value		1,567	
Valued in:			
Current year	68,744	-	70,311
Previous year 31.03.06	1,623	-	1,623
Two years ago 31.03.05	14,588	-	14,588
Three years ago 31.03.04	8,200	-	8,200
Four years ago 31.03.03	2,106	-	2,106
TOTAL	101,628	1,957	103,585

(j) **Impairment Review**

As required under capital accounting regulations, the Council completed an Impairment Review of all its assets at 31st March, 2007 to ensure that fixed assets held are recorded at no more than their recoverable amount. The Council incurred impairment of £673,532 due to price decreases and impairment of £146,549 resulting from: demolition of the public convenience at Rotary Recreation Ground (£22,639) and the property at No. 1 Eirene Road (£31,600); a change of lease terms for the pavilion at Marine Gardens (£88,950); and a deterioration of the seating at the Ritz Theatre (£3,360).

(k) **Contingent Assets**

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

Notes to Core Financial Statements

20. **Deferred Charges**

Movements during the year were:

	Balance at 31.03.06 £'000	Expenditure £'000	Written off £'000	Balance at 31.03.07 £'000
Affordable Housing	-	341	(341)	-
House Renovation Grants	-	773	(773)	-
Other	-	91	(91)	-
	-	1,205	(1,205)	-

21. **Long Term Investments**

- (a) In 1989 the Council invested £50,000 in a 22 year debenture with the Association of District Councils, to assist that body in acquiring new office accommodation. In 1996/97 a repayment plan was agreed with The Association to secure repayment by the year 2011. Under the terms of this plan the Council agreed to pay an annual subscription supplement to fund the redemption.
- (b) At 31st March, 2007, the Council has no long-term market investments as all investments held at that date will mature within twelve months.

22. **Debtors**

Amounts falling due within one year:

	31.03.07 £000s	31.03.06 £000s
NNDR Payers and Council Taxpayers	1,715	1,233
Government Departments	1,265	2,673
Sundry Debtors	4,044	3,535
Prepayments	197	322
	7,221	7,763

Debtors are shown net of the following allowances for doubtful debts

	31.03.07 £000s	31.03.06 £000s
NNDR Payers and Council Taxpayers	1,600	1,197
Housing Benefit Overpayments	636	618
Sundry Debtors	65	49
	2,301	1,864

Notes to Core Financial Statements

23. **Borrowing**

	At 31.03.06 £'000	New/ Addition £'000	Repaid £'000	At 31.03.07 £'000
Temporary Borrowing: (term 3-12 months)	28	-	-	28
	28	-	-	28

This item relates to an amount of £27,700 held by the Council in its capacity as trustee for the Highdown Towers Gardens Charity – note 34 refers.

24. **Disclosure of Net Pensions Liability**

Note 2 to the Core Financial Statement contains details of the Council's participation in the Local Government Pensions Scheme.

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

	31.03.2007 £000s	31.03.2006 £000s
Estimated Employer Assets	61,800	58,759
Present value of scheme liabilities	(91,140)	(93,733)
Present value of unfunded liabilities	(3,890)	(4,077)
Net Pension Liabilities	(33,230)	(39,051)

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

	Year to 31.03.07 £000s	Year to 31.03.06 £000s
Net Liability at beginning of the year	(39,051)	(37,526)
Current Service Costs	(2,240)	(1,800)
Employer Contributions	2,850	2,592
Contributions in respect of Unfunded Benefits	290	288
Impact of settlements and curtailments	-	(49)
Expected return on Assets	4,020	3,363
Interest on Pension Scheme Liabilities	(4,780)	(4,550)
Actuarial gains/(losses)	5,681	(1,369)
Net Liability at end of the year	(33,230)	(39,051)

Notes to Core Financial Statements

24. **Disclosure of Net Pensions Liability** (continued)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The Estimates for the fund being based on the latest full valuation of the scheme as at 31st March, 2007. The main assumptions used in their calculations are:

	31.03.2007 % per annum	31.03.2006 % per annum
Price increases	3.2%	3.1%
Salary increases	4.7%	4.6%
Pension increases	3.2%	3.1%
Discount rate for scheme liabilities	5.4%	4.9%
Take up option to convert annual pension into retirement grant.	25%	-

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

	Long-term Return % per annum	Assets at 31.03.2007 £000s	Assets at 31.03.2006 £000s
Equities	7.8%	47,530	45,428
Bonds	4.9%	8,260	7,256
Property	5.8%	4,890	3,837
Cash	4.9%	1,120	2,238
TOTAL	7.2%	61,800	58,759

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2007.

Notes to Core Financial Statements

24. *Disclosure of Net Pensions Liability* (continued)

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Difference between the expected and actual return on assets	(1,150)	1.9	8,210	14.0	1,994	4.2	5,783	13.9	(10,800)	32.0
Differences between actuarial assumptions about liabilities and actual experience	6,820	7.2	(9,583)	9.8	(12,206)	14.4	-	-	-	-
Changes in experience gains/ (losses) on Liabilities	11	0.03	4	0.01	(2,121)	-	(87)	-	598	-
	5,681		(1,369)		(12,333)		5,696		(10,202)	

The pension liabilities figures presented in this statement have been prepared only for the purposes of Financial Reporting Standard 17 (FRS17), and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes.

25. *Commuted Sums*

	Balance at 31.03.06 £'000	Increases £'000	Utilised £'000	Balance at 31.03.07 £'000
Open Spaces	183	-	(1)	182
Total Commuted Sums	183	-	(1)	182

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

Notes to Core Financial Statements

26. **Fixed Asset Restatement Account**

	£'000
Opening Balance at 01.04.06	45,406
Revaluations at 31.03.07	32,590
Impairment relative to price decreases	(673)
Closing Balance at 31.03.07	77,323

Capital accounting regulations require the establishment of this account to represent changes arising on the revaluation of assets at periodic intervals. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations and impairment relative to prices.

27. **Capital Financing Account**

The Capital Financing Account is an account required under capital accounting regulations and contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	£'000	£'000
Balance brought forward 01.04.2006		21,439
Less: Depreciation and impairment losses		(1,775)
		19,664
Plus: 2006/07 expenditure financed from capital receipts	2,453	
2006/07 expenditure financed from revenue account	140	
Grants: West Sussex County Council	82	
Contributions	-	2,675
Less: Write down of deferred charges		(805)
Write down of long-term debtors		(86)
Balance carried forward at 31.03.2007		21,448

Notes to Core Financial Statements

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

Movements during the year were:

	Balance at 31.03.06 £'000	Increases £'000	Written off £'000	Balance at 31.03.07 £'000
Coast Protection (DEFRA)	32	32	(44)	20
I.T.(DCLG/DCA)	621	13	(162)	472
House Renovation Grants (DCLG)	-	360	(360)	-
Other	56	19	(2)	73
Government Grants	709	424	(568)	565
Coast Protection	6	2	(8)	-
Other Environmental Improvements	465	210	(24)	651
Capital Contributions	471	212	(32)	651
Total Government Grants Deferred	1,180	636	(600)	1,216

The table above includes £400,000 deferred charges written off.

29. **Deferred Credits**

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

30. **Usable Capital Receipts Reserve**

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

Movements in the year were as follows:

	£'000	£'000
Balance at 01.04.2006		16,224
Add: New receipts in year:		
Gross LSVT receipts	636	
Shoreham Airport Receipt	1,357	
Other Fixed asset sales	-	
Repayments of advances	122	
Repayments of grants	1	2,116
Amount utilised to finance capital expenditure		(2,453)
Balance at 31.03.2007		15,887
To be utilised as follows:		
General Capital Financing		8,019
Ring fenced for future "Leisure Provision"		3,064
Ring fenced for Affordable Housing (RTB Clawback Receipts)		4,803
Ring fenced for Housing Renewal Grants		1
		15,887

Notes to Core Financial Statements

31. **Government Grants Unapplied**

Movements during the year were:

	Balance at 31.03.06 £'000	Received in Year £'000	Transferred to Government Grants Deferred £'000	Transferred to Capital Receipts/ Revenue £'000	Balance at 31.03.07 £'000
Government Grants	100	130	(19)	(9)	202
Other Contributions (Section 106)	403	266	(41)	(4)	624
	503	396	(60)	(13)	826

32. **Reserves**

Movements during the year were as follows:

	Closing Balance at 31.03.06 £'000	Increase £'000	Decrease £'000	Closing Balance at 31.03.07 £'000
EARMARKED RESERVES				
Capacity Issues	233	484	(49)	668
Community Initiatives	10	-	-	10
Conservation Grants	19	-	(18)	1
Cremator Abatement	23	71	-	94
Crematorium Improvement	14	50	(64)	-
Economic Development Initiatives	190	-	(27)	163
Insurance	245	58	(35)	268
Joint Health Promotion	107	-	(27)	80
Leisure Lottery & Other Partnerships	133	-	-	133
Leisure Options	9	92	-	101
Museum Reserve	130	-	-	130
Oncost & Working Accounts	23	-	-	23
Pay and Grading Review	52	-	(20)	32
Pension Contributions	1,000	-	(150)	850
Pier Repair and Renewals	20	-	(15)	5
Planned Maintenance	37	-	(8)	29
Planning Delivery Grant	-	280	-	280
Special & Other Emergency Expenditure	400	-	(75)	325
Tree Planting Project	5	-	(5)	-
VAT Partial Exemption	247	-	-	247
	2,897	1,035	(493)	3,439

Notes to Core Financial Statements

32. **Reserves** (continued)

	Closing Balance at 31.03.06 £'000	Increase £'000	Decrease £'000	Closing Balance at 31.03.07 £'000
CAPITAL EXPENDITURE RESERVE				
Transfers from General Fund	78	-	(5)	73
	78	-	(5)	73
SUMMARY				
Earmarked Reserves	2,897	1,035	(493)	3,439
Capital Expenditure Reserve	78	-	(5)	73
	2,975	1,035	(498)	3,512

- (i) The capacity issues reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise from 2006/07 onwards.
- (ii) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.
- (iii) The Conservation Grants Reserve provides grants towards conservation of buildings, where the time between approval and payment of the grant frequently spans two financial years. This grant has been identified as a low priority saving for 2008/09 and the reserve will be wound-up.
- (iv) The Cremator Abatement Reserve and Crematorium Improvement Reserve were established in November 2005 and consist of funds set aside from increases in fees and charges. They are designed to provide funds towards the cost of mercury emission abatement measures and crematorium infrastructure improvements respectively.
- (v) The Economic Development Initiatives Reserve was established by the Economic Development and Marketing Committee in 2000 to meet the costs of future economic development initiatives.
- (vi) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (vii) The Joint Health Promotion reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (viii) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.

Notes to Core Financial Statements

32. **Reserves** (continued)

- (ix) The Leisure Options Reserve has been established using the interest earned from the proceeds of the disposal of certain assets being sold to generate funds to re-provide swimming facilities and refurbishing the Leisure Centre. The reserve will be used for one-off initiatives or pump-priming projects in line with the Council's Corporate Plan priorities.
- (x) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (xi) On-cost and Working Accounts relate to surpluses arising from trading activities in respect of the Director of Services Revenues and Benefits Division. The balances are carried forward to finance equipment replacement.
- (xii) The Pay and Grading Review Reserve has been set up to carry forward unspent monies set aside to fund the Pay and Grading Review being undertaken in 2006/07.
- (xiii) The Pension Contributions Reserve was established in 1997/98 to provide funding for the inevitable increases in the Council's contributions to the West Sussex Pensions Fund beginning in 1999/2000 following the Government's withdrawal of Advance Tax Credits.
- (xiv) The Pier Repairs and Renewals Reserve relates to the Pier Undertaking.
- (xv) The Planned Maintenance Reserve represents the carry forward of planned maintenance work on buildings not completed by the year end.
- (xvi) The Planning Delivery Grant Reserve was set up in 2006/07 to carry forward grant received in previous years, which has been approved by Cabinet to be spent on specific planning initiatives
- (xvii) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.
- (xviii) VAT Partial Exemption Reserve was originally set up in 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in 2002 and surplus funds redistributed to other reserves leaving a balance of £247,000 to meet potential VAT liabilities. The reserve has now been re-named VAT Partial Exemption Reserve.
- (xix) The Tree Planting Project Reserve was established to fund "Greening the Borough" initiatives.
- (xx) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

Notes to Core Financial Statements

33. **Revenue Fund Balances**

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

	Balance at 31.03.06 £'000	Increase £'000	Decrease £'000	Balance at 31.03.07 £'000
General Fund	1,140	-	-	1,140
Collection Fund	304	-	(127)	177
	1,444	-	(127)	1,317

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

34. **Trust Funds**

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

35. **Reconciliation of net surplus on the income and expenditure account to the revenue activities net cash flow.**

	2006/07 £'000	2005/06 £'000
Revenue deficit/(surplus)		
Net (Surplus)/Deficit on Income and Expenditure Account	(226)	1,919
Adjust to Statement of Movem't on General Fund Balance items	226	(1,919)
General Fund Increase/(reduction)	-	-
Collection Fund Increase/(reduction)	127	(645)
Capital financed from reserves	-	-
Capital cash transferred to reserves	-	-
Capital financed from other revenue sources	-	-
Cash transferred from Earmarked Reserves to Capital Sources	(136)	(116)
Capital financing adjustments	(216)	-
(Increase)/Reduction in Earmarked Reserves	(542)	(425)
Capital charged to revenue	(126)	(6)
Net receipts on servicing of finance items	811	1,132
Adjust for:		
(Increase)/Reduction in General Revenue Provisions	(120)	-
(Increase)/Reduction in Revenue Creditors	1,318	(1,553)
Increase/(Reduction) in Revenue Debtors	(655)	3,422
Increase/(Reduction) in Stocks and Work in Progress	36	(16)
Revenue activities net cash (inflow)/outflow	497	1,793

Notes to Core Financial Statements

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

	2006/07 £000	2005/06 £000
Balances at beginning of year:		
Cash in hand/(overdrawn)	(45)	413
Balances at end of the year:		
Cash in hand (overdrawn)	(298)	(45)
Movement in Cash	(253)	(458)
(Decrease)/Increase in short-term investment	6,880	(4,025)
Movement in Net Funds	6,627	(4,483)

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

	2006/07 £'000	2005/06 £'000
Balances at beginning of year:		
Short-term investments	9,700	13,725
Investments made	145,720	129,700
Investments realised	(138,840)	(133,725)
Balances at end of the year:		
Short-term investments	16,580	9,700

38. **Liquid Resources**

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

39. **Analysis of Government Grants**

	2006/07 £'000	2005/06 £'000
Revenue Grants:		
DEFRA Waste Performance and Efficiency	40	16
DCLG Homeless Initiative	60	57
DCLG Defective Dwellings	54	54
DCLG Planning Delivery	271	325
Home Office Grants for Community Safety	-	154
DCLG Local Authority Business Grant Initiative	326	259
DCLG NNDR Administration Grant	131	134
Dept. of health Non-Smoking Grant	9	-
	891	999

Notes to Core Financial Statements

39. **Analysis of Government Grants** (continued)

	2006/07 £'000	2005/06 £'000
Capital Grants:		
DCA Election Grant	2	-
DCLG Planning Delivery Grant	90	110
ODPM Specified Grants for Housing Renovation	360	284
DCLG Investment in e-Government	-	150
DEFRA Coast Protection	32	20
DEFRA Waste Performance and Efficiency	40	16
	524	580

Collection Fund

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

Income and Expenditure Account			
	See Note No.	2006/07	2005/06
Income:		£'000	£'000
Council Tax receivable (net of benefits)	1	44,256	42,105
Transfer from General Fund re benefits	1	5,466	5,055
Contribution from precepting authorities re previous year's deficit		-	500
Income collectable from business ratepayers	2	25,970	23,685
		75,692	71,345
Expenditure:			
Precepts and demands	3	49,382	46,860
Business Rate:			
Payment to National Pool	2	25,811	23,380
Costs of Collection Allowance		131	134
Interest on Refunds		28	171
Council Tax - write-offs and bad debt provision		209	154
Contribution to precepting authorities from previous year's surplus	1	258	-
		75,819	70,699
Surplus/(Deficit) for year		(127)	646
Surplus/(Deficit) at 1st April Brought Forward		304	(342)
Surplus/(Deficit) at 31st March Carried Forward	4	177	304

Notes to Collection Fund

1. **Council Tax**

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings. For 2006/07, the Council Tax Base was estimated in September 2005 to be 37,888 calculated as follows:

Band	Estimated_No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	5,023	6/9	3,347
B	8,471	7/9	6,588
C	11,173	8/9	9,932
D	7,999	9/9	7,999
E	4,847	11/9	5,924
F	2,097	13/9	3,029
G	803	15/9	1,338
H	9	18/9	17
	40,422		38,174
Less: adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief and exempt properties.			(286)
COUNCIL TAX BASE			37,888

The Council Tax at Band D was set at £1,303.38 (Borough Council's element £186.30) in order to raise estimated income of £49,382,000. The actual income was £131,000 higher at £49,513,000 made up as follows:

	£'000
Council Tax receivable	44,256
Council Tax Benefit from General Fund	5,466
Write-offs and bad debt provision	(209)
	49,513

2. **Income from Business Ratepayers**

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

The total non-domestic rateable value at the 31st March, 2007 was £68,736,613. The national non-domestic multiplier for the year was 43.3p (42.6p small business relief).

Notes to Collection Fund

3. ***Precepts and Demands***

	£'000
West Sussex County Council	37,938
Sussex Police Authority	4,385
Worthing Borough Council	7,059
	49,382

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

Council Tax - the surplus in the Collection Fund representing Council Tax is £177,127. A distribution of £183,076, £21,161 and £34,061 has been made in 2007/08 to West Sussex County Council, Sussex Police Authority and Worthing Borough Council respectively. Any remaining deficit at the end of 2007/08 will be recovered in subsequent financial years from these bodies in proportion to the value of their respective precepts and demands made on the Collection Fund.

Council Tax arrears at 31st March, 2007 were £1,544,700, after providing for estimated bad debts of £1,116,900, (2006/07 : £1,025,400 and £871,400 respectively).

Group Accounts

The 2006 SORP requires local authorities to produce a full set of group accounts where appropriate. This is to demonstrate to the user of the accounts the full range of assets for which the council can exercise control. The group consists of Worthing Borough Council and its one third share of Shoreham Airport.

The operation of the airfield at Shoreham, together with associated commercial activities was managed by a joint Committee of Brighton and Hove City Council and Worthing Borough Council. This joint venture was owned two thirds by Brighton and Hove City Council and one-third by Worthing Borough Council. Any significant operational or policy decision in respect of the Airport, including use of reserves, required agreement of both parties. The Airport had net assets of £16,944m at 31st March, 2006. For the three month period to June, 2006, the airport reported a deficit of £13.9 million, largely attributable to the net loss on disposal of the Airport. Worthing Borough Council consolidates one third of the overall accounts within these Group Accounts.

The joint venture has been incorporated into the group accounts using the gross equity method in accordance with FRS9.

The Councils sold Shoreham Airport to Erinaceous Group Plc on 30th June, 2006.

The accounting policies of Shoreham Airport accounts are consistent with the accounting policies of Worthing's single entity accounts and any variations in methodology would not lead to any material differences. 2005/06 comparative figures have been restated to reflect changes in the SORP detailed in the Statement of Accounting Policies section. There are no amounts owing or owed between the Airport and Worthing Borough Council.

There are no notes required in addition those notes required for the Council's core financial statements.

No dividends were received from the Council's share of Shoreham Airport in either 2006/07 or 2005/06. The only cash flow was the £1.3 million receipt for the sale of assets from the joint venture.

A separate Statement of Accounts for Shoreham Airport is available upon request.

Group Income and Expenditure Account

This account reflects the revenue activity of the Council plus its share of the revenue activities of the joint venture.

Notes	2006/07 Gross Expenditure £'000	2006/07 Income £'000	2006/07 Net Expenditure £'000	2005/06 Net Expenditure £'000
Central Services to the Public	7,835	6,347	1,488	949
Cultural, Environmental and Planning Services	23,592	12,793	10,799	10,186
Highways, Roads & Transport Services	1,446	1,248	198	(178)
Housing Services	24,979	23,730	1,249	1,792
Social Services	23	1	22	19
Corporate and Democratic Core	2,402	16	2,386	2,149
Non-Distributed Costs	266	19	247	462
Share of Operating Results of Joint Venture Turnover			(232)	(894)
Other Operating Income & Expenditure			254	1,002
Net Cost of Services	60,543	44,154	16,411	15,487
(Profit)/loss on disposal of asset			-	(72)
Exceptional Items – Shoreham Airport			4,453	-
(Surplus)/Deficit on Holding Accounts			(164)	(56)
Share of Interest payable by Joint Venture			17	63
Surplus on Trading Activities			(239)	(172)
Interest & Investment Income			(1,104)	(1,041)
Interest payable			-	-
Share of Interest Receivable by Joint Venture			(5)	(5)
Pensions interest costs net of expected returns			760	1,187
Share of Pensions costs of Joint venture			-	6
Share of pension income payable to Joint venture for pension deficit			(172)	-
Net Operating Expenditure			19,957	15,397
General government grants			(1,224)	(3,849)
Non-domestic rates redistribution			(6,315)	(2,827)
Transfer from/to Collection Fund			(7,058)	(6,702)
Transfers (from)/to the Collection Fund – surpluses/deficits			(38)	72
(Surplus)/deficit for the year			5,322	2,091
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE				
(Surplus)/Deficit for year on Income and Expenditure			5,322	2,091
Net additional amount required by statute and non-statute to be debited and credited to the General Fund			(5,322)	(2,091)
Increase in General Fund for the year			-	-
General Fund Brought Forward			(1,140)	(1,140)
General Fund Carried Forward			(1,140)	(1,140)

Notes to Group Income and Expenditure Account

1. **Reconciliation of Single Entity Surplus to the Group Deficit for the Year**

2005/06 £'000		2006/07 £'000
1,919	(Surplus)/deficit for the year on the Authority Income and Expenditure Account	(226)
-	Adjustment for transactions with other group entities	-
1,919	(Surplus)/deficit in the Group Income and Expenditure account attributable to the authority	(226)
172	(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra group transactions): Joint ventures	5,548
2,091	Deficit for the year on the Group Income and Expenditure Account	5,322

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

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

2005/06 £'000		2006/07 £'000
2,091	Deficit for the year on the Group Income and Expenditure Account	5,322
(646)	(Surplus)/Deficit for the year on the Collection Fund	127
26	(Surplus)/loss arising from the revaluation of fixed assets	(32,590)
-	Impairment of fixed assets due to price decreases	673
1,370	Actuarial (gains)/losses on pension fund assets and liabilities	(5,729)
(119)	Other	142
2,722	TOTAL RECOGNISED (GAIN) FOR THE YEAR	(32,055)

Group Balance Sheet as at 31st March, 2007

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

	See Note No.	As at 31.03.2007		As at 31.03.2006	
		£'000	£'000	£'000	£'000
<u>Intangible Assets</u>	18		92		57
<u>Tangible Fixed Assets</u>	19				
Operational:					
Land and Buildings		80,956		51,800	
Community		4,946		4,946	
Infrastructure		184		217	
Vehicles, Plant, Furniture & Equipment		1,567		1,449	
		87,653		58,412	
Non-Operational:					
Investment property		7,760		6,259	
Assets under construction		1,627		1,031	
Surplus assets for disposal		6,545		5,951	
<u>Total Tangible Fixed Assets</u>		15,932	103,585	13,241	71,653
<u>Long Term Investments</u>	21		50		7,050
<u>Share in Joint Venture</u>					
Share in Gross Assets			-	7,414	
Less: Share in Gross Liabilities			-	(1,766)	
<u>Total Share in Joint Venture</u>					5,648
<u>Long Term Debtors</u>					
Housing Advances		48		53	
Council House Sales		56		90	
Other Advances		12	116	113	256
<u>Total Net Long Term Assets</u>			103,843		84,664
<u>Current Assets</u>					
Stocks & Work in Progress		150		114	
Debtors & Prepayments	22	7,221		7,763	
Investments		16,580		9,700	
Cash and Bank		36	23,987	46	17,623
<u>Less: Current Liabilities</u>					
Creditors and Receipts in Advance		(5,497)		(6,993)	
Government Grants – deferred	28	(1,216)		(1,180)	
Government Grants Unapplied	31	(826)		(503)	
Provision for VAT Liability		(205)		-	
Temporary Borrowing	23	(28)		(28)	
Bank Overdraft		(333)	(8,105)	(91)	(8,795)
<u>Total Assets Less Current Liabilities</u>			119,725		93,492
<u>Long Term Liabilities</u>					
Liability related to Pension Scheme	24		(33,230)		(39,051)
Commuted Sums	25		(182)		(183)
<u>Total Assets Less Liabilities</u>			86,313		54,258

Group Balance Sheet as at 31st March, 2007

	See Note No.	As at 31.03.2007		As at 31.03.2006	
		£'000	£'000	£'000	£'000
Continued from previous page					
Financed by:					
			-		5,835
			77,323		45,406
			21,448		21,439
			56		173
			15,887		16,224
			-		116
			(33,230)		(39,354)
			3,512		2,975
			1,317		1,444
			86,313		54,258

Group Cash Flow Statement

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

	Note	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		16,864		16,328	
Other operating cash payments		13,646		12,214	
Housing Benefit paid out		22,093		20,566	
National non-domestic rate payments					
To national pool		24,438		26,347	
Precepts paid		42,324	119,365	40,158	115,613
Cash Inflows:					
Rents (after Rebates)		(1,977)		(1,883)	
Council Tax receipts		(43,450)		(41,856)	
National non-domestic rate					
Receipts from national pool		(6,315)		(2,827)	
Non-domestic rate receipts		(24,486)		(25,429)	
Revenue Support Grant		(1,224)		(3,849)	
DWP grants for benefits		(29,091)		(25,900)	
Other government grants	39	(891)		(999)	
Cash received for goods and services		(11,434)	(118,868)	(11,077)	(113,820)
	35		497		1,793
Returns on Investments and Servicing of Finance					
Cash outflows:					
Interest paid		-	2	-	
Interest element of finance lease		-		-	
Rental payments					
Cash inflows:					
Interest received			(811)		(1,131)
Capital Activities					
Cash outflows:					
Purchase of fixed assets		2,296		2,392	
Long Term Investment		-		4,000	
Other capital cash payments		1,206	3,502	1,268	7,660
Cash inflows:					
Sale of investment in joint venture		(1,357)			
Sale of fixed assets		(533)		(2,470)	
Capital grants received	39	(524)		(580)	
Other capital cash receipts		(403)		(789)	
Sale of long-term investments		(7,000)	(9,817)	-	(3,839)
Net cash (inflow)/outflow before financing	36		(6,627)		4,483
Management of Liquid Resources					
Net increase/(decrease) in s/term deposits	37		6,880		(4,025)
Financing					
Cash outflows:					
Repayment of amounts borrowed			-		-
Cash inflows:					
New Short-term loans			-		-
(Increase)/Decrease in cash	36		253		458

Statement on Internal Control

1. *Scope Of Responsibility*

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

In discharging this overall responsibility, Worthing Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. *The Purpose Of The System 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 Worthing Borough 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 Worthing Borough Council for the year ending 31 March 2007 and up to date of the approval of the statement of accounts.

3. *The Internal Control Environment*

Key elements of the Internal Control Environment are summarised as follows:-

Establishing and monitoring the achievement of the authority's objectives.

- Development of a Corporate Plan
- Setting of and monitoring of Key priorities
- Adoption of and monitoring of Service Plans.

The facilitation of policy and decision-making.

- Revision of the Council's Constitution
- Revision of the Scheme of Delegations
- Adoption of a Code of Corporate Governance
- Development of Overview and Scrutiny functions.

Statement on Internal Control

3. *The Internal Control Environment* (continued)

Ensuring compliance with established policies, procedures, laws and regulations including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to the authority and duties.

- Review programmes by External Audit, Internal Audit and other regulatory bodies
- Reports presented to Members and statutory Finance Officer
- Agreement of a Risk Management Strategy
- Implementation of a risk management framework and processes.

Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by current legislation.

- Best value review programme
- Best Value Performance Plan
- Adopting a Performance Management Framework
- Review programmes by External and Internal Audit.

The financial management of the authority and the reporting of financial management.

- Standing Orders
- Financial Regulations
- Scheme of Delegations
- External Audit and Internal Audit review of financial procedures
- Publication of the statement of accounts.

The performance management of the authority and the reporting of performance management.

- Adoption of a Performance Management Framework
- Setting of performance targets within the Best Value Performance Plan
- Quarterly monitoring of targets.

4. *Review Of Effectiveness*

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. For this statement the review of the effectiveness of the system of internal control has been 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 through comments made by the external auditors, other review agencies and inspectorates.

Statement on Internal Control

4. ***Review Of Effectiveness*** (continued)

There were no significant weakness highlighted in last year's statement and action has been taken to complete the three key issues reported in that statement.

The review of the 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 of Internal Control. This review included updating the list with specific risk information from the Council's Risk Register;
- 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 OSC has been advised on the result of the review of effectiveness of the system of internal control. An action plan to address the issues identified and to ensure continuous improvement of the system of internal control is being developed with the actions required being assigned to relevant officers for implementation.

5. ***Significant Internal Control Issues***

There have been no significant internal control issue identified for 2006/07.

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

- Ensure that there are clear measurable outcomes for each of the Council's priorities;
- Continue to develop links between business planning and financial management and gain a fuller understanding of the relationships between costs and level of service;
- Continue to identify and assess the risks and opportunities for the proposed extended joint working with Adur DC.

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

Signed:

Keith Mercer
Leader of the Council

Date:

26th September, 2007

Signed:

Ian Lowrie
Interim Chief Executive

Date:

26th September, 2007

Independent Auditor's Report to Worthing Borough Council

Opinion on the financial statements

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

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

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with 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

Independent Auditor's Report to Worthing Borough Council

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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/our 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 and its Group as at 31st March 2007 and its income and expenditure for the year then ended.

Helen Thompson,
District Auditor and Relationship Manager
Audit Commission,
44-45 West Street,
Chichester,
West Sussex, PO19 1RP
September 2007

Independent Auditor's Report to Worthing Borough Council

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

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

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Worthing Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Independent Auditor's Report to Worthing Borough Council

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 21 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Helen Thompson,
District Auditor and Relationship Manager
Audit Commission,
44-45 West Street,
Chichester,
West Sussex,
PO19 1RP
September 2007