

**ADUR DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2005/06**

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

# **STATEMENT OF ACCOUNTS 2005/06**

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## EXPLANATORY FOREWORD AND SUMMARY

The Council's accounts for the year 2005/06 are set out on the following pages. They comprise :-

**1. The Consolidated Revenue Account (Page 17)**

This account summarises the revenue expenditure and income relating to all of the Council's functions, including the General Fund, Housing Revenue Account and Trading Services. The account also shows the Authority's sources of revenue that finance the expenditure, and the revenue balance carried forward at the end of the year, including the Direct Service reserves.

**2. The Housing Revenue Account (Page 23)**

The Housing Revenue Account summarises the expenditure and income relating to the Authority's housing stock for which there is a statutory requirement to account for separately. Total expenditure and income is transferred to the Consolidated Revenue Account and it is then transferred back to the Housing Revenue Account.

**3. Collection Fund (Page 26)**

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

**4. Consolidated Balance Sheet (Page 29)**

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

**5. Cash Flow Statement (Page 36)**

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

**6. Statement of Total Movements in Reserves (Page 39)**

This statement brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account.

## OPERATING REVIEW OF THE YEAR 2005/06

### Introduction

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

2005 has been a very challenging year for the Council.

The transfer of Leisure Management services to a non-profit distributing organisation - Impulse Leisure – was completed 1st July 2005. This involves our three leisure facilities at Lancing Leisure Centre, Southwick Leisure Centre and Wadurs Pool. The main thrust of this initiative is to ensure continual development and improvement in this area with a provider who is better able to cater for, and respond more quickly to market forces, diverse needs and changing expectations of our customers over the years.

Our partnership working is going from strength to strength. We are now working with colleagues from Worthing, Horsham and Mid Sussex councils, the Police, Health service and the voluntary sector to name but a few. The work spans many areas where we all share the same belief and that is - to provide the best possible services and improve the quality of life for everyone in Adur.

Exciting plans are underway to revitalise Adur and encourage businesses to come and stay in Adur. We want to raise the education attainment levels of our children. We want to make sure everyone has the chance to obtain the skills they need to make their lives better for the future and that everyone has a decent home to live in.

The creation of a streetscene team is now enabling us to move on with the improvements we want to make across the district to make it cleaner, greener, safer. The Well-being team is helping us to engage more and achieve more with our communities.

Crime in Adur is relatively low but people's fear of crime remains high and we will therefore continue to work closely with the Police and our many other partners to address this by tackling crime and anti social behaviour and working with young people.

The needs of the people of Adur are paramount.

We need to make sure that we provide you with the services you want, when you want them and how you want them and to this end we will continue to seek your views, listen to them and act on them where we can.

### Council Priorities

In April 2005 the Council identified five priorities :

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

In 2005 we agreed that we would be focusing on these areas over the next few years which had been identified through consultation and feedback with the people of Adur.

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

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

### Value Statement

In September 2004 the Council adopted its *Value Statement*

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

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

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

It is a statement of our values and beliefs as an organisation and how we wish to be seen by others.

It will provide the foundation for the way we work and the decisions we take in the future.

## Corporate Health of the organisation

A new streamlined management and officer structure came into effect on 1st April 2005. This will allow decisions to be made more quickly and ensure better co-ordination of service provision across the authority, thus increasing efficiency and effectiveness as well as producing significant savings. The measures now in place put us in a much stronger position to move forward with the considerable agenda before us.

Other savings and efficiencies will continue to emerge as we continue to modernise and streamline the way we work across the authority. We will be making even greater use of new technology in our frontline and back office systems where further improvements to service delivery and / or reductions in service costs can still be achieved. Customers will be able to reach us 24/7 to pay bills, complete application forms and view planning applications on-line.

The health, success and well being of the Council must be protected if we are to continue to operate efficiently and effectively. In 2003 the government introduced new best value performance indicators to reflect the corporate health of the organisation and we continue to be committed to them.

With respect to Corporate Governance, during 2005/06 we:

- \* Updated the Council's Financial and Contract Procedure Rules
- \* Actively worked towards a revised Procurement Strategy to reflect the National Procurement Strategy including e-procurement requirements - this work is continuing in 2005/06
- \* Refreshed and updated the Medium Term Financial Strategy reflecting the Council's and the communities' priorities for the next three years.

## Quality Marks and Best Practice

The whole of the Council has been awarded the Investors in People award

Housing Advice	The Housing Advice Service has been awarded the Community Legal Services Quality Mark for the third year running
Adur Help Point	The Council's one stop customers services, as part of the West Sussex Help Point team, has been awarded Charter Mark status
Community Safety	Adur's Crime and Disorder Reduction Partnership has been awarded Beacon status for best practice
Building Control	ISO 9001- a certificated quality standard awarded by the International Organisation for Standardisation

## Contribution to "Gershon" Efficiency Programme

As part of central government's ongoing efficiency programme to save £6.45bn in the local government sector up to 2007/08 (the "Gershon Agenda"), Adur District Council declared £268,000 of proposed cashable savings in its 2006/07 Annual Efficiency Statement (AES) Forward Look. The savings are categorised as follows:

Annual Efficiency Statement Categories	2005/06 £'000	2006/07 £'000
Culture & Sport	48	15
Environmental Services	40	79
Local Transport	1	2
LA Social Housing & Housing Revenue Accounts (HRA)	25	43
Homelessness	2	0
Corporate Services	63	56
Transactions	44	16
Miscellaneous Efficiencies	50	57
	<b>273</b>	<b>268</b>

## **Future Challenges**

### **Corporate Plan**

Following the organisational restructure that was agreed at the end of 2005, further work has been undertaken to address the CPA recommendations to complete the "Golden Thread". This reflects both externally noticed and local issues and priorities that are disseminated down through the organisation to individual members of staff to ensure delivery. This has led to the production of the approved Corporate Plan 2005 - 2008.

### **Risk Management**

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

An external review of the Council's corporate risks on its major projects and initiatives has been undertaken. This has allowed us to prioritise a number of areas of work within the Council in order to mitigate the risk to the organisation.

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

### **Use of Resources assessments**

Use of resources assessments are based on the work of auditors under the new Code of Audit Practice. A new methodology was implemented for all councils in 2005/06. Use of resources assessments are a key feature comprising five themes:

- financial reporting
- financial management
- financial standing
- internal control and
- value for money

The Council has been awarded an overall score of 2 (Max 4, Min. 1) which means that its performance in this area is adequate and meeting minimum requirements.

The aim of the Council for 2006 and beyond is to improve this score

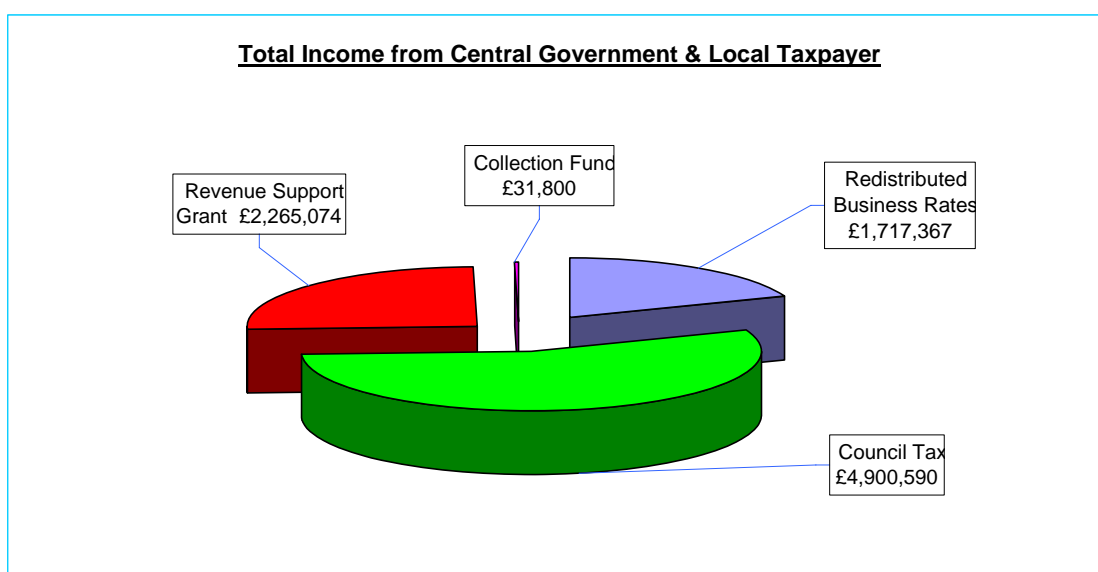
## SUMMARY

There follows a brief summary of the salient features of the financial results for 2005/06 and the major influences thereon :-

### GENERAL FUND

The original budget for 2005/06 was set as a balanced budget, total expenditure forecast to be financed by Council Tax and central government funding. Actual figures showed a net saving of £90,000 which were transferred to reserves.

	<b>2005/06 Actual £</b>	<b>2005/06 Revised Budget £</b>
Total net expenditure ( including Parish precepts)	9,038,554	9,244,290
Transfer to reserves	89,737	(116,000)
	<hr/>	<hr/>
	9,128,291	9,128,290
Less Parish precepts	213,460	213,460
Total spend	<hr/> <b>8,914,831</b>	<hr/> <b>8,914,830</b>
Financed from:-		
Council Tax	4,900,590	4,900,590
NNDR Pool (Business Rate)	1,717,367	1,717,370
Revenue Support Grant	2,265,074	2,265,070
Collection Fund Surplus	31,800	31,800
	<hr/> <b>8,914,831</b>	<hr/> <b>8,914,830</b>



#### **Central Government Support**

The councils share of Business Rates and Revenue Support Grant has increased by £112,780 compared with 2004/05, an increase of 2.9%, due mainly to the transfer of support for the residual part of benefits from RSG funding to direct

#### **Local Taxpayers**

During the year the Council collected £24.817m in Council Tax (2004/05 - 23.685m), net of council tax benefit, on behalf of West Sussex County Council 74% (2004/05 - 73.9%), Sussex Police Authority 8.6% (2004/05 - 8.5%) and Adur District Council 17.4% (2004/05 - 17.6%). This represented 96.5% of the total amount due (2004/05 - 98.9%).

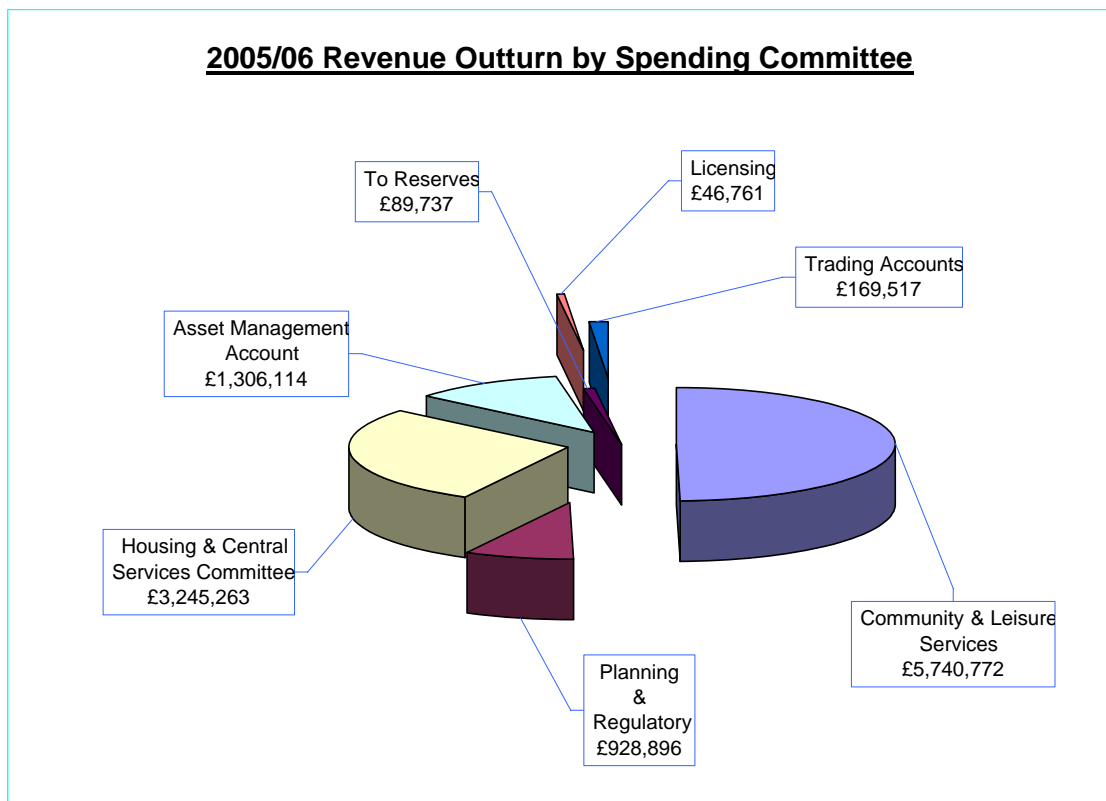
## General Fund Services

The Council set a balanced net General Fund budget of £8.915m, which was financed partly from central government support (£4.0m) and the balance from Council tax payers (£4.9m). The average council tax bill (for Adur services only) for a Band D property was £224.92 (£216.40 for 2004/05).

The Council's net expenditure against the original budget was £8.825m and the balance of £90k transferred to reserves. The main reason for this underspend was increased recycling performance resulting in extra landfill credits and increased income from car parks, property management, development control and licensing.

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

<b>Committee</b>	<b>Revised Estimate £'000</b>	<b>Actual £'000</b>	<b>Variations £'000</b>
Planning and Regulatory	1,039	929	(110)
Community and Leisure Services	5,769	5,740	(29)
Housing and Central Services	3,066	3,245	179
Licensing	55	47	(8)
Trading Accounts	210	170	(40)
	<u>10,139</u>	<u>10,131</u>	<u>(8)</u>
Asset Management Revenue Account	(1,108)	(1,306)	(198)
	<u>9,031</u>	<u>8,825</u>	<u>(206)</u>
To Reserves	(116)	90	206
<b>Net expenditure</b>	<b><u>8,915</u></b>	<b><u>8,915</u></b>	<b><u>0</u></b>





## Revenue Reserves and Balances

Revenue reserves and balances at 31st March 2006 were:

	<b>Balance at 31st March 2006 £'000</b>	<b>Balance at 1st April 2005 £'000</b>
General Fund reserves	872	782
Discount Fund	273	273
Insurance Fund	60	63
New Technology Fund	153	173
Risk Management	9	19
Community Fund	25	25
Training Fund	4	4
Vehicle Renewal Fund	5	5
IT Disaster Recovery Fund	3	8
Others - General	2	3
Housing Revenue Account	1,187	1,119
Housing Repairs Account	542	490
Community Alarm	14	42
Totals	<b>3,149</b>	<b>3,006</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account has made an operational surplus of £120,205 compared to a budgeted deficit of £4,000. No transfers have been made to a capital fund as was the case last year.

**TRADING SERVICES**

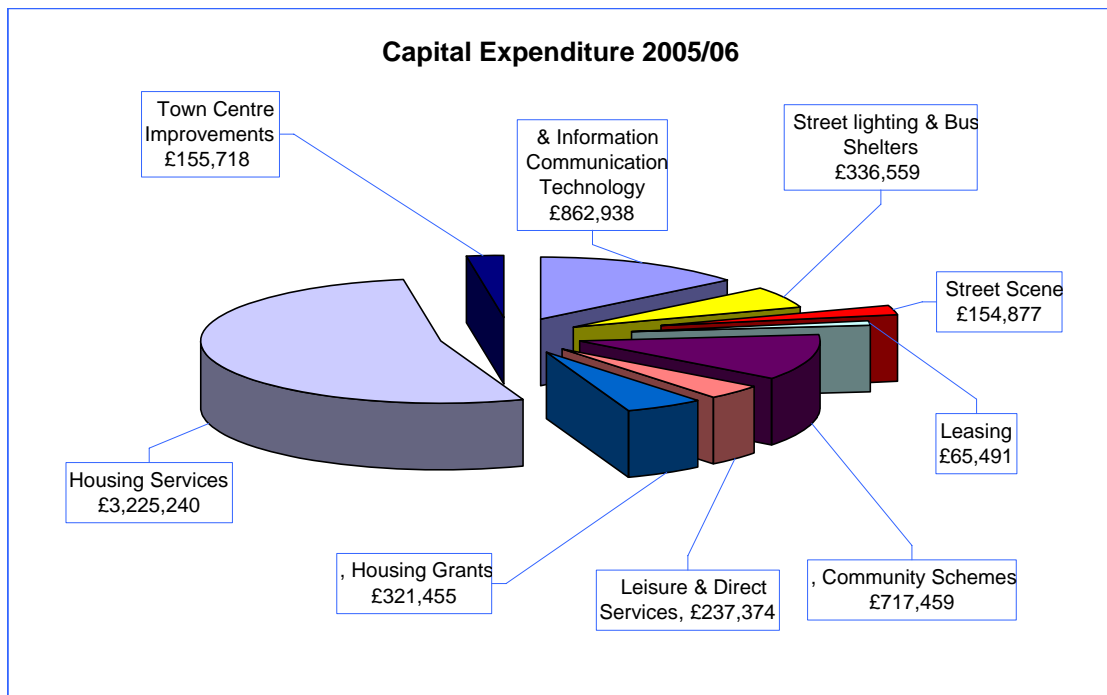
The former Direct Service Organisations, established under competitive tendering legislation, have now been designated as Trading Services until the internal contractual arrangements expire. Building Maintenance produced a surplus of £33,119 for the year, the remaining services Horticultural Services £15,549, Revenues Collection £1,805, Leisure Management £84,642, Waste Services £100,639 all sustained deficits.

These trading services include Waste Management, Horticultural Services, Leisure Management, Revenues Finance, Building Maintenance, Golden Sands Caravan Park and the management of the Southwick Square shops and offices.

**CAPITAL EXPENDITURE AND FINANCING**

**Capital**

Local authorities are required to distinguish between revenue and capital expenditure. Revenue expenditure represents the day to day costs of running Council services. Capital expenditure represents expenditure on the acquisition, creation or enhancement of fixed assets, which yield benefits to the authority and the services it provides for a period of more than a year. Total capital expenditure for the year was £6.08m.



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

	2005/06 £'000
Capital Receipts	949
Grants and Contributions	2,829
Loan	1,568
Direct Revenue Financing	666
Leasing	65
<b>Total</b>	<b><u>6,077</u></b>

	2005/06 £'000	2005/06 £'000
Opening Capital Financing Requirement		15,824
<b>Capital Investment:</b>		
Council Dwellings	3,225	
Operational Assets	975	
Vehicles Plant & Equipment	1,125	
Non-Operational Assets	15	
Intangible Assets	0	
Community & Infrastructure Assets	100	
Capital expenditure not resulting in an increase of fixed assets	637	
<b>Capital Investment</b>		<u>6,077</u>
<b>Sources of Finance:</b>		
Minimum Revenue Provision	(202)	
Capital receipts from the sale of assets	(949)	
Government Grants	(321)	
External Contributions	(710)	
Revenue contributions to capital	(666)	
Major repairs Allowance	(1,863)	
<b>Sources of Finance</b>		<u>(4,711)</u>
<b>Closing Capital Financing Requirement</b>		<u>17,190</u>

	2005/06 £'000
<b>Explanation of movements in year</b>	
Increase in underlying need to borrowing (supported by Government financial assistance)	712
Increase in underlying need to borrowing (unsupported by Government financial assistance)	856
<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>1,568</u>

The rules for financing capital investment changed in line with the Prudential Code for Borrowing as from 1st April 2005, the main changes being that capital is financed on an accrued basis, where as previously only cash payments had been financed.

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

	2005/06 £'000	2004/05 £'000
Fixed Assets	179,099	201,881
Government Grants & External Contributions Deferred	(1,551)	(1,164)
Capital Financing Account	(30,567)	(29,938)
Fixed Asset Restatement Account	(127,499)	(152,663)
Deferred Charge	0	0
	<u>19,482</u>	<u>18,116</u>

The Authority has retained resources at the year end to finance future capital expenditure, in the form of usable capital receipts of £2,025,703

The 2005/06 opening credit ceiling figure used in the above statement includes an adjustment for Premia of £2,292,000, as there is an outstanding query from the District Auditor on prior year treatment of premia. The authority has sought additional information from Department for Community and Local Government, but as yet this has not been resolved, so there is a known variance between the Capital Financing Requirement shown above and the balance sheet entries.

#### **PENSION FUND ACCOUNTS**

In common with other large organisations, the Authority has a substantial deficit on its pension fund which is administered by West Sussex County Council. Further explanation is provided in note 17 to the balance sheet. Future formal actuarial valuations will ensure that by modification of contribution rates and consequent increases in revenue costs the deficit is taken into account.

The pension fund deficit has increased from £20.26m to £22.93m. This is due to the value of the scheme liabilities rising higher than the value of the scheme assets.

#### **Further Information**

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

# ADUR DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

For the year ended 31st March 2006

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required :-

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

#### The responsibilities of the Director of Resources

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

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

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

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

This Statement of Accounts presents fairly the financial position of the Council at 31st March 2006 and its income and expenditure for the year ended on that date.

Andrew Gardiner  
Director of Resources

Dated : 29th June 2006

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

I confirm that these Accounts were approved by the Policy and Strategy Committee of Adur District Council on 29th June 2006

Chairman, Policy and Strategy Committee

Dated: 29th June 2006

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2005/06 (ACOP), the Best Value Accounting Code of Practice (BVACOP) and also with guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of Financial Reporting Standards (FRS) and Statement of Standard Accounting Practices (SSAPs).

The Statement of Accounting Policies for 2005/06 Accounts were presented to and agreed by the Constitutional and Audit Panel on the 12th June 2006.

### ACCOUNTING CONCEPTS

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

#### Relevance

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

#### Reliability

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

#### Comparability

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

#### Understandability

The Council has endeavoured to ensure that an interested reader can understand the accounts.

#### Materiality

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

#### Accruals

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

#### Going Concern

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

#### Primacy of Legislative Requirements

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

## 2. Fixed Assets

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

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

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

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

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

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

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

### 3. Charges to Revenue for Fixed Assets

All revenue accounts now bear a capital financing charge, comprising a charge for depreciation plus a standard notional interest charge based upon the appropriate net book value of the fixed assets concerned. These notional charges are then adjusted in the Asset Management Revenue Account to reflect actual interest charges.

Depreciation is provided on buildings and vehicles plant and equipment on a straight line basis to write down the assets to their residual value over their useful working lives. The Council has no specific land holdings. The depreciation on council dwellings has been set at a level to match the Major Repairs Allowance granted to the council by the Government.

A further statutory provision, the Minimum Revenue Provision, representing the amount to be set aside for principal repayments on outstanding loan debt and notional interest on credit arrangements, is charged to revenue accounts in accordance with the Local Government and Housing Act 1989. The total amount set aside was £201,687 to the General Fund Revenue Account (2004/05 £224,000), which includes a depreciation provision.

### 4. Capital Receipts

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

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

### 5. Grants

Grants received towards revenue expenditure are credited to the appropriate revenue account. Capital grants are used to finance the appropriate capital expenditure over a period of years.

### 6. Deferred Charges

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

### 7. Debtors and Creditors

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

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

### 8. Stocks and Work in Progress

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

Work in progress on uncompleted jobs is valued at cost.

### 9. Cost of Support Services

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

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

## **10. Leasing**

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

A summary of finance leased items in the year were: Computer Equipment £18,823 over 3 years, Horticultural Equipment £20,502 over 3 years, Horticultural Equipment £4,744 over 5 years and Car Park Machines £9,464 over 5 years. These items have not been capitalised.

## **11. Debt Redemption**

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

## **12. Reserves**

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

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

## **13. Pensions**

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

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

In accordance with FRS 17 - Retirement Benefits - The Council's accounts have been prepared to disclose the Council's indebtedness to West Sussex County Council's Local Government Pensions Scheme. As such, at 31st March 2006 the Council has included in its accounts a deficit of £22,930,000.

## **14. Internal Interest**

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

## **15. Investments**

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

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

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

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

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

**18. Bad Debt Provision**

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

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

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

**19. LOBOs**

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

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



## CONSOLIDATED REVENUE ACCOUNT

	2005/06 Gross Expenditure £'000	2005/06 Gross Income £'000	2005/06 Net Expenditure £'000	2004/05 Net Expenditure £'000
<b>NET EXPENDITURE ON SERVICES</b>				
Central Services to the Public	5,392	(4,402)	990	797
Cultural, Environmental and Planning Services	7,469	(1,674)	5,795	5,361
Highways, Road and Transport Services	710	(266)	444	479
General Housing Services	13,433	(12,220)	1,213	6,906
Housing Revenue Account	14,385	(9,461)	4,924	}
Corporate and Democratic Core	1,543	(519)	1,024	1,254
Non-Distributed Costs	1,543	(158)	1,385	230
<b>Net cost of services</b>	<b>43,269</b>	<b>(28,700)</b>	<b>15,775</b>	<b>15,027</b>
Trading Accounts deficit (note 1)			69	18
Precepts and levies			213	205
Asset Management Revenue Account (note 5)			(5,070)	(5,779)
Contribution of housing capital receipts to the government pool			1,378	1,772
Interest and investment income			(758)	(814)
Pension interest cost and expected return on pension assets			600	260
<b>Net operating expenditure</b>			<b>12,207</b>	<b>10,689</b>
<b>APPROPRIATIONS</b>				
Transfer to Housing Revenue Account			120	36
Contribution to / (from) Reserves:				
Reserve Fund			0	0
Contribution to Capital - HRA			350	347
Set aside for debt repayment - HRA			0	0
Major Repairs Reserve			0	(95)
Contributions to other reserves			103	300
Contributions from other reserves			0	0
Capital Financing Account			(874)	(807)
Movements on Pension Fund Reserve			(1,490)	(40)
Transfer from usable capital receipts to equal the contribution of housing capital receipts to the government pool			(1,378)	(1,772)
<b>Amount to be met from Government Grants &amp; Local Taxpayers</b>			<b>9,038</b>	<b>8,658</b>
<b>SOURCES OF FINANCE</b>				
Demand on Collection Fund			(5,114)	(4,897)
Transfer from Collection Fund in respect of previous year's surplus			(32)	(56)
Revenue Support Grant			(2,265)	(2,221)
Distribution from Non-Domestic Rate Pool			(1,717)	(1,649)
<b>NET GENERAL FUND SURPLUS (DEFICIT)</b>			<b>90</b>	<b>165</b>

**Revenue balances at beginning of year**

	<b>2005/06 Net Expenditure £'000</b>	<b>2004/05 Net Expenditure £'000</b>
General Fund	782	638
Mis allocation from previous year on the collection fund	0	(21)
	<hr/> 782	<hr/> 617
<b>Net General Fund Surplus (Deficit)</b>	90	165
<b>Revenue balances at end of year</b>	<hr/> <b>872</b>	<hr/> <b>782</b>

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 1. Trading Accounts

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

	2005/06 Gross Expenditure £'000	2005/06 Gross Income £'000	2005/06 Net Expenditure £'000	2004/05 Net Expenditure £'000
Waste Management	2,048	1,947	101	(65)
Council Tax Collection	306	304	2	2
Horticultural Services	561	546	15	8
Leisure Management	459	375	84	103
Building Maintenance	611	644	(33)	(14)
	3,985	3,816	169	34
Golden Sands Caravan Park	80	55	25	61
Property Management	345	470	(125)	(77)
	4,410	4,341	69	18

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

The council operates the five direct service organisations as shown in first part of the part of the statement above. The above statement summarises their operations. A full set of their accounts may be obtained from the Director of Resources at the Civic Centre, Ham Road, Shoreham By Sea, West Sussex, BN43 6PR, by e-mailing: [Accountancy@adur.gov.uk](mailto:Accountancy@adur.gov.uk), or visiting our Website: [www.Adur.gov.uk](http://www.Adur.gov.uk)

### 2. Finance and Operating Leases

Rentals were paid during the year on finance leases to the value of £11,189. The Council has operating leases on vehicles, plant and equipment. The amounts paid under these arrangements in 2005/06 were £596,110 (£519,000 in 2004/05), and the total commitments outstanding at 31st March 2006 amounted to £635,243 (£755,297 in 2004/05). This includes financing arrangements for the contract hire of the refuse and recycling vehicle fleet.

### 3. Expenditure on Publicity

The Council incurred expenditure of £74,007.01 during the year on publicity (£103,905 in 2004/05), mainly in respect of advertising the Authority's facilities, and producing a local newspaper.

### 4. Pensions & Retirement Benefits

In accordance with FRS17, the cost of retirement benefits is recognised in the Net Cost of Services when the benefits are earned by employees, rather than when the benefits are eventually paid as pension. The charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Accounts (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

2004/05 £,000		2005/06 £,000
	<i>Net cost of Service</i>	
(1,270)	Current service cost	(1,330)
0	Settlements & Curtailments	(1,260)
(130)	Past service cost	0
	<i>Net Operating Expenditure</i>	
(2,160)	Interest cost	(2,760)
1,900	Expected return on scheme assets	2,160
	<i>Appropriations:</i>	
40	Movement on Pensions Reserve	1,490
(1,620)	Employer's contributions payable	(1,700)

Note 16 to the consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 4 to the Statement of Total Movements in Reserves gives details of actuarial gains and losses.

## 5. Asset Management Revenue Account

This account is required under the latest capital accounting regulations. Total capital charges to the revenue accounts are set off against depreciation charges and external interest payments, and the excess is charged back to the Consolidated Revenue Account, so as to neutralise the impact of capital charges on the amounts to be met from local taxation. A summary of the transactions are:-

	2005/06	2004/05
	£'000	£'000
External Interest Paid	1,445	1,443
Provision for Depreciation	3,069	2,596
	<u>4,514</u>	<u>4,039</u>
Less Capital Charges made to Service Revenue Accounts :-		
General Fund	(1,870)	(1,412)
Housing Revenue Account	(7,714)	(8,406)
	<u>(9,584)</u>	<u>(9,818)</u>
Excess charged to Consolidated Revenue Account	<u><b>(5,070)</b></u>	<u><b>(5,779)</b></u>

## 6. Members' Allowances

Total allowances paid to members was £87,616 (£86,821 in 2004/05).

## 7. Remuneration of Employees

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

<i>Remuneration Bands</i>	<b>Number of employees</b>	
	2005/06	2004/05
£50,000 to £59,999	5	5
£60,000 to £69,999	2	0
£70,000 to £79,999	1	1

## 8. Building Control Trading Account

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

	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total Building</b>
	<b>£</b>	<b>£</b>	<b>Control</b>
			<b>£</b>
<u>Expenditure</u>			
Employee expenses	103,166	129,663	232,829
Supplies and Services	35,876	2,304	38,180
Support Costs	42,450	35,156	77,606
Total Expenditure	<u>181,492</u>	<u>167,123</u>	<u>348,615</u>
<u>Income</u>			
Building Regulation Charges	161,328	-	161,328
Deficit/(Surplus) for year	<u><b>20,164</b></u>	<u><b>167,123</b></u>	<u><b>187,287</b></u>

There is a requirement in the Building Control Regulations for chargeable activities to at least break-even over a 3 year cycle and the cumulative deficit from 2003 to 2006 is £11,760. Due to this deficit the Council is exploring partnership working with Worthing to reduce cost and maximise income.

## 9. Related Party Transactions

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

Central Government departments for revenue and capital grants;

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

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

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

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

**10. Section 137 Expenditure**

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

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

	<b>2005/06</b>	<b>2004/05</b>
	£	£
Miscellaneous grants	8,204	7,180
CAB - Shoreham	43,170	41,410
CAB - Lancing	25,820	24,770
Community Associations	22,369	21,457
Charities - refuse collection	1,110	1,093
Adur Learning Exchange	15,210	14,590
Adur Council for Voluntary Services	25,940	24,880
Young Peoples Information Shop	5,526	5,287
Adur Safe Scheme	5,000	5,000
Residents Associations	600	425
Youth Council	624	780
Enterprise Centre	5,000	10,800
Adur Economic Partnership	5,000	5,000
Area Investment Framework	2,500	0
Lancing Business Park	4,500	0
	<b><u>170,573</u></b>	<b><u>162,672</u></b>

A figure of £80,157 was mis-stated for last year which has been corrected above.

**11. Audit Costs**

In 2005/06 the Council incurred the following fees (all payable to the Audit Commission) relating to external audit and inspection:

<b>2005/06</b>		<b>2004/05</b>
£'000		£'000
82,394	Services carried out by the auditor	84,000
3,015	Statutory Inspection	11,400
23,615	Certification of grant claims and returns	30,016
0	Other services provided by the auditor	0
<b><u>109,024</u></b>	Total	<b><u>125,416</u></b>

**12. 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's transport workshop previously undertook MOT testing and servicing of vehicles on a commercial basis, but this ceased with the introduction of the Adur and Worthing Services (AWS) scheme. However it is anticipated that MOT testing and servicing of vehicles on a commercial basis may resume in the near future.

## HOUSING REVENUE ACCOUNT

	Note	2005/06 Net Expenditure £'000	2004/05 Net Expenditure £'000
<b>INCOME</b>			
Dwelling rents (gross)		8,292	8,296
Non-dwelling rents (gross)		368	365
Charges for services and facilities		620	582
Contributions towards expenditure		79	68
Housing Revenue Account subsidy receivable (including MRA)	0	0	29
Credits from Housing Repairs Account		0	0
Reduced provision for bad or doubtful debts		0	0
Sums directed by the Secretary of State		0	0
		<b>9,359</b>	<b>9,340</b>
<b>EXPENDITURE</b>			
Repairs and maintenance/contribution to Housing Repairs Account	5	1,798	1,680
Supervision and management		3,143	2,860
Rents, rates, taxes and other charges		18	15
Negative subsidy transferable to the General Fund (Rent Rebates)		73	255
Increased provision for bad or doubtful debts		28	20
Sums directed by the Secretary of State		0	0
Cost of capital charge	8	5,738	6,487
Depreciation and impairment of fixed assets	9,10	1,976	1,919
Amortisation of deferred charges		0	0
Debt management costs		77	92
Housing Revenue Account subsidy repayable	11	1,273	1,420
		<b>14,124</b>	<b>14,748</b>
<b>NET COST OF SERVICES</b>			
		<b>4,765</b>	<b>5,408</b>
Net HRA income on the Asset Management Revenue Account	8	(5,274)	(6,109)
Pensions interest cost and expected return on pension assets		0	0
Transfers from General Fund as directed by Secretary of State		0	0
Amortised premiums and Discounts		260	254
HRA investment income		(125)	(141)
<b>NET OPERATING EXPENDITURE</b>			
		<b>(374)</b>	<b>(588)</b>
HRA share of contributions to or from the Pension Reserve		0	0
Revenue contribution to capital expenditure	6	350	347
Capital investment reserve		0	300
HRA contribution to Minimum Revenue Provision		0	0
Transfer to/from Major Repairs Reserve	4	(96)	(95)
Total deficit/(surplus) for year		<b>(120)</b>	<b>(36)</b>
Balance at beginning of the year		1,119	1,083
Balance at end of the year		<b>1,239</b>	<b>1,119</b>

## NOTES TO HOUSING REVENUE ACCOUNT

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

	2005/06 31st March	2004/05 31st March
Houses	1,072	1,083
Bungalows	173	173
Mobile homes	37	38
Flats	1,453	1,461
Total dwellings	<b>2,735</b>	<b>2,755</b>

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

	2005/06 31st March £'000	2004/05 31st March £'000
Council dwellings	158,885	173,564
Other land and buildings	5,045	4,960
Non-operational assets	734	778
Total balance sheet value of land, houses and other property	<b>164,664</b>	<b>179,302</b>

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

	2005/06 £'000	2004/05 £'000
	<b>330,561</b>	<b>332,062</b>

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

### 4. Movements on the Major Repairs Reserve

	2005/06 £'000	2004/05 £'000
Balance at 1st April 2005	1,051	1,282
Amount transferred to Major Repairs Reserve	1,976	1,918
Debits to Major Repairs Reserve in respect of capital expenditure	(1,959)	(2,149)
Balance at 31st March 2006	<b>1,068</b>	<b>1,051</b>

### 5. Movements on the Housing Repairs Account

	2005/06 £'000	2004/05 £'000
Balance at 1st April 2005	490	339
Transfer from HRA to Housing Repairs Account	1,798	1,680
Debits to Housing Repairs Account for expenditure	(1,798)	(1,529)
Balance at 31st March 2006	<b>490</b>	<b>490</b>



**6. Financing of capital expenditure within the HRA**

	2005/06 £'000	2004/05 £'000
- borrowing	712	685
- usable capital receipts	0	76
- revenue contributions	350	347
- capital fund	300	0
- Major Repairs Reserve	1,863	2,054
Total capital expenditure	<u>3,225</u>	<u>3,162</u>

**7. Capital receipts**

	2005/06 £'000	2004/05 £'000
Capital Receipts from the disposal of HRA property :		
- sale of council dwellings	1,599	2,361
- sale of land	0	0
	<u>1,599</u>	<u>2,361</u>
Retained for capital investment	400	590
Paid to central government	1,199	1,771
	<u>1,599</u>	<u>2,361</u>

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

The cost of capital charge, calculated as 3.5% of the value of HRA operational assets, is included to show the cost of public sector capital tied up in the HRA assets.

The charge is a signal only and an accounting adjustment is made "below the line" to reconcile it with the HRA's share of debt financing costs.

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

	2005/06 £'000	2004/05 £'000
- council dwellings	1,881	1,824
- other land and buildings	96	95
- non-operational assets	0	0
Total depreciation in year	<u>1,977</u>	<u>1,919</u>

**10. Impairment Charges**

No impairment charges were incurred in the year

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

	2005/06 £'000	2004/05 £'000
- allowance for management	1,290	1,284
- allowance for maintenance	2,559	2,264
- allowance for major repairs	1,881	1,824
- charges for capital	910	855
- rent rebates	-	-
- rent	(7,913)	(7,644)
- interest on receipts	(2)	(3)
- prior year adjustment	2	29
	<u>(1,273)</u>	<u>(1,391)</u>

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

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

**13. Rent Arrears**

	2005/06 31st March £'000	2004/05 31st March £'000
Net arrears as at 31st March	<u>447</u>	<u>378</u>
Bad debt provision for uncollectable debts	<u>243</u>	<u>235</u>

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

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

	Note	2005/06 £'000	2004/05 £'000
<b>INCOME</b>			
Council Tax	1	24,817	23,685
<b>Transfers from General Fund</b>			
Council Tax Benefits		3,707	3,474
Income Collectable from Non-Domestic Ratepayers	2	13,542	13,114
	3	<b>42,066</b>	<b>40,273</b>
<b>EXPENDITURE</b>			
<b>Demands and Precepts</b>			
		28,306	26,918
<b>Non-Domestic Rates</b>			
Payment to National Pool		13,452	12,986
Costs of Collection Allowance		90	92
<b>Bad and Doubtful Debts</b>			
Provision for uncollectible amounts of council tax		34	36
		<b>41,882</b>	<b>40,032</b>
Movement on Fund balance		<b>184</b>	<b>241</b>
<b>Collection Fund Balance</b>			
Balance at Beginning of Year		241	144
Movement on Fund Balance		184	241
		425	385
Redistribution of Surplus brought forward		241	144
<b>Balance at End of Year</b>	4	<b>184</b>	<b>241</b>
<b>Share of Surplus:</b>			
West Sussex County Council		135	177
Sussex Police Authority		16	20
Adur District Council		33	24
		184	221
Balance transferred to use of funds 2004/05		184	20
		<b>184</b>	<b>241</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. Council Tax

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

	No. of Chargeable Dwellings	Less Discounts	Net Dwellings	Ratio to Band D	No. of Band D Equivalents	Plus 2nd Homes Discount	Total No. of Band D Equivalents
Band A	5	0.50	4.50	5/9ths	2.5		2.5
Band A	2,469	395.75	2,073.25	6/9ths	1,382.2	6.7	1,388.9
Band B	4,614	537.75	4,076.25	7/9ths	3,170.4	13.1	3,183.5
Band C	10,637	892.25	9,744.75	8/9ths	8,662.0	27.4	8,689.4
Band D	5,817	399.00	5,418.00	9/9ths	5,418.0	15.6	5,433.6
Band E	1,818	81.75	1,736.25	11/9ths	2,122.1	2.9	2,125.0
Band F	666	30.00	636.00	13/9ths	918.7	2.9	921.6
Band G	305	15.75	289.25	15/9ths	482.1	3.3	485.4
Band H	3	0.50	2.50	18/9ths	5.0	0.8	5.8
<b>Total</b>	<b>26,334</b>	<b>2,353.25</b>	<b>23,980.75</b>		<b>22,162.9</b>	<b>72.7</b>	<b>22,235.6</b>
Less allowance for loss on collection and void properties (2.00%).							444.9
							<b>21,790.7</b>

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

Authority	Demand or Precept £	/	Council Tax Base	=	Band D Council Tax £
West Sussex County Council	20,789,865	/	21,788.2	=	954.18
Sussex Police Authority	2,402,149	/	21,788.2	=	110.25
Adur District Council (including parishes)	5,114,048	/	21,788.2	=	234.72

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

Non-domestic rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole (43p in 2005/06 and 45.6p in 2004/05) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £35.73m (£32.07m in 2004/05), the high rise being attributable to a rates revaluation in 2005/06. The total rates collected are paid to the NDR pool which is administered to the government and redistributed to each authority on a per capita basis.

### 3. Demands and Precepts on the Fund

	2005/06 £'000 £	2004/05 £'000 £
West Sussex County Council	20,790	19,741
Sussex Police Authority	2,402	2,280
Adur District Council (includes parish precepts)	5,114	4,897
	<b>28,306</b>	<b>26,918</b>

#### 4. Balance at end of year

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

	<b>£'000</b>
West Sussex County Council	135
Sussex Police Authority	16
Adur District Council (includes parish precepts)	33
	<u><u><b>184</b></u></u>

# CONSOLIDATED BALANCE SHEET

	Note	31st March 2006		31st March 2005
		£'000	£'000	£'000
<b>Fixed Assets</b>	1-4			
Intangible Assets			42	128
<b>Operational Assets</b>				
Council Dwellings			158,885	173,564
Other Land and Buildings			16,746	18,845
Vehicles, Plant, Furniture & Equipment			2,451	2,030
Infrastructure			975	894
Community Assets			1,887	1,892
Non-operational Assets			5,844	4,528
<b>Total Net Fixed Assets</b>			<b>186,830</b>	<b>201,881</b>
Long Term Investments			5	5
Long Term Debtors	11		45	49
				0
<b>Total Long Term Assets</b>			<b>186,880</b>	<b>201,935</b>
<b>Current Assets</b>				
Stocks and Work in Progress	8	52		42
Debtors	9	3,655		4,112
Investments	13	15,030		11,873
Cash in Hand		1		6
			<b>18,738</b>	<b>16,033</b>
<b>Less Current Liabilities</b>				
Creditors	10	3,976		3,343
Temporary Loans		20		20
Bank Overdraft		349		41
Long Term Borrowing due within one year		0		36
			<b>4,345</b>	<b>3,440</b>
<b>Net Current Assets</b>			<b>14,393</b>	<b>12,593</b>
Long term borrowing	12	(28,895)		(26,895)
Capital Grants		(9)		(233)
Pension Fund	16	(22,930)		(20,260)
			<b>(51,834)</b>	<b>(47,388)</b>
			<b>149,439</b>	<b>167,140</b>
<b>Financed by:</b>				
Usable Capital Receipts Reserve			2,026	872
Major Repairs Reserve (HRA)			1,068	1,051
Fixed Asset Restatement Account			135,231	152,653
Capital Financing Account			30,567	29,939
Government Grants Deferred			1,587	1,164
Deferred credits	7		37	43
Unapplied Capital Grants			356	306
<b>Fund Balances and Reserves</b>				
Consolidated Revenue Account			872	782
Housing Revenue Account			1,239	1,119
Housing Repairs Account			490	490
HRA Earmarked Reserves			16	316
Housing Capital Fund			0	0
Collection Fund			0	0
Reserve Fund			645	690
Pension Reserve			(22,930)	(20,260)
Unamortised Premia on Debt Redemption			(1,765)	(2,025)
			<b>(21,433)</b>	<b>(18,888)</b>
<b>Total Net Worth</b>			<b>149,439</b>	<b>167,140</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Movements in Fixed Assets

	Intangible Assets £'000	Council dwellings £'000	Other land & buildings £'000	Vehicles Plant and equipment £'000	Infrastructure & community £'000	Non Operational Assets £'000
Gross value at 1 April 2005	128	180,683	20,176	5,038	2,802	4,528
Additions	0	3,225	974	1,125	99	15
Revaluation adjustments	0	(22,060)	(1,446)	4	(18)	1,754
Disposals	0	(1,082)	(1,240)	0	0	(453)
Gross value at 31 March 2006	<u>128</u>	<u>160,766</u>	<u>18,464</u>	<u>6,167</u>	<u>2,883</u>	<u>5,844</u>
Depreciation at 1 April 2005	0	7,119	1,331	3,008	15	0
Depreciation for year	86	1,881	387	708	6	0
Elimination on Revaluation		(7,119)				
Depreciation at 31 March 2006	<u>86</u>	<u>1,881</u>	<u>1,718</u>	<u>3,716</u>	<u>21</u>	<u>0</u>
NBV at 31 March 2006	<u><b>42</b></u>	<u><b>158,885</b></u>	<u><b>16,746</b></u>	<u><b>2,451</b></u>	<u><b>2,862</b></u>	<u><b>5,844</b></u>

### 2. Capital Expenditure and Financing

	2005/06 £'000	2005/06 £'000
Opening Capital Financing Requirement		15,824
<b>Capital Investment:</b>		
Council Dwellings	3,225	
Operational Assets	975	
Vehicles Plant & Equipment	1,125	
Non-Operational Assets	15	
Intangible Assets	0	
Community & Infrastructure Assets	100	
Capital expenditure not resulting in an increase of fixed assets	572	
Leasing	65	
<b>Capital Investment</b>		<u>6,077</u>
<b>Sources of Finance:</b>		
Minimum Revenue Provision	(202)	
Capital receipts from the sale of assets	(949)	
Government Grants	(321)	
External Contributions	(710)	
Revenue contributions to capital	(666)	
Major repairs Allowance	(1,863)	
<b>Sources of Finance</b>		<u>(4,711)</u>
<b>Closing Capital Financing Requirement</b>		<u><b>17,190</b></u>
		<b>2005/06</b>
<b>Explanation of movements in year</b>		<b>£'000</b>
Increase in underlying need to borrowing (supported by Government financial assistance)		712
Increase in underlying need to borrowing (unsupported by Government financial assistance)		856
Increase/(decrease) in Capital Financing Requirement		<u><b>1,568</b></u>

The 2005/06 opening credit ceiling figure used in the above statement includes an adjustment for Premia of £2,292,000, as there is an outstanding query from the District Auditor on prior year treatment of premia. The authority has sought additional information from Department for Community and Local Government, but as yet this has not been resolved, so there is a known variance between the Capital Financing Requirement shown above and the balance sheet entries.

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

	2005/06 £'000	2004/05 £'000
Fixed Assets	179,099	201,881
Government Grants & External Contributions Deferred	(1,551)	(1,164)
Capital Financing Account	(30,567)	(29,938)
Fixed Asset Restatement Account	(127,499)	(152,663)
	<u><b>19,482</b></u>	<u><b>18,116</b></u>

### 3. Information on Fixed Assets

The Council owns the following fixed assets:-

	31st March 2006	31st March 2005
<b>Council Dwellings:-</b>		
Council houses (including flats etc.)	2,736	2,755
Council garages	1,084	1,084
<b>Land and Buildings:-</b>		
Civic Centre	1	1
Sub Offices	2	2
Depots	1	1
Off street car parks	13	13
Public conveniences	16	16
Leisure Centres	2	2
Community Pool	1	1
Community Centres	3	3
Allotment sites	13	13
Shops	56	56
Commercial premises	15	16

#### **Infrastructure:-**

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

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

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

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

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

#### **Intangible Assets:**

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

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

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

#### **Basis of Valuations**

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

Council Dwellings have been valued by the District Valuer as at 1st April 2005, at net realisable value in existing use.

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

### 4. Depreciation

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

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

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

Vehicles, plant and equipment except computer equipment - 5 years

Computer equipment - 3 years

## 5. Finance Leases

Rentals were paid during the year on finance leases to the value of £11,189. Items leased Computer Equipment £18,823 over 3 years, Horticultural Equipment £20,502 over 3 years, Horticultural Equipment £4,744 over 5 years and Car Park Machines £9,464 over 5 years. These items have not been capitalised.

## 6. Deferred Charges

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

	Balance 1st April 2005	Expenditure £'000	Amounts written off £'000	Balance 31st March 2006 £'000
Disabled Facility Grants	0	243	(243)	0
Improvement grants	0	79	(79)	0
Redundancy	0	125	(125)	0
Other - General	0	125	(125)	0
	<b>0</b>	<b>572</b>	<b>(572)</b>	<b>0</b>

## 7. Deferred Credits

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

## 8. Stocks and Work-in-Progress

	31st March 2006 £'000	31st March 2005 £'000
Work-in-progress		
Rechargeable works	17	15
Direct Services Unit	27	10
	<b>44</b>	<b>25</b>
Stocks		
Leisure Contract	0	13
General	8	4
	<b>8</b>	<b>17</b>
Total	<b>52</b>	<b>42</b>

## 9. Debtors

	31st March 2006 £'000	31st March 2005 £'000
Amounts falling due in one year:-		
Government Departments	635	472
Housing rents	449	499
Council Taxpayers	1,130	774
Investment income	0	0
Sundry debtors	2,834	3,855
	5,048	5,600
Less provision for doubtful debts	1,591	1,674
	3,457	3,926
Amounts falling due after one year:-		
Car loans to employees	198	186
	<b>3,655</b>	<b>4,112</b>
The amount due from Government Departments includes :-		
Housing Benefit Grant holding Account	209	65
Customs and Excise - VAT	426	407
Office of the Deputy Prime Minister	0	0
	<b>635</b>	<b>472</b>



## 10. Creditors

	<b>31st March 2006 £'000</b>	<b>31st March 2005 £'000</b>
Government Departments	821	341
Other Local Authorities	404	174
Housing rents	0	62
Sundry creditors	2,751	2,766
	<b>3,976</b>	<b>3,343</b>

The amounts due to Government Departments include:-

NNDR income due to the Government Pool	758	309
SRB grants	13	13
others	50	19
	<b>821</b>	<b>341</b>

## 11. Long Term Debtors

	<b>31st March 2006 £'000</b>	<b>31st March 2005 £'000</b>
Private sector house purchase	8	8
Council house purchase	37	41
Other	0	0
	<b>45</b>	<b>49</b>

## 12. Long Term Borrowing

	<b>Total outstanding as at 31st March</b>	
Source of loans;	<b>2006 £'000</b>	<b>2005 £'000</b>
Public Works Loan Board	14,455	12,491
Other Commercial Lenders	14,440	14,440
	<b>28,895</b>	<b>26,931</b>

	<b>31st March 2006 £'000</b>	<b>31st March 2005 £'000</b>
An analysis of loan debt by maturity is:-		
Maturing within one year	0	36
	<b>0</b>	<b>36</b>
Maturing in 1-2 years	0	0
Maturing in 2-5 years	0	0
Maturing in 5-10 years	500	1,000
Maturing in more than 10 years	28,395	25,895
	<b>28,895</b>	<b>26,895</b>

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

### 13. Investments

£15M was invested externally at 31st March 2006 for treasury management purposes for periods of less than a year, £10M of which was placed with fund managers, AllianceBernstein Ltd. Other external investments are shown at cost and relate only to small investments of War Stock and Consolidated Gas Stock made by former authorities in the 1940s.

### 14. Contingent Liability

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

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

A further claim has been received in respect of the illness and subsequent death of a former employee which is in its early stages and not considered appropriate to identify at this time.

### 15. Events after the balance sheet date

The statement of accounts were approved on 29th June 2006 and there have been no material post balance sheet event

### 16. Pension Scheme

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

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £22.9 million has an impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31st March 2006 does not include any allowance for this change to the pension scheme.

	<b>31st March 2006 Per annum</b>	<b>31st March 2005 Per annum</b>
Price increases	3.1%	2.9%
Salary increases	4.6%	4.4%
Pension increases	3.1%	2.9%
Discount rate	4.9%	5.4%

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

<b>Assets</b>	<b>Assumed Long Term Return</b>	<b>Fund Assets £'000</b>	<b>Expected Return £'000 p.a.</b>
Equities	7.4%	29,340	2,171
Bonds	4.6%	4,690	216
Property	5.5%	2,480	136
Cash	4.6%	1,450	67
Total	6.8%	<b>37,960</b>	<b>2,590</b>

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

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

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

## CASH FLOW STATEMENT 2005/06

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

	Note	2005/06 £'000	2005/06 £'000	2004/05 £'000
<b>REVENUE ACTIVITIES</b>				
<b>Expenditure</b>				
Cash paid to and on behalf of employees			11,714	11,224
Other operating costs			9,550	8,160
Housing benefit paid out			15,015	14,440
National Non-Domestic Rate Payments to national pool			12,192	13,022
Payments to precepting Authorities			23,405	22,225
			<b>71,876</b>	<b>69,071</b>
<b>Income</b>				
Rents (after rebates)		(9,799)		(9,690)
Council Tax		(28,194)		(27,054)
National Non-Domestic Rate Receipts from national pool		(1,717)		(1,649)
Non-Domestic rate income		(13,650)		(13,114)
Revenue Support Grant		(2,265)		(2,221)
DSS Grants for rebates		(14,760)		(13,900)
Other Government Grants		2,960		2,459
Cash received for goods and services		(3,080)		(2,850)
Other Revenue cash payments/income		(5,838)		(2,775)
			<b>(76,343)</b>	<b>(70,794)</b>
<b>Revenue surplus</b>	<b>1</b>		<b>(4,467)</b>	<b>(1,723)</b>
<b>Servicing of Finance</b>				
Expenditure/Income				
Interest paid out			1,438	1,474
Interest received			(1,194)	(481)
			<b>244</b>	<b>993</b>
<b>CAPITAL ACTIVITIES</b>				
<b>Expenditure</b>				
Purchase of fixed assets		5,441		3,702
Premium to repay debt		0		254
Other Capital expenditure		667		635
Pooled Capital Payments to ODPM		1,378		1,544
			<b>7,486</b>	<b>6,135</b>
<b>Income</b>				
Sale of fixed assets		(3,320)		(2,504)
Capital grants received		(774)		(1,027)
Other capital cash payments/income		(50)		0
			<b>(4,144)</b>	<b>(3,531)</b>
			<b>3,342</b>	<b>2,604</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
<b>Short term deposits</b>				
Investments made		153,985		119,520
Investments realised		(154,828)		(118,713)
			<b>(843)</b>	<b>807</b>
<b>Other liquid resources</b>				
Investments made	<b>4</b>	69,550		55,560
Investments realised		(68,550)		(59,050)
External managed funds made		3,000		0
			<b>4,000</b>	<b>(3,490)</b>
Increase (decrease) in short term investments			<b>3,157</b>	<b>(2,683)</b>
<b>Net cash (inflow) outflow before financing</b>			<b>2,276</b>	<b>(809)</b>

**FINANCING**

	<b><u>2005/06</u></b> <b><u>£'000</u></b>	<b>2005/06</b> <b>£'000</b>	<b>2004/05</b> <b>£'000</b>
<b>Payments</b>			
Repayment of long term loans	36		208
Repayment of market loans	0		400
Repayment of short term (temporary) loans	813		748
		<b>849</b>	<b>1,356</b>
<b>Receipts</b>			
New long term loans raised	(2,000)		0
New short term (temporary) loans raised	(813)		(748)
		<b>(2,813)</b>	<b>(748)</b>
<b>Total loans redeemed</b>		(1,964)	608
<b>Increase/(decrease) in overdraft</b>	<b>3</b>	<b>312</b>	<b>(201)</b>

## NOTES TO THE CASH FLOW STATEMENT

### 1. Reconciliation to Consolidated Revenue Account

	Net Expenditure 2005/06 £'000	Net Expenditure 2004/05 £'000
Consolidated (surplus)	(90)	(165)
Movement on Housing Revenue Account	(120)	(105)
Movement on Collection Fund	0	144
Revenue movements on:		
Stocks and Work in Progress	10	2
Debtors	(144)	(964)
Creditors	947	60
Provision for Credit Liabilities (MRR)	202	231
Revenue Contributions to Capital	350	347
Contributions to reserves	0	300
Previous year's adjustment on b/fwd balance	0	(21)
Depreciation	3,068	0
Exclude :-		
Net servicing of Finance	244	993
Contribution from reserves	0	901
<b>Net cash flow on Revenue activities</b>	<b>4,467</b>	<b>1,723</b>

### 2. Government Grants

	2005/06 £'000	2004/05 £'000
<b>Revenue</b>		
Housing Subsidy	(1,273)	(2,459)
Other Government Grants	(1,687)	0
Housing Benefits	11,857	13,900
Grants for rebates	2,903	0
Revenue Support Grant	(2,265)	2,221
	(14,065)	(13,662)
<b>Capital</b>		
Improvement and other grants	(774)	(1,027)
	<b>(14,839)</b>	<b>(14,689)</b>

### 3. Increase / decrease in cash

	31st March 2006 £'000	31st March 2005 £'000	Movement in year £'000
Cash in Hand	2	6	(4)
Bank Overdraft	(349)	(41)	(308)
Total cash balances	<b>(347)</b>	<b>(35)</b>	<b>(312)</b>

### 4. Other Liquid Resources

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

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

	1st April 2005 £'000	Movement in year £'000	31st March 2006 £'000
Short term investments	11,873	3,157	15,030
Long term borrowing	(26,931)	(1,964)	(28,895)
Temporary loans	(20)	(0)	(20)
	<b>(15,078)</b>	<b>1,193</b>	<b>(13,885)</b>

## STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	Note	2005/06 £'000	2005/06 £'000	2004/05 £'000
Deficit/(Surplus) for the year :-				
- General Fund		(90)		(165)
- Housing Revenue Account		(120)		(336)
- Housing Revenue Surplus Contribution to Capital		0		(300)
- Collection Fund		0		(241)
Add back movements on specific revenue reserves				
- General Fund		0		23
- Housing Revenue Account		0		(151)
- Housing Reserve Account		300		
- Collection Fund Balance Transferred		0		385
- Movements on Other Earmarked Reserves		45		(25)
- Deferred Credits		7		
- Pension Fund Appropriation from pension reserve		1,490		
- Pension Fund Actuarial gains and losses relating to pensions		1,180		7,500
<b>Total decrease /(surplus) in revenue resources</b>			<b>2,812</b>	<b>6,690</b>
Decrease / (Increase) in Unapplied Capital Grants				
			(50)	(306)
Decrease / (Increase) in Usable Capital Receipts				
			(1,154)	1,128
<b>Total decrease/(Increase) in realised capital resources</b>	1		<b>(1,204)</b>	<b>822</b>
(Losses) on revaluation of fixed assets				
Elimination on Revaluation			21,766	(16,391)
			(7,119)	
<b>Total increase in unrealised value of fixed assets</b>	2		<b>14,647</b>	<b>(16,391)</b>
<b>Value of assets sold, disposed of or decommissioned</b>	3		<b>2,775</b>	<b>1,991</b>
Premia on Redemption			(260)	145
Movement on Government Grants Deferred			(423)	(771)
Movement on Major Repairs Reserve			(17)	231
Usable Capital Receipts Applied			0	(1,461)
Revenue Resources set aside			(149)	130
Capital Receipts set aside			(480)	0
Total increase in amounts set aside to finance capital investment			<b>(1,329)</b>	<b>(1,726)</b>
Total recognised (gains) and losses			<b>17,701</b>	<b>(8,614)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

		Usable Capital Receipts £'000	Unapplied capital grants £'000
1.	<b>Movements in realised capital resources</b>		
	Amounts receivable in 2005/06	2,103	50
	Amounts applied to finance new capital investment in 2005/06	(949)	0
	<b>Total increase in realised capital resources in 2005/06</b>	1,154	50
	Balance brought forward at 1st April 2005	872	306
	Balance carried forward at 31st March 2006	2,026	356
2.	<b>Movements in unrealised value of fixed assets</b>		
	Loss on revaluation of fixed assets in 2005/06	(21,766)	
	Elimination on Revaluation	7,119	
	<b>Total increase in unrealised capital resources in 2005/06</b>	<b>(14,647)</b>	
3.	<b>Value of assets sold disposed of or decommissioned</b>		
	Amounts written off fixed asset balances for disposals in 2005/06	(2,775)	
	Total movement on reserve in 2005/06	(17,422)	
	Balance brought forward at 1st April 2005	152,653	
	Balance carried forward at 31st March 2006	135,231	
4.	<b>Pension Scheme</b>		
	The following are disclosures required by FRS17 - Retirement Benefits		
		<b>2005/06 £'000</b>	<b>2004/05 £'000</b>
(i)	Difference between expected and actual return on assets	5,280	1,260
	Difference between expected and actual return on assets as a percentage of total scheme assets	13.9%	4.2%
		<b>2005/06 £'000</b>	<b>2004/05 £'000</b>
(ii)	Experience gains and losses arising on scheme liabilities	60	-660
	Experience gains and losses arising on scheme liabilities as a percentage of total scheme liabilities	0.1%	(1.3%)
(iii)	Active employee membership of the scheme has decreased by 42 (11%) over the past years The number of pensioners and deferred pensioners has increased by 16 (5%) and 30 (15%) respectively over the same period. This variation does not constitute a material change in the demographic and financial assumptions underlying the present value of scheme liabilities.		



## STATEMENT OF INTERNAL CONTROL

### Scope of Responsibility

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

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

### The Purpose of Internal Control

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

The system of internal control has been in place at the Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### The Internal Control Environment

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

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

## Review of Effectiveness

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

Progress has been made on the areas of weakness highlighted in last year's statement. In particular:

- \* Covalent software has recently been acquired to enable close monitoring of risks and progress on the Council's priorities/objectives. This will be monitored by the Corporate Performance Team with other areas of corporate responsibility and internal control systems being added during 2006/07 as part of the on-going expansion and development of the new performance management system;
- \* Work on the Council's Risk Register is now complete and Divisional Managers have responsibility for monitoring and reviewing each of the risks they have identified and for adding new risks as they become evident. The Corporate Performance Team now has formal responsibility for monitoring risks on a quarterly basis.
- \* Joint working agreements with Worthing being produced as and when arrangements are agreed, with a schedule of progress on completion of relevant documentation being considered at the regular Joint Chief Officer management meetings.

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

- \* Developing a list of statutory/principal obligations and organisational objectives and aligning these with risks contained in the Council's Risk Register;
- \* Obtaining assurance on the key controls employed in respect of these objectives and risks;
- \* Identifying gaps in the assurance process and noting actions required to address such gaps;
- \* Highlighting any significant internal control issues.

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

## Significant Internal Control Issues

No significant control issues have been identified following the review of the systems of internal control. Key issues which have been notified to us by the Internal and External Auditors are as follows:

- \* The continued development and adoption of an Assurance Framework to allow the Council to systematically look at the principal risks which threaten the achievement of its strategic objectives;
- \* Some elements of the Council's corporate governance arrangements not keeping pace with the higher levels now required by the Audit Commission in their Use of Resources assessment.

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

Neil Parkin  
Leader of the Council  
29th June 2006



Signed

Neil Parkin

Dated  
29th June 2006

Ian Lowrie  
Chief Executive  
29th June 2006



Signed

Ian Lowrie

Dated  
29th June 2006

# Independent auditor's report to Adur District Council

## Opinion on the financial statements

I have audited the financial statements of Adur District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 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 presents 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 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance: The Statement of Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003. 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.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

### Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Christopher Westwood

Audit Commission, North Wing, Southern House, Sparrowgrove, Otterbourne, Hants, SO21, 2RU

Date 29th September 2006

## **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 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 I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Adur District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except in respect of meeting the following criteria; putting in place arrangements to manage its significant business risks, putting in place arrangements for managing performance against budgets.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 16 December 2005. 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.

Christopher Westwood

Audit Commission, North Wing, Southern House, Sparrowgrove, Otterbourne, Hants, SO21 2RU

Date

# GLOSSARY OF ACCOUNTING TERMS

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

## **Accounting Period**

The period of time covered by the accounts. The current year is 2005/06 which means the year commencing 1st April 2005 and ending 31st March 2006. The end of the accounting period is the date at which the balance sheet is drawn up.

## **Accrual**

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

## **Balance Sheet**

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

## **Capital Charge**

A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets, and a notional interest charge calculated on the book value of the asset.

## **Capital Expenditure**

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

## **Capital Receipts**

The proceeds from the sale of fixed assets.

## **Community Assets**

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

## **Consistency**

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

## **Contingent Liability**

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

## **Creditors**

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

## **Current Assets / Liabilities**

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

## **Debtors**

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

**Deferred Charges**

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

**Depreciation**

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

**Direct Service Organisations (DSO)**

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

**Expenditure**

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

**Finance Lease**

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

**Fixed Assets**

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

**Impairment**

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

**Infrastructure Assets**

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

**Intangible Assets**

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

**Investments**

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

**Liquid Resources**

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

**Net Book Value**

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

**Non-Operational Assets**

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

**Operating lease**

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

**Post Balance Sheet Events**

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

**Provision**

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

**Prior Year Adjustment**

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

**Prudence**

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

**Reserves**

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

**Virement**

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