



Worthing
BOROUGH COUNCIL

***Statement of
Accounts
2005/2006***

WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2006

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Explanatory Foreword

1. Introduction

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

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2005/06. In addition, an outline of the overall financial position of the Council is given.

2. Explanation of Accounting Statements

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

	Page No:
Statement of Responsibilities This statement sets out the respective responsibilities of the Borough Council and the Assistant Director (Financial Services) in respect of the Council's accounts.	8
Statement of Accounting Policies This details the accounting policies that have been adopted in preparing the Statement of Accounts. The purpose of this statement is to enable a fuller understanding of the accounts and specifically to describe the policies that have been adopted for all material items.	9 – 12
The Consolidated Revenue Account This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed from central government grants, national non-domestic rates and income from local council taxpayers.	13 - 19
The Collection Fund The Council is required to maintain a separate collection fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for their distribution to preceptors (West Sussex County Council and The Sussex Police Authority) and the Council's own General Fund. The fund also records the Council's contribution to the National Non-Domestic Rating Pool. The Collection Fund is incorporated in the Consolidated Balance Sheet and The Cash Flow Statement.	20 – 22
The Consolidated Balance Sheet This sets out the financial position of the Council on the 31st March 2006, and is followed by explanatory notes. The Balance Sheet reflects the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in all of its operations, together with summarised information on the fixed assets held.	23 - 35

Explanatory Foreword

2. *Explanation of Accounting Statements* (continued)

	Page No:
The Statement of Total Movements on Reserves	36 – 38
<p>The purpose of this statement is to consider all gains and losses recognised in the year and not just those reported through the income and expenditure accounts. It brings together the revenue outturn for the year, and details of movements in capital reserves, including the fixed asset restatement reserve, the Capital Financing Account and usable capital receipts.</p>	
The Cashflow Statement	39 – 41
<p>This summarises the Council's cash transactions for the year.</p>	
The Group Income and Expenditure Account	42 – 43
<p>This statement, which together with the following Group Statements, is a new requirement for 2005/06 and includes the Borough Council's share of the income and expenditure of all entities in which it has a material interest. For Worthing Borough Council this entails adding its share of the activities of Shoreham Airport which is jointly owned, two thirds by Brighton and Hove City Council and one third by Worthing Borough Council.</p>	
The Group Balance Sheet	44 – 46
<p>As explained above this Balance Sheet includes not only the Consolidated Balance Sheet, but also the Council's share of the assets and liabilities of Shoreham Airport.</p>	
The Group Statement of Total Movements on Reserves	47 – 49
<p>Bringing the gains and losses connected with Shoreham Airport, together with the Borough Council's statement on the movement on reserves outlined above.</p>	
Group Cashflow Statement	50 - 51
<p>Summarising the Group's cash transactions for the year.</p>	

Also included is a Statement of Internal Control (pages 52 - 54), which has been completed under the Corporate Governance Requirements. This gives reasonable assurance that an effective system of internal control is maintained and operated in connection with the resources concerned.

3. *Revenue Spending in 2005/06*

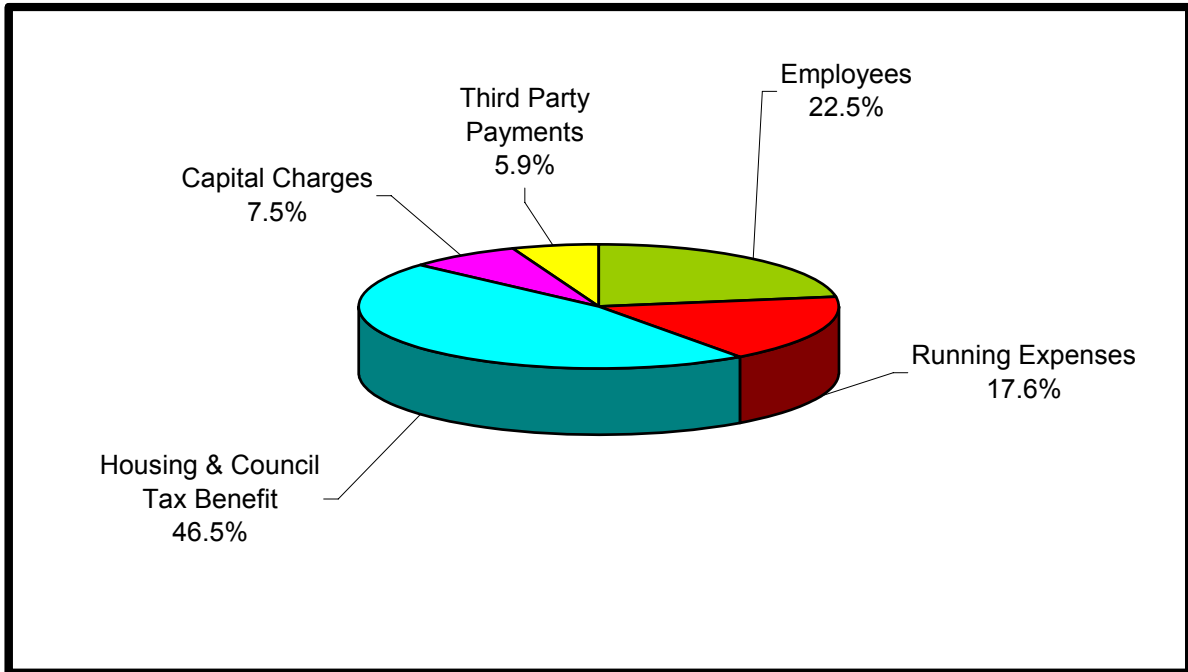
Revenue spending is the day-to-day expenditure incurred by the Council to deliver its services. This expenditure is financed from a variety of sources including Council Tax, Government Grant, charges for services, interest and rents. Total revenue expenditure amounted to £54.3m, of which £25.7m (47%) was on Housing and Council Tax benefits. However, this expenditure was largely met by a specific government grant of £25.6m.

Explanatory Foreword

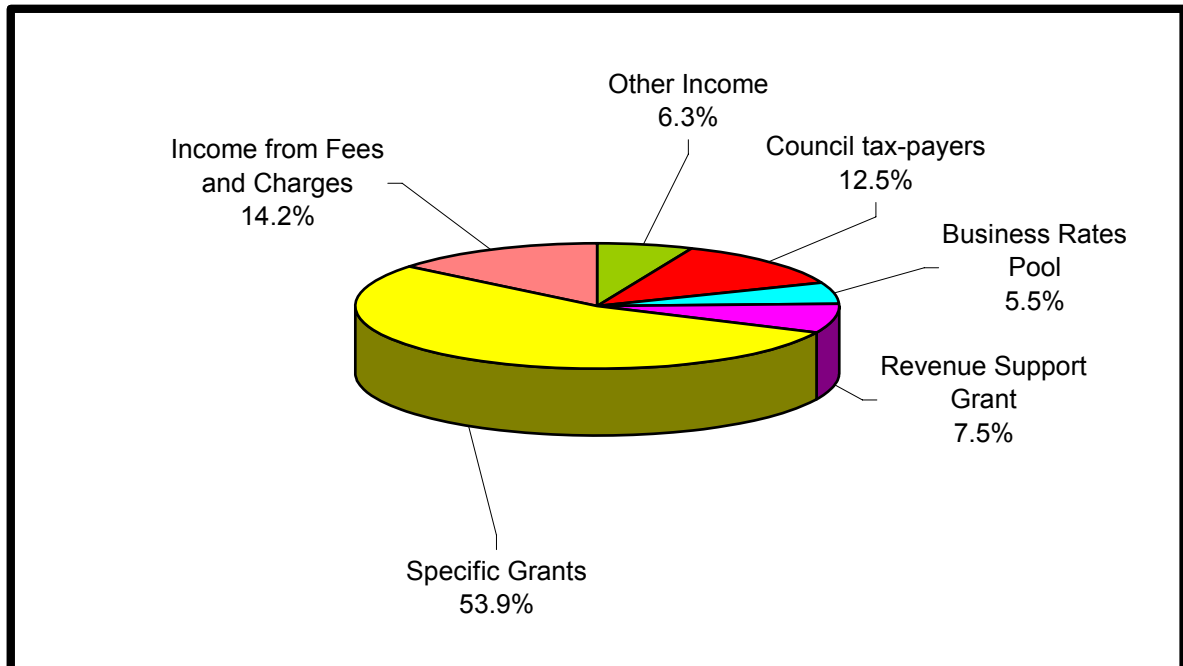
3. **Revenue Spending in 2005/06** (continued)

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

Expenditure by Type



Types of Income



Explanatory Foreword

3. ***Revenue Spending in 2005/06*** (continued)

Net operating expenditure amounted to £15.7m. This was a reduction of £649,000 from the Revised Estimate approved in February 2006. The main reasons for the reduction are listed below.

	Variance (under)/over £'000
Higher return on investments	(140)
Higher income from property rentals	(107)
Additional staff curtailment and pension costs	125
Theatre and Public Entertainment	
- Net cost reductions following Theatres Improvement Review	(116)
Additional Local Authority Business Growth Incentive Grant	(179)
Reduced income from Cremations	52
Increased income from parking	(65)
Underspend on Departmental Holding Accounts	(56)
Other smaller variations	(163)
	(649)

After allowing for transfers to and from reserves the net budget requirement to be met from general government grants and Council Tax was £13.3m, up 6.3% from 2004/05, just over half of which £6.7m, was raised from Council Taxpayers. At the end of the year the Council retained Working Balances of £1.14m (unchanged from 2004/05) and had earmarked revenue reserves of £2.897m (£2.485m in 2004/05).

4. ***Capital Spending 2005/06***

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

Capital spending for the year totalled £3.403m, this was £835,000 less than the revised estimate mainly due to delays in progressing schemes.

An analysis of the main areas of expenditure in 2005/06 is given below.

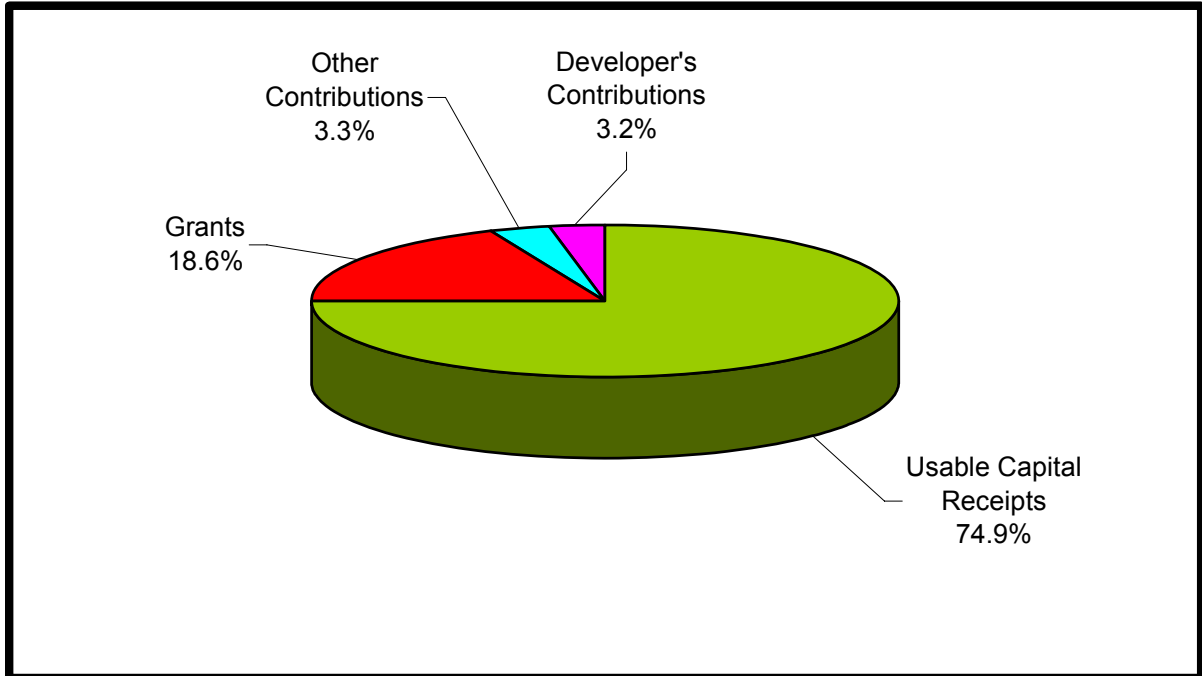
	What the capital money was spent on £'000
Electronic Service Delivery	541
Affordable Housing	590
Housing Renewal Grants	693
Cultural, Leisure and Sport	615
Refuse Vehicles and Equipment	270
Coast Protection	236
Crematorium	197
Other General Fund	261
	3,403

Explanatory Foreword

4. **Capital Spending 2005/06** (continued)

The capital spending was financed from the following:

Where The Capital Monies Came From



5. **Current Issues and Future Plans**

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

The largest item of revenue growth to be incurred in 2006/07 is the introduction of a new free bus travel scheme for older and disabled people at an additional cost of £0.5m, however, this has been matched by an increase in central government grant.

The Council has embarked on a project to replace its current swimming pool, the Aquarena, and to refurbish its main Leisure Centre. Capital budget provision of approximately £24m over the three years 2006/07 to 2008/09 has been made for these schemes to be financed by disposal of specific sites within the Borough. Receipts to the value of £3m have already been secured with terms for the disposal of sites with a value of approximately £18m having either been agreed, or at an advanced stage.

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

West Sussex County Council Pension Fund

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

The Council maintains an earmarked reserve specifically to help offset the cost of future Pension Fund contributions. There was a balance of £1m in this reserve at 31st March, 2006.

Explanatory Foreword

4. *Capital Spending 2005/06* (continued)

The Council maintains an earmarked reserve specifically to help offset the cost of future Pension Fund contributions. There was a balance of £1m in this reserve at 31st March, 2006.

In addition, in accordance with the Code of Accounting Practice and Financial Reporting Standard 17, the Council is required to recalculate the Pension Fund deficit as at 31st March each year. To do this it obtains an actuarial valuation from Hymans Robertson, the Pension Fund's actuary. This shows that the deficit has risen by £1.5m in the year to stand at £39m.

Shoreham Airport

On 27th April, 2006 Worthing Borough Council and Brighton and Hove City Council agreed to sell a long leasehold interest in the Airport to the Erinaceous Group plc, subject to the completion of the legal documentation. The disposal, which is expected to be completed shortly, will generate revenue and capital sums for the Borough Council who currently own one third of the Airport. These sums will be partially offset by the cost of providing for future pension liabilities in respect of airport employees.

6. *Use of Resources*

During 2005/06 the Audit Commission undertook a use of resources assessment. This is a new assessment which looks at how financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It will be carried out annually as part of the Council's external audit and is expected to form part of the Council Corporate Performance Assessment (CPA) framework.

The assessment was scored over 5 elements.

Element	Assessment (Out of 4)
Financial Reporting	3
Financial Management	2
Financial Standing	3
Internal Control	2
Value for Money	2
Overall	2

Note: 1 = lowest, 4 = highest

7. *Medium Term Financial Plan*

The Council approved its first Medium Term Financial Plan (MTFP) in October 2005. Its purpose is to support the Council's corporate planning processes by determining the level of resources that are likely to be available in the future and the demands and pressures that are likely to arise.

The plan is based on a policy of no overall growth in revenue spending other than due to statutory or unavoidable commitments but with a redirection of resources to the Council's highest priorities as set out in its corporate plan. The aim is for at least 1% of the budget (c £140,000) every year is made available for spending on high priority services/actions.

At the same time the MTFP is mindful of the need to maintain General Fund balances and to limit Council Tax increases to 5% or below.

8. *Further Information*

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

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

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

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

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

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

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

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

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

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2006.

SARAH GOBEY

Assistant Director (Financial Services) & Section 151 Officer

Dated: 29th June, 2006

Certificate of Approval by General Purposes Committee

I confirm that these Accounts were approved by the General Purposes Committee of Worthing Borough Council on 29th June, 2006.

Chairman General Purposes 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 in the United Kingdom 2005: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

2. **Income and Expenditure**

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

3. **Costs of Support Services**

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

4. **Government Grants**

Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year ended 31st March, 2006.

5. **Leases**

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

6. **Tangible Fixed Assets**

(a) **Expenditure and Valuation principles**

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

Statement of Accounting Policies (continued)

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

(a) **Expenditure and Valuation principles** (continued)

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. The closing balances at 31st March, 1994 were restated as at 1st April, 1994 to reflect the capital accounting regulations introduced at that date, and further revaluations have taken place at the end of each subsequent financial year to recognise material changes in value. The surpluses arising on the revaluation of fixed assets are credited to the Fixed Asset Restatement Account. The authority applies a five-year rolling programme of revaluations. The principal valuation bases used are:

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

For 2005/06 the values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per item has been applied to new vehicles, plant and equipment, and £50,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income, is included in the balance sheet as usable capital receipts.

(b) **Charges to Revenue for Fixed Assets**

From 1st April, 1994, General Fund service revenue accounts, Central Support Services, and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values at the start of the year. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

(c) **Capital Financing Charges**

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account. This account is also credited with the capital charges made to service revenue accounts for use of assets. The net sum of these transactions has been taken back to the Consolidated Revenue Account in accordance with the accounting Code of Practice so that there is no impact on the amount required to be raised from local taxation for the provision of Council services.

The notional interest rates applied to all fixed assets for Capital Financing Charges in 2005/06 are as follows:

- | | | |
|---|-----------------------------------|-------|
| ■ | assets carried at current value | 3.5% |
| ■ | assets carried at historical cost | 4.95% |

Statement of Accounting Policies (continued)

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

(d) **Impairment**

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

(e) **Depreciation**

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

- depreciation on buildings excludes the land element at a notional apportionment of 20%.
- newly acquired assets are depreciated from the date of acquisition, or the date they become operational (if later). Assets in the course of construction are not depreciated until they are brought into use
- assets disposed of are not depreciated in the year of disposal
- depreciation is calculated using the straight-line method.

7. **Intangible Fixed Assets**

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

8. **Government Grants and Contributions**

Government grants and other contributions in relation to revenue expenditure are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Those relating to capital expenditure are credited to the government grants deferred account and written off to the asset management revenue account to offset the depreciation charge of the fixed assets funded from grants and contributions. Deferred charges for fixed assets are not written down/amortised in the year of acquisition.

9. **Exceptional Items**

Exceptional items have been included on the face of the Consolidated Revenue Account, rather than in the cost of the service to which they relate, in order to give a fair presentation of the accounts and to aid year on year comparisons.

10. **Deferred Charges**

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

11. **Current Assets**

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

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

Statement of Accounting Policies (continued)

12. **Investments**

Long-term investments (i.e. those that will mature in one year or more) are shown in the Consolidated Balance Sheet at cost. All other investments are shown at their nominal value.

13. **Reserves**

From 1st April, 1994, the capital accounting requirements established two reserve accounts in the Consolidated Balance Sheet:

- **Fixed Asset Restatement Account** - this represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets, offset by the book value of assets disposed of in the financial year.
- **Capital Financing Account** - this includes the provision for credit liabilities (PCL), and amounts required by statute to be set aside for the repayment of external debt. It also contains the amount of capital expenditure financed from revenue resources and capital receipts.

In addition, the Usable Capital Receipts Account represents the capital receipts available to finance capital expenditure in future years.

Reserves also include earmarked reserves set aside for specific policy purposes. Further details are given in the notes to the Consolidated Balance Sheet.

14. **Provisions**

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

15. **Debtors and Creditors**

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

16. **Value Added Tax**

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

17. **Pension Costs**

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

Consolidated Revenue Account

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

Notes	2005/06 Gross Expenditure	2005/06 Income	2005/06 Net Expenditure	2004/05 Net Expenditure
1	£'000	£'000	£'000	£'000
Central Services to the Public	7,242	6,235	1,007	929
Cultural, Environmental & Planning Services	18,912	6,874	12,038	11,641
Highways, Roads & Transport Services	1,117	1,033	84	68
Exceptional item relating to car parks impairment review	2	-	-	(4,127)
Housing Services	3	21,250	2,289	2,742
Social Services	22	3	19	19
Corporate and Democratic Core	2,222	16	2,206	2,159
Non-Distributed Costs	4	1,252	790	462
Net Cost of Services	54,306	36,201	18,105	13,677
(Surplus)/Deficit on Trading undertakings	5		40	25
(Surplus)/Deficit on Departmental Holding Accounts			(55)	(50)
Asset Management Revenue Account	6		(2,365)	(2,255)
Interest & Investment Income			(1,176)	(802)
Pensions interest costs net of expected return in Pensions assets			1,187	704
Net Operating Expenditure			15,736	11,299
Appropriations:				
Contributions to/(from) earmarked reserves			412	599
Contributions to/(from) capital reserves			-	(116)
Contribution from Capital Financing Account		7	(980)	(1,517)
Direct Financing of Capital Expenditure			6	6
Amounts charged as depreciation and impairment losses		6	(1,924)	2,370
Government Grant and Contribution written down			212	-
Contribution to/(from) Pensions Reserve		1	(156)	268
Amount to be met from Government Grants & Local Taxpayers			13,306	12,909
Precept demanded on the Collection Fund			(6,703)	(6,420)
Transfer from the Collection Fund on 31st March			72	(3)
Revenue Support Grant			(3,849)	(3,832)
Distribution from Non-Domestic Rate Pool			(2,826)	(2,654)
Deficit/(Surplus) for the year			-	-
Balance at 1st April			(1,140)	(1,140)
Deficit/(Surplus) for the year			-	-
Balance on General Fund carried forward 31st March			(1,140)	(1,140)

Notes to Consolidated Revenue Account

1. Pensions Costs

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

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

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure by an appropriation from the Pensions Reserve.

The following transactions have been made in the CRA during the year:

	2005/06 £'000	2004/05 £'000
Net Cost of Services:		
- current service cost	(1,800)	(1,650)
- past service costs		-
- curtailments and settlements	(49)	(9)
Net Operating Expenditure:		
- Interest cost	(4,550)	(3,648)
- Expected return on assets in the scheme	3,363	2,944
Amounts to be met from Government Grants and Local Taxation:		
- Movement on pensions reserve	156	(268)
Actual amount charged against Council Tax for pensions in the year:		
- Employers' contributions payable to the scheme	(2,880)	(2,631)

2. Exceptional Costs

Following a full structural survey of the Council's Multi-storey Car Parks, a significant impairment loss of £6.141m was identified and charged against the net cost of services in 2002/03. On 1st April 2004, a contract was awarded to National Car Parks Limited covering not only the day-to-day management of the Car Parks, but also a programme of capital investment totalling over £4m to address these structural problems. In view of this, the impairment was reassessed and a sum of £4.1m was credited to the net cost of services in 2004/05.

3. Affordable Housing and House Renovation Grants

Gross expenditure includes £692,808 (£595,404 in 2004/05) relating to the write-off of deferred charges, being amounts paid to third parties for private house renovation, and £590,323 (£903,247 in 2004/05) relating to Affordable Housing Grants.

Notes to Consolidated Revenue Account

4. **Non-Distributed Costs**

This expenditure is excluded from the recharge to particular services by the Best Value Accounting Code of Practice. Net expenditure of £462,000 relates principally to costs in relation to curtailments and settlements £224,000 (£9,133 in 2004/05) and pensions added years 291,685 (£296,776). These costs are offset by the receipt of a defective dwelling grant of £54,241 (£59,950).

5. **Trading Activities**

Trading accounts are kept for former statutory Direct Service Organisations as detailed below:-

	2005/06 Income £'000	2005/06 Expenditure £'000	2005/06 Deficit/(Surplus) £'000	2004/05 Deficit/(Surplus) £'000
Refuse Collection	2,194	2,297	103	(14)
Street Cleaning	870	870	0	(21)
Grounds Maintenance	108	115	7	(5)
Vehicle Maintenance	404	427	23	3
Leisure Management	1,981	2,420	439	335
Operating deficit/(surplus)	5,557	6,129	572	298
FRS 17 Adjustment		40	40	25
Restated deficit/(surplus)	5,557	6,169	612	323

All operating surpluses/deficits have been reapportioned back to services so as not to materially over or understate the service outturns. FRS 17 adjustments are not considered material and have not been reapportioned, but shown as net operating expenditure. This complies with the principles of total cost set out in the Best Value Accounting Code of Practice.

6. **Asset Management Revenue Account**

This account is required under the Capital Accounting regulations and shows the value of capital charges charged to service revenue accounts, offset by the value of actual depreciation charges, external interest payments and finance lease payments arising during the year. The resultant balance is transferred to the Consolidated Revenue Account, so as to neutralise the impact of these charges to services on the amounts to be financed by local taxation.

For 2005/06 the composition of the Asset Management Revenue Account was as follows:-

	£'000		£'000
External Interest	-	Amounts charged to Service	
Provision for depreciation	1,829	Revenue Accounts:	
Impairment	95	Capital Charges	3,982
Balance transferred to		Government Grants &	
Consolidated Revenue Account	2,365	Contributions	212
		Impairment	95
	4,289		4,289

Notes to Consolidated Revenue Account

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

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides electricity and maintains grounds for the Worthing Law Courts, which in total amounted to £11,711 (£9,636 in 2004/05). These costs are recovered in full and are not included in the Consolidated Revenue Account.

12. **Disclosure of Audit Costs**

In 2005/06 Worthing Borough Council incurred the following Audit Commission fees relating to external audit and inspection:

	2005/06	2004/05
	£'000	£'000
Audit – Code of Practice work e.g. accounts, performance review and financial controls	107	94
Inspection – e.g. CPA or scoring of particular services	-	12
Grant Claim Certification	13	25
TOTAL	120	131

13. **S137 Local Government Act 1972**

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

	2005/06	2004/05
	£'000	£'000
Grants to Voluntary Organisations	139	140

14. **Related Party Transactions**

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

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

Notes to Consolidated Revenue Account

14. **Related Party Transactions** (continued)

Members of the Council have direct control over the Council's financial and operating policies. No members, or officers, declared any related party transactions in 2005/06.

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

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

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

Building Regulations Charging Account 2005/06

	2005/06 Chargeable	2005/06 Non- Chargeable	2005/06 Total Building Control	2004/05 Total Building Control
	£'000	£'000	£'000	£'000
<u>EXPENDITURE</u>				
Employees	200	127	327	302
Transport	6	4	10	9
Supplies and Services	7	8	15	21
Central & Support Service charges	51	49	100	93
TOTAL EXPENDITURE	264	188	452	425
<u>INCOME</u>				
Building regulations charges	(269)	-	(269)	(267)
NET OUTTURN FOR YEAR	(5)	188	183	158

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

	Surplus £
2003/04	28,654
2004/05	16,668
2005/06	4,666
Cumulative Surplus	49,988

Notes to Consolidated Revenue Account

16. **Members' Allowances**

The total amount of allowances paid to Council Members during 2005/06 was £173,948 (£154,827 in 2004/05).

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

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

Memorandum Accounts 2005/06	£000s	£000s
<u>Income</u>		
Government Grants	161	
Sussex Police	17	
Worthing Borough Council	92	
West Sussex County Council	65	
Total Income		335
<u>Expenditure</u>		
Revenue	259	
Capital	37	
Total Expenditure		296
Excess Income Over Expenditure		(39)
<u>Balances Brought Forward 1st April, 2005:</u>		(123)
BALANCES CARRIED FORWARD 31ST MARCH, 2006		(162)

This income and expenditure is not included in the Consolidated Revenue Account.

The balances carried forward at 31st March, 2006 will be used to fund a range of agreed specific projects aimed at:

- Reducing crime
- Reassuring the public by preventing and reducing the fear of crime and anti-social behaviour, and specifically relating to the issues of graffiti, fly tipping and other environmental signs of crime.

Collection Fund

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

Income and Expenditure Account			
	See Note No.	2005/06	2004/05
		£'000	£'000
Income:			
Council Tax receivable (net of benefits)	1	42,105	40,332
Transfer from General Fund re benefits	1	5,055	4,610
Contribution from precepting authorities re previous year's deficit		500	-
Income collectable from business ratepayers	2	23,685	23,894
		71,345	68,836
Expenditure:			
Precepts and demands	3	46,860	44,846
Business Rate:			
Payment to National Pool	2	23,380	23,723
Costs of Collection Allowance		134	136
Interest on Refunds		171	35
Council Tax - write-offs and bad debt provision		154	167
Contribution to precepting authorities from previous year's surplus	1	-	19
		70,699	68,926
Surplus/(Deficit) for year		646	(90)
Surplus/(Deficit) at 1st April Brought Forward		(342)	(252)
Surplus/(Deficit) at 31st March Carried Forward	4	304	(342)

Notes to Collection Fund Accounts

1. **Council Tax**

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings. For 2005/06, the Council Tax Base was estimated in November 2004 to be 37,727, calculated as follows:

Band	Estimated No. of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	4,932	6/9	3,287
B	8,430	7/9	6,557
C	11,191	8/9	9,948
D	8,018	9/9	8,018
E	4,851	11/9	5,928
F	2,091	13/9	3,021
G	798	15/9	1,330
H	10	18/9	19
	<hr style="width: 50%; margin: 0 auto;"/>		<hr style="width: 50%; margin: 0 auto;"/>
	40,321		38,108
			<hr style="width: 50%; margin: 0 auto;"/>
			Less: adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief and exempt properties.
			<hr style="width: 50%; margin: 0 auto;"/>
			(381)
			<hr style="width: 50%; margin: 0 auto;"/>
		COUNCIL TAX BASE	37,727
			<hr style="width: 50%; margin: 0 auto;"/>

The Council Tax at Band D was set at £1,242.09 (Borough Council's element £177.66) in order to raise estimated income of £46,860,000. The actual income was £146,000 higher at £47,006,000 made up as follows:

	£'000
Council Tax receivable	42,105
Council Tax Benefit from General Fund	5,055
Write-offs and bad debt provision	(154)
	<hr style="width: 50%; margin: 0 auto;"/>
	47,006
	<hr style="width: 50%; margin: 0 auto;"/>

2. **Income from Business Ratepayers**

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

The total non-domestic rateable value at the 31st March, 2006 was £69,830,283. The national non-domestic multiplier for the year was 42.2p (41.5p small business relief).

Notes to Collection Fund Accounts (continued)

3. **Precepts and Demands**

	£'000
West Sussex County Council	35,998
Sussex Police Authority	4,159
Worthing Borough Council	6,703
	<hr/>
	46,860
	<hr/>

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

Council Tax - the surplus in the Collection Fund representing Council Tax is £303,879. A distribution of £197,050, £22,750 and £37,766 has been made in 2006/07 to West Sussex County Council, Sussex Police Authority and Worthing Borough Council respectively. The remaining surplus of £46,313 will be distributed in subsequent financial years to these bodies in proportion to the value of their respective precepts and demands made on the Collection Fund.

Council Tax arrears at 31st March, 2006 were £1,025,400, after providing for estimated bad debts of £871,400, (2004/05 : £892,790 and £770,000 respectively).

Consolidated Balance Sheet as at 31st March, 2006

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

	See Note No.	As at 31.03.2006		As at 31.03.2005	
		£'000	£'000	£'000	£'000
<u>Intangible Assets</u>	1,3		57		42
<u>Tangible Fixed Assets</u>	2				
Operational:					
Land and Buildings		51,800		52,744	
Community Infrastructure		4,946		4,946	
Vehicles, Plant, Furniture & Equipment		217		213	
		1,449		1,375	
		58,412		59,278	
Non-Operational:					
Investment property		6,259		6,538	
Assets under construction		1,031		-	
Surplus assets for disposal		5,951		6,924	
<u>Total Tangible Fixed Assets</u>			71,653		72,740
<u>Long Term Investments</u>	4		7,050		3,050
<u>Long Term Debtors</u>					
Housing Advances		53		438	
Council House Sales		90		109	
Other Advances		113	256	131	678
<u>Total Net Long Term Assets</u>			79,016		76,510
<u>Current Assets</u>					
Stocks & Work in Progress		114		130	
Debtors & Prepayments	5	7,763		4,745	
Investments		9,700		13,725	
Cash and Bank		46		413	
			17,623		19,013
<u>Less: Current Liabilities</u>					
Creditors and Receipts in Advance		(6,993)		(5,262)	
Temporary Borrowing	6	(28)		(28)	
Bank Overdraft		(91)	(7,112)	-	(5,290)
<u>Total Assets Less Current Liabilities</u>			89,527		90,233
<u>Long Term Liabilities</u>					
Liability related to defined benefit Pension scheme	7		(39,051)		(37,526)
<u>Total Assets Less Liabilities</u>			50,476		52,707
Financed by:					
Fixed Asset Restatement Account	8		45,406		46,638
Capital Financing Account	9		21,439		21,962
Government Grants – deferred	10		1,180		882
Deferred Credits	11		173		198
Usable Capital Receipts Reserve	12		16,224		16,618
Government Grants Unapplied	13		100		-
Pensions Reserve	7		(39,051)		(37,526)
Earmarked Reserves	14		3,561		3,137
Revenue Fund Balances	15		1,444		798
			50,476		52,707

Notes to Consolidated Balance Sheet

1. *Intangible Assets*

Movements during the year:

	Purchased Software Licences £'000
Original Cost	42
Amortisations to 1 st April 2005	0
Balance at 1st April, 2005	42
Expenditure in year	30
Written off to Revenue in year	(15)
Balance at 31st March, 2006	57

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

2. *Tangible Fixed Assets*

(a) *Operational Assets*

Movements during the year:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra- structure £'000	Community Assets £'000	TOTAL £'000
Certified Valuation at 31.03.05	56,366	-	-	-	-
Accumulated Depreciation and Impairment	(3,622)	-	-	-	-
Net Book Value on Assets at 31.03.05	52,744	1,375	213	4,946	59,278
Movements in 2005/06					
Additions	325	479	24	194	1,022
Disposals	-	-	-	-	-
Impairments	(87)	(8)	-	-	(95)
Reclassifications	273	-	-	-	273
Revaluations	(48)	(16)	-	(188)	(252)
Depreciation	(1,407)	(381)	(20)	(6)	(1,814)
Net Book Value of Assets at 31.03.06	51,800	1,449	217	4,946	58,412

Notes to Consolidated Balance Sheet (continued)

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

(b) **Non-Operational Assets**

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	TOTAL £'000
Certified Valuation at 31.03.05	6,802	-	7,140	13,942
Accumulated Depreciation and Impairment	(264)	-	(216)	(480)
Net Book Value of Assets at 31.03.2005	6,538	-	6,924	13,462
Movements in 2005/2006				
Additions	-	1,031	1	1,032
Disposals	-	-	(1,219)	(1,219)
Impairments	-	-	-	-
Reclassifications	(399)	-	126	(273)
Revaluations	120	-	119	239
Net Book Value of Assets at 31.03.2006	6,259	1,031	5,951	13,241

(c) **Land and Buildings**

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

(d) **Community Assets**

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

(e) **Non-operational Assets**

This category includes properties and sites owned by the Authority, which are not directly occupied, used or consumed in the delivery of services, or for the strategic objectives of the Authority. The components at 31st March, 2006 were:

	£'000
Investment Properties:	
Car Parks	86
Industrial Sites	1,722
Pavilions & Other Recreational Premises	1,402
Properties and Developments	3,049
	<hr/>
	6,259
Assets under Construction:	1,031
Surplus Assets held for disposal:	5,951
	<hr/>
	13,241
	<hr/>

Notes to Consolidated Balance Sheet (continued)

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

(e) **Non-operational Assets** (continued)

Further asset revaluations are anticipated in 2006/07 to reflect a rolling programme of revaluation in accordance with CIPFA guidelines.

(f) **Capital Expenditure & Financing**

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

	2005/06 £'000	2004/05 £'000
Opening Requirement as at 1st April	3,738	1,706
Capital Investment		
Operational Assets	1,051	1,357
Non-Operational Assets	1,032	7
Deferred Charges/Long Term Debtors	1,296	1,498
	3,379	2,862
Sources of Finance		
Capital Receipts	(2,533)	(2,481)
Government Grants and Other Contributions	(830)	(773)
Revenue Provision (direct and from reserves)	(16)	(7)
	(3,379)	(3,261)
Other Movements		
Transfer of provision for credit liabilities to Usable Capital Receipts	-	2,035
Financing of 2003/04 creditors	-	399
Movements in Accruals	-	(3)
	-	2,431
Closing Requirement as at 31st March	3,738	3,738

Note: The Prudential Code Regulations effective from 1st April, 2004 required the capital programme to be financed on an accruals basis. The result of this change was that Capital Creditors from 2003/04 needed to be financed in 2004/05.

(g) **Commitments Under Capital Contracts**

Contracts for current and future capital expenditure, which were entered into by 30th June, 2006, include the following significant commitments:

	£'000
Affordable Housing:	
Angola Road	252
Rivoli Phase 1	134
Station Road	180
3TO/Norfolk Hotel	418
Victoria Road	643
Community Centres:	
Contribution to Community Facilities in the Maybridge Area	300
Crematorium Improvement Scheme	1,232
Customer Relationship Management Strategy	175
e-government Initiatives	102

Notes to Consolidated Balance Sheet (continued)

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

(g) **Commitments Under Capital Contracts** (continued)

Supported Housing:	£'000
Recovery Project	50
Town Centre Master Plan – Preparation	92

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

In addition, the Council has firm plans for the following significant capital schemes, which are expected to be entered into by 31st March, 2007:

	£'000
Corporate Electronic Document and Records Management System	175
Disability Discrimination Act Improvements	
Provision of minor alterations and improvements to Council Buildings	391
Greening the Borough	50
Information Technology	148
Integrated Human Resources System	136
Play Areas – General Provision	100
Public Conveniences – Selected Location Refurbishment 2006/07	54
Safety Equipment	75
Seafront Enhancements 2006/07	100
Town Centre Master Plan – Implementation	50

(h) **Fixed assets held by the Council at 31st March, 2006 include:**

	<u>Type of Asset</u>	<u>Number</u>
<u>OPERATIONAL:</u>		
<i>Land and Buildings</i>		
Beach Shelters/Sites		444
Bus Shelters		58
Car Parks		47
Community Centres		15
Crematorium and Cemeteries		3
Entertainment Venues		32
Historic Buildings		4
Parks, Open Spaces, Recreation Grounds		24
Properties and Developments		37
Public Conveniences		38
Shelters		20
Swimming Pool		1
Other		134
		857
<i>Community Assets</i>		
Civic Regalia		6
Parks and Open Spaces		80
		86
<i>Vehicles, Plant, Furniture and Equipment</i>		
Equipment		69
Furniture		3
Vehicles		19
		91
<u>NON-OPERATIONAL:</u>		
Car Parks		5
Industrial Sites		30
Pavilions and Other Recreational Premises		29
Properties and Developments		31
		95

Notes to Consolidated Balance Sheet (continued)

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

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

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

	Land & Buildings £'000	Vehicles, Plant, etc. £'000	TOTAL £'000
Valued at historical cost	5,760	435	6,195
Valued in:			
Current year	1,460	1,449	2,909
Previous year 31.03.05	14,847	-	14,847
Two years ago 31.03.04	8,062	-	8,062
Three years ago 31.03.03	2,134	-	2,134
Four years ago 31.03.02	37,506	-	37,506
TOTAL	69,769	1,884	71,653

(j) **Impairment Review**

As required under capital accounting regulations, the Council completed an Impairment Review of all its assets at 31st March, 2006 to ensure that fixed assets held are recorded at no more than their recoverable amount. The only significant variations in valuations were: the reduction in the value of Hillbarn Toilets (£39,096) and the Plantation Beach Shelter (£65,921) following demolition; a decrease in the value of Meadow Road offices due to part conversion to individual units, resulting in a net overall increase in asset values of £17,706; and a decrease in the value of the existing Property Management System due to obsolescence (£7,418).

3. **Deferred Charges**

Movements during the year were:

	Balance at 31.03.05 £'000	Expenditure £'000	Written off £'000	Balance at 31.03.06 £'000
Affordable Housing	-	590	(590)	-
House Renovation Grants	-	693	(693)	-
Other	-	12	(12)	-
	-	1,295	(1,295)	-

4. **Long Term Investments**

(a) In 1989 the Council invested £50,000 in a 22 year debenture with the Association of District Councils, to assist that body in acquiring new office accommodation. In 1996/97 a repayment plan was agreed with The Association to secure repayment by the year 2011. Under the terms of this plan the Council agreed to pay an annual subscription supplement to fund the redemption.

(b) At 31st March, 2006, the Council held five long term market investments comprising fixed cash deposits totalling £7m. The investments were placed in September and October 2005 and at 31st March, 2006 had approximately 18 months to run to maturity. However, £4m are callable deposits at borrowers option if base rates fall.

Notes to Consolidated Balance Sheet (continued)

5. **Debtors**

Amounts falling due within one year:

	31.03.06 £000s	31.03.05 £000s
NNDR Payers and Council Taxpayers	1,233	1,199
Government Departments	2,673	124
Sundry Debtors	3,535	3,115
Prepayments	322	307
	7,763	4,745

Debtors are shown net of the following allowances for doubtful debts.

	31.03.06 £000s	31.03.05 £000s
NNDR Payers and Council Taxpayers	1,197	1,182
Housing Benefit Overpayments	618	587
Sundry Debtors	49	42
	1,864	1,811

6. **Borrowing**

	At 31.03.05 £'000	New/ Addition £'000	Repaid £'000	At 31.03.06 £'000
Temporary Borrowing: (term 3-12 months)	28	-	-	28
	28	-	-	28

7. **Disclosure of Net Pensions Liability**

Note 1 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme.

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

	31.03.2006 £000s	31.03.2005 £000s
Estimated Employer Assets	58,759	47,280
Present value of scheme liabilities	(93,733)	(80,808)
Present value of unfunded liabilities	(4,077)	(3,998)
Net Pension Liabilities	(39,051)	(37,526)

Notes to Consolidated Balance Sheet (continued)

7. Disclosure of Net Pensions Liability (continued)

This increase in Net Pension Liabilities is analysed below:

	Year to 31.03.06 £000s	Year to 31.03.05 £000s
Net Liability at beginning of the year	(37,526)	(25,461)
Current Service Costs	(1,800)	(1,650)
Employer Contributions	2,592	2,343
Contributions in respect of Unfunded Benefits	288	288
Impact of settlements and curtailments	(49)	(9)
Expected return on Assets	3,363	2,944
Interest on Pension Scheme Liabilities	(4,550)	(3,648)
Actuarial gains/(losses)	(1,369)	(12,333)
Net Liability at end of the year	(39,051)	(37,526)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	31.03.2006 % per annum	31.03.2005 % per annum
Price increases	3.1%	2.9%
Salary increases	4.6%	4.4%
Pension increases	3.1%	2.9%
Discount rate	4.9%	5.4%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 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.

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

	Long-term Return % per annum	Assets at 31.03.2006 £000s	Assets at 31.03.2005 £000s
Equities	7.4%	45,428	35,969
Bonds	4.6%	7,256	5,950
Property	5.5%	3,837	3,160
Cash	4.6%	2,238	2,201
TOTAL	6.8%	58,759	47,280

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

Notes to Consolidated Balance Sheet (continued)

8. **Fixed Asset Restatement Account**

	£'000
Opening Balance at 01.04.05	46,638
Disposal of fixed assets	(1,219)
Revaluations at 31.03.06	(13)
Impairment relative to price decreases	-
Closing Balance at 31.03.06	45,406

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

9. **Capital Financing Account**

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

	£'000	£'000
Balance brought forward 01.04.2005		21,962
Less: Depreciation and impairment losses		(1,712)
		20,250
Plus: 2005/06 expenditure financed from capital receipts	2,533	
2005/06 expenditure financed from revenue account	16	
Grants: West Sussex County Council	4	
Contributions	5	2,558
Less: Write down of deferred charges		(980)
Write down of long-term debtors		(389)
		21,439
Balance carried forward at 31.03.2006		

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

Movements during the year were:

	Balance at 31.03.05	Increases	Written off	Balance at 31.03.06
	£'000	£'000	£'000	£'000
Coast Protection (DEFRA)	27	11	6	32
IEG (ODPM)	509	300	188	621
House Renovation Grants	-	284	284	-
Seafront Cycle Route (DoT)	48	10	2	56
Government Grants	584	605	480	709

Notes to Consolidated Balance Sheet (continued)

10. **Government Grants (and Capital Contributions) - Deferred** (continued)

Movements during the year were:

	<u>Balance at 31.03.05</u>	<u>Increases</u>	<u>Written off</u>	<u>Balance at 31.03.06</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Coast Protection	3	6	3	6
Other Environmental Improvements	295	214	44	465
Capital Contributions	298	220	47	471
Total Government Grants – Deferred	882	825	527	1,180

11. **Deferred Credits**

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

12. **Usable Capital Receipts Reserve**

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

Movements in the year were as follows:

	£'000	£'000
Balance at 01.04.2005		16,618
Add: New receipts in year:		
Gross LSVT receipts	269	
Non fixed asset receipts	170	
Fixed asset sales	1,291	
Repayments of advances	409	2,139
Amount utilised to finance capital expenditure		(2,533)
Balance at 31.03.2006		16,224
To be utilised as follows:		
General Capital Financing		8,679
Ring fenced for future "Leisure Provision"		3,069
Ring fenced for Affordable Housing (RTB Clawback Receipts)		4,476
		16,224

13. **Government Grants Unapplied**

Movements during the year were:

	<u>Balance at 31.03.05</u>	<u>Received in Year</u>	<u>Transferred to Government Grants Deferred</u>	<u>Balance at 31.03.06</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Government Grants	-	100	-	100
Other Contributions	-	-	-	-
	-	100	-	100

Notes to Consolidated Balance Sheet (continued)

14. Reserves

Movements during the year were as follows:

	Closing Balance at <u>31.03.05</u> £'000	Increase £'000	Decrease £'000	Closing Balance at <u>31.03.06</u> £'000
<u>Earmarked Reserves</u>				
Capacity Issues	-	233	-	233
Community Initiatives	10	-	-	10
Conservation Grants	19	6	6	19
Cremator Abatement	-	23	-	23
Crematorium Improvement	-	17	3	14
Economic Development Initiatives	23	178	11	190
Insurance	208	63	26	245
Joint Health Promotion	105	25	23	107
Leisure Lottery & Other Partnerships	133	-	-	133
Leisure Options	-	9	-	9
Museum Reserve	130	-	-	130
Oncost & Working Accounts	28	-	5	23
Pay and Grading Review	-	52	-	52
Pension Contributions	1,000	-	-	1,000
Pier Repair and Renewals	20	-	-	20
Planned Maintenance	57	-	20	37
Special & Other Emergency Expenditure	500	-	100	400
Stock Transfer Equalisation	247	-	-	247
Tree Planting Project	5	-	-	5
	2,485	606	194	2,897
<u>Capital Expenditure Reserve</u>				
Transfers from General Fund	88	-	10	78
	88	-	10	78
<u>Environmental Improvements</u>				
Commuted Sums:				
Transport	225	51	-	276
Open Spaces	339	78	107	310
	564	129	107	586
<u>Summary</u>				
Earmarked Reserves	2,485	606	194	2,897
Capital Expenditure Reserve	88	-	10	78
Environmental Improvements	564	129	107	586
	3,137	735	311	3,561

- (i) The capacity issues reserve has been set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise from 2007/08 onwards.
- (ii) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.

Notes to Consolidated Balance Sheet (continued)

14. **Reserves** (continued)

- (iii) The Conservation Grants Reserve provides grants towards conservation of buildings, where the time between approval and payment of the grant frequently spans two financial years.
- (iv) The Cremator Abatement Reserve and Crematorium Improvement Reserve were established in November 2005 and consist of funds set aside from increases in fees and charges. They are designed to provide funds towards the cost of mercury emission abatement measures and crematorium infrastructure improvements respectively.
- (v) The Economic Development Initiatives Reserve was established by the Economic Development and Marketing Committee on 10th February, 2000 to meet the costs of future economic development initiatives.
- (vi) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (vii) The Joint Health Promotion reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (viii) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (ix) The Leisure Options Reserve has been established using the interest earned from the proceeds of the disposal of certain assets being sold to generate funds to re-provide swimming facilities and refurbishing the Leisure Centre. The reserve will be used for one-off initiatives or pump-priming projects in line with the Council's Corporate Plan priorities.
- (x) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (xi) On-cost and Working Accounts relate to surpluses arising from trading activities in respect of the Director of Services Revenues and Benefits Division. The balances are carried forward to finance equipment replacement.
- (xii) The Pay and Grading Review Reserve has been set up to carry forward unspent monies set aside to fund the Pay and Grading Review being undertaken in 2006/07.
- (xiii) The Pension Contributions Reserve was established in 1997/98 to provide funding for the inevitable increases in the Council's contributions to the West Sussex Pensions Fund beginning in 1999/2000 following the Government's withdrawal of Advance Tax Credits.
- (xiv) The Pier Repairs and Renewals Reserve relates to the Pier Undertaking.
- (xv) The Planned Maintenance Reserve represents the carry forward of planned maintenance work on buildings not completed by the year end.
- (xvi) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.

Notes to Consolidated Balance Sheet (continued)

14. **Reserves** (continued)

- (xvii) The Stock Transfer Equalisation Reserve (STER) was established by the Policy and Resources Committee on 10th February, 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in July 2002 and surplus funds redistributed to other reserves leaving a balance of £247,000 to meet potential VAT liabilities.
- (xviii) The Tree Planting Project Reserve was established to fund "Greening the Borough" initiatives.
- (xix) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.
- (xx) The Environmental Improvements Reserve which consists mainly of receipts from Commuted Sums and Developers' contributions, was established in 1995/96 to finance expenditure relating to the general enhancement of the environment in accordance with legislative requirements and specific agreements negotiated with the Council.

15. **Revenue Fund Balances**

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

	Balance at 31.03.05	Increase	Decrease	Balance at 31.03.06
	£'000	£'000	£'000	£'000
General Fund	1,140	-	-	1,140
Collection Fund	(342)	646	-	304
	798	646	-	1,444

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

16. **Trust Funds**

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

17. **Post Balance Sheets Events**

No events occurred after 31st March, 2006 up to 29th June, 2006, the date of approval of the accounts, that would have a material bearing on the financial results of the past year.

Since that date, Shoreham Airport undertaking was sold for £8.1m of which the net proceeds paid to Worthing Borough Council was £1.36m. These transactions will be accounted for in the 2006/07 financial accounts.

Statement of Total Movements on Reserves

	Notes	2005/06 £000s		2004/05 £000s
<u>Surplus/(deficit) for the year:</u>				
General Fund		-		-
Collection Fund		646		(90)
Movements on specific Earmarked Reserves		424		600
Appropriation to/(from) Pensions Reserve		(156)		268
Actuarial gains/(losses) relating to pensions	1	(1,369)		(12,333)
Total increase/(decrease) in revenue resources	2		(455)	(11,555)
Increase/(decrease) in usable capital receipts		(394)		
Increase/(decrease) in unapplied capital grants and Contributions		75		
Total increase/(decrease) in realised capital resources	3		(319)	876
Gains/(losses) on revaluation of fixed assets		(13)		
Total increase/(decrease) in unrealised value of fixed assets	4		(13)	7,375
Value of assets sold, disposed of or decommissioned	5		(1,219)	(206)
Revenue resources set aside		(523)		
Movement on Government Grants – Deferred		298		
Total increase/(decrease) in amounts set aside to finance capital investment	6		(225)	1,815
TOTAL RECOGNISED GAINS AND LOSSES			(2,231)	(1,695)

Notes to the Statement of Total Movements on Reserves

1. *History of Experience of Gains and Losses on the Pension Reserve*

The actuarial gains and losses identified as movements in the pension reserve can be analysed into the following categories.

	Year to 31.03.06 £'000	Year to 31.03.05 £'000	Year to 31.03.04 £'000	Year to 31.03.03 £'000
Difference between the Expected and Actual Return on Assets	8,210	1,994	5,783	(10,800)
Value of Assets	58,759	47,280	41,537	33,730
Percentage of Assets	14.0%	4.2%	13.9%	(32.0%)
Experience Gains/(Losses) on Liabilities	4	(2,121)	(87)	598
Total Present Value of Liabilities	97,810	84,806	66,998	64,450
Percentage of the Total Present Value of Liabilities	0.0%	(2.5%)	(0.1%)	0.9%
Actuarial Gains/(Losses) Recognised	(1,369)	(12,333)	5,696	(10,202)
Total Present Value of Liabilities	97,810	84,806	66,998	64,450
Percentage of the Total Present Value of Liabilities	(1.4%)	(14.5%)	8.5%	(15.8%)

2. *Movements in Revenue Resources*

	Revenue Fund Balances £'000s	Earmarked Reserves £'000s	Pensions Reserve £'000s
Surplus/(deficit) for 2005/06	646	-	-
Appropriations to/from revenue	-	424	(156)
Actuarial gains and losses relating to pensions	-	-	(1,369)
	646	424	(1,525)
Balance brought forward at 1 st April, 2005	798	3,137	(37,526)
Balance carried forward at 31 st March, 2006	1,444	3,561	(39,051)

3. *Movements in Realised Capital Resources*

	Usable Capital Receipts Reserve £000s	Unapplied Capital Grants and Contributions £000s
Amounts receivable in 2005/06	2,139	100
Amounts transferred to Capital Expenditure Reserve	-	-
Amounts applied to finance new capital investment in 2005/06	(2,533)	(25)
Total increase/(decrease) in realised capital resources in 2006/06	(394)	75
Balance brought forward at 1 st April, 2005	16,618	198
Balance carried forward at 31 st March, 2006	16,224	273

Notes to the Statement of Total Movements on Reserves

4. **Movements in Unrealised Value of Fixed Assets**

	Fixed Asset Restatement Account
	£000s
Gains/(losses) on revaluation of fixed assets 2005/06	(13)
Impairment losses on fixed assets due to general changes in prices in 2005/06	-
	(13)

5. **Value of Assets Sold, Disposed of or Decommissioned**

Amounts written off fixed asset balances for disposals in 2005/06	(1,219)
Total Movement on Reserve in 2005/06	(1,232)
Balance brought forward at 1 st April, 2005	46,638
Balance carried forward at 31 st March, 2006	45,406

6. **Movements in Amounts Set Aside to Finance Capital Investment**

	Capital Financing Account	Government Grants Deferred
	£000s	£000s
Total Capital Receipts set aside in 2005/06	-	
<u>Revenue Resources set aside in 2005/06:</u>		
Capital expenditure financed from revenue	16	
Reconciling amount for provisions for loan repayment	(539)	
	(523)	
Grants applied to capital investment in 2005/06	-	298
Total increase/(decrease) in amounts set aside to finance capital investment	(523)	298
Total movement on reserve in 2005/06	(523)	298
Balance brought forward at 1 st April, 2005	21,962	882
Balance carried forward at 31 st March, 2006	21,439	1,180

Cash Flow Statement

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

	Note	2005/06		2004/05	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		16,328		15,125	
Other operating cash payments		12,214		11,944	
Housing Benefit paid out		20,566		18,308	
National non-domestic rate payments					
To national pool		26,347		22,944	
Precepts paid		40,158	115,613	38,426	106,747
Cash Inflows:					
Rents (after Rebates)		(1,883)		(1,686)	
Council Tax receipts		(41,856)		(40,146)	
National non-domestic rate					
Receipts from national pool		(2,827)		(2,654)	
Non-domestic rate receipts		(25,429)		(23,747)	
Revenue Support Grant		(3,849)		(3,832)	
DWP grants for benefits		(25,900)		(23,367)	
Other government grants	5	(999)		(618)	
Cash received for goods and services		(11,077)	(113,820)	(9,955)	(106,005)
	1		1,793		742
Returns on Investments & Servicing of Finance					
Cash outflows:					
Interest paid				3	
Interest element of finance lease					
Rental payments				-	3
Cash inflows:					
Interest received			(1,131)		(1,081)
Capital Activities					
Cash outflows:					
Purchase of fixed assets		2,392		1,651	
Long Term Investment		4,000		2,000	
Other capital cash payments		1,268	7,660	1,015	4,666
Cash inflows:					
Sale of fixed assets		(2,470)		(2,435)	
Capital grants received	5	(580)		(752)	
Other capital cash receipts		(789)	(3,839)	(4,222)	(7,409)
Net cash (inflow)/outflow before financing	2		4,483		(3,079)
Management of Liquid Resources					
Net increase/(decrease) in short term deposits	3		(4,025)		2,785
Financing					
Cash outflows:					
Repayment of amounts borrowed			-	-	
Cash inflows:					
New Short-term loans			-	-	-
(Increase)/Decrease in cash	2		(458)		(294)

Notes to Cash Flow Statement

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

	2005/06 £'000	2004/05 £'000
Revenue deficit/(surplus)		
General Fund	-	-
Collection Fund	(645)	90
	(645)	90
Capital financed from reserves	(116)	(9)
Capital cash transferred to reserves	-	44
Capital financed from other revenue sources	-	-
Cash transferred from Earmarked Reserves to Capital Sources	-	(97)
Capital financing adjustments	-	-
(Increase)/Reduction in Earmarked Reserves	(425)	(600)
Capital charged to revenue	(6)	(6)
Net receipts on servicing of finance items	1,132	1,078
Adjust for:		
(Increase) in Revenue Creditors	(1,553)	(43)
Increase/(Reduction) in Revenue Debtors	3,422	262
Increase/(Reduction) in Stocks and Work in Progress	(16)	23
	1,793	742
Revenue activities net cash (inflow)/outflow	1,793	742

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

	2005/06 £000	2004/05 £000
Balances at beginning of year:		
Cash in hand/(overdrawn)	413	119
Balances at end of the year:		
Cash in hand (overdrawn)	(45)	413
	(45)	413
Movement in Cash	(458)	294
(Decrease)/Increase in short-term investment	(4,025)	2,785
	(4,483)	3,079
Movement in Net Funds	(4,483)	3,079

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

	2005/06 £'000	2004/05 £'000
Balances at beginning of year:		
Short-term investments	13,725	10,940
Investments made	129,700	131,795
Investments realised	(133,725)	(129,010)
	9,700	13,725
Balances at end of the year:		
Short-term investments	9,700	13,725

Notes to Cash Flow Statement (continued)

4. **Liquid Resources**

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

5. **Analysis of Government Grants**

	2005/06	2004/05
	£'000	£'000
Revenue Grants:		
DEFRA Waste and Performance Efficiency	16	-
DCLG Homeless Initiative	57	-
Repurchase of Defective Dwellings	54	60
DCLG Planning Delivery	325	377
DCLG Homeless Persons Initiative	134	50
Home Office Grants for Community Safety	154	131
DCLG Local Authority Business Grant Initiative	259	-
	999	618
	999	618
	2005/06	2004/05
	£'000	£'000
Capital Grants:		
DCLG Planning Delivery Grant	110	-
ODPM Specified Grants for Housing Renovation	284	257
DCLG Investment in e-Government	150	15
DEFRA Coast Protection	20	480
DEFRA Waste and Performance Efficiency	16	-
	580	752
	580	752

Group Income and Expenditure Account

This statement shows the net expenditure for each service and for the Borough Council's share of the Joint Venture, appropriations to or from balances and reserves, and how net expenditure (after transfers) was met by contributions from the Collection Fund, Revenue Support Grant, and the Non-Domestic Rate Pool.

Notes	£'000	2005/06 Net Expenditure £'000	£'000	2004/05 Net Expenditure £'000
Central Services to the Public		1,007		929
Cultural, Environmental & Planning Services		12,038		11,641
Highways, Roads & Transport Services		84		68
Exceptional item relating to car parks impairment review		-		(4,127)
Housing Services		2,289		2,742
Social Services		19		19
Corporate and Democratic Core		2,206		2,159
Non-Distributed Costs		462		246
Share of Operating Results of Joint Venture Turnover	1 (891)		(831)	
Other Operating Income & Expenditure	813		741	
		(78)		(90)
Net Cost of Services		18,027		13,587
(Surplus)/Deficit on Trading undertakings		40		25
(Surplus)/Deficit on Departmental Holding Accounts		(55)		(50)
Share of Interest payable by Joint Venture		63		64
Asset Management Revenue Account		(2,365)		(2,255)
Interest & Investment Income		(1,176)		(802)
Share of Interest Receivable by Joint Venture	1	(5)		(5)
Pensions interest costs net of expected return in Pensions assets		1,187		704
Share of net Pensions costs of Joint Venture	1&2	6		2
Net Operating Expenditure		15,722		11,270
Appropriations:				
Contributions to/(from) earmarked reserves		412		599
Contributions to/(from) capital reserves		-		(116)
Contribution from Capital Financing Account		(980)		(1,517)
Direct Financing of Capital Expenditure		6		6
Amounts charged as depreciation & impairment losses		(1,924)		2,370
Government Grant and Contribution written down		212		-
Contribution to/(from) Pensions Reserve	2	(156)		268
Appropriation to Group Income & Expenditure Reserve	1	14		29
To be met from Gov't Grants & Local Taxpayers		13,306		12,909
Precept demanded on the Collection Fund		(6,703)		(6,420)
Transfer from the Collection Fund on 31st March		72		(3)
Revenue Support Grant		(3,849)		(3,832)
Distribution from Non-Domestic Rate Pool		(2,826)		(2,654)
Deficit/(Surplus) for the year		-		-
Balance at 1st April		(1,140)		(1,140)
Deficit/(Surplus) for the year		-		-
Balance on General Fund carried forward 31st March		(1,140)		(1,140)

Notes to Group Income and Expenditure Account

1. Nature of Joint Venture

The only activity in addition to those included in the Consolidated Revenue Account (page 13) is in respect of Shoreham Airport. The operation of the airfield at Shoreham, together with associated commercial activities is managed by a joint Committee of Brighton and Hove City Council and Worthing Borough Council. This joint venture is owned two thirds by Brighton and Hove City Council and one-third by Worthing Borough Council. Any significant operational or policy decision in respect of the Airport, including use of reserves, requires agreement of both parties.

There are no amounts owing or owed between the Airport and Worthing Borough Council.

With the exception of note 2 below there are no notes required in addition those notes required for the Council's Consolidated Revenue Account. Please refer to pages 14-19 for these details.

2. Pensions Costs

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

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

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Group Income and Expenditure Account after Net Operating Expenditure by an appropriation from the Pensions Reserve.

The following transactions have been made during the year:

	2005/06		2004/05	
	Worthing Borough Council £'000	Share of Joint Venture £'000	Worthing Borough Council £'000	Share of Joint Venture £'000
Net Cost of Services:				
- current service cost	(1,800)	(33)	(1,650)	(28)
- past service costs	-	-	-	-
- curtailments and settlements	(49)	-	(9)	-
Net Operating Expenditure:				
- Interest cost	(4,550)	(53)	(3,648)	(45)
- Expected return on assets in the scheme	3,363	47	2,944	43
Amounts to be met from Government Grants and Local Taxation:				
- Movement on pensions reserve	156	-	(268)	-
Actual amount charged against Council Tax for pensions in the year:				
- Employers' contributions payable to the scheme	(2,880)	(39)	(2,631)	(30)

Group Balance Sheet as at 31st March, 2006

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

	See Note No.	As at 31.03.2006		As at 31.03.2005	
		£'000	£'000	£'000	£'000
Intangible Assets			57		42
Tangible Fixed Assets					
Operational:					
Land and Buildings		51,800		52,744	
Community Infrastructure		4,946		4,946	
Vehicles, Plant, Furniture & Equipment		217		213	
		1,449		1,375	
		58,412		59,278	
Non-Operational:					
Investment property		6,259		6,538	
Assets under construction		1,031		-	
Surplus assets for disposal		5,951		6,924	
Total Tangible Fixed Assets			71,653		72,740
Long Term Investments			7,050		3,050
Share in Joint Venture	1				
Share in Gross Assets		7,414		7,408	
Less: Share in Gross Liabilities		(1,738)		(1,662)	
Total Share in Joint Venture			5,676		5,746
Long Term Debtors					
Housing Advances		53		438	
Council House Sales		90		109	
Other Advances		113	256	131	678
Total Net Long Term Assets			84,692		82,256
Current Assets					
Stocks & Work in Progress		114		130	
Debtors & Prepayments		7,763		4,745	
Investments		9,700		13,725	
Cash and Bank		46		413	
			17,623		19,013
Less: Current Liabilities					
Creditors and Receipts in Advance		(6,993)		(5,262)	
Temporary Borrowing		(28)		(28)	
Bank Overdraft		(91)	(7,112)	-	(5,290)
Total Assets Less Current Liabilities			95,203		95,979
Long Term Liabilities					
Liability related to defined benefit Pension scheme			(39,051)		(37,526)
Total Assets Less Liabilities			56,152		58,453
Financed by:					
Revaluation Reserve	1		5,863		5,935
Fixed Asset Restatement Account			45,406		46,638
Capital Financing Account			21,439		21,962
Government Grants – deferred			1,180		882
Deferred Credits			173		198
Usable Capital Receipts Reserve			16,224		16,618
Government Grants Unapplied			100		-
Share of Joint Venture In. & Exp. Reserve	1		116		115
Pensions Reserve	2		(39,354)		(37,830)
Earmarked Reserves			3,561		3,137
Revenue Fund Balances			1,444		798
			56,152		58,453

Notes to Group Balance Sheet

1. **Joint Venture – Shoreham Airport**

The only assets and liabilities in addition to those included in the Consolidated Balance Sheet (page 23) is in respect of Shoreham Airport which is jointly owned, two thirds Brighton and Hove City Council, one third Worthing Borough Council.

The Airport, which is managed by a Joint Committee of the two Councils, had net assets of £17.028m at 31st March, 2006 (£17.240m at 31st March, 2005) and made a net surplus for the year 2005/06 of £41,000 (2004/05 £89,000). Worthing Borough Council has a right to a third share of these assets and surpluses.

With the exception of those detailed below, there are no notes required in addition to the notes required for Worthing Borough Council's Consolidated Balance Sheet. Please refer to pages 24-35 for these details.

2. **Disclosure of Net Pensions Liability**

Note 1 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme.

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

	2005/2006		2004/2005	
	Worthing Borough Council £000s	Share of Joint Venture £000s	Worthing Borough Council £000s	Share of Joint Venture £000s
Estimated Employer Assets	58,759	847	47,280	679
Present value of scheme liabilities	(93,733)	(1,117)	(80,808)	(950)
Present value of unfunded liabilities	(4,077)	(33)	(3,998)	(33)
Net Pension Liabilities	(39,051)	(303)	(37,526)	(304)

This increase in Net Pension Liabilities is analysed below:

	2005/2006		2004/2005	
	Worthing Borough Council £000s	Share of Joint Venture £000s	Worthing Borough Council £000s	Share of Joint Venture £000s
Net Liability at beginning the year	(37,526)	(304)	(25,461)	(206)
Current Service Costs	(1,800)	(33)	(1,650)	(28)
Employer Contributions	2,592	38	2,343	29
Contributions in respect of unfunded Benefits	288	2	288	2
Impact of settlements & curtailments	(49)	-	(9)	-
Expected return on Assets	3,363	48	2,944	43
Interest on Pension Scheme Liabilities	(4,550)	(53)	(3,648)	(44)
Actuarial gains/(losses)	(1,369)	(1)	(12,333)	(100)
Net Liability at end of the year	(39,051)	(303)	(37,526)	(304)

Notes to Group Balance Sheet

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	31.03.2006 % per annum	31.03.2005 % per annum
Price increases	3.1%	2.9%
Salary increases	4.6%	4.4%
Pension increases	3.1%	2.9%
Discount rate	4.9%	5.4%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 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.

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

	ASSETS AT 31.03.2006			ASSETS AT 31.03.2005	
	Long-term Return % per annum	Worthing Borough Council £000s	Share of Joint Venture £000s	Worthing Borough Council £000s	Share of Joint Venture £000s
Equities	7.4%	45,428	580	35,969	504
Bonds	4.6%	7,256	97	5,950	75
Property	5.5%	3,837	83	3,160	74
Cash	4.6%	2,238	87	2,201	26
TOTAL		58,759	847	47,280	679

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

Group Statement of Total Movements on Reserves

	Notes	2005/06 £000s		2004/05 £000s
<u>Surplus/(deficit) for the year:</u>				
General Fund		-		-
Collection Fund		646		(90)
Share of Joint Venture		14		29
Movements on specific Earmarked Reserves		424		600
Share of transfer to/(from) Joint Venture Earmarked Reserves		(13)		3
Appropriation to/(from) Pensions Reserve		(156)		268
Actuarial gains/(losses) relating to pensions	1	(1,368)		(12,431)
Total increase/(decrease) in revenue resources	2		(453)	(11,621)
Increase/(decrease) in usable capital receipts		(394)		
Increase/(decrease) in unapplied capital grants and Contributions		75		
Total increase/(decrease) in realised capital resources			(319)	876
Gains/(losses) on revaluation of fixed assets		(13)		
Total increase/(decrease) in unrealised value of fixed assets			(13)	7,375
Increase/(Decrease) in Share of Joint Venture	3		(72)	5,783
Value of assets sold, disposed of or decommissioned			(1,219)	(206)
Revenue resources set aside		(523)		
Movement on Government Grants – Deferred		298		
Total increase/(decrease) in amounts set aside to finance capital investment			(225)	1,815
TOTAL RECOGNISED GAINS AND LOSSES			(2,301)	4,022

Notes to Group Statement of Total Movements on Reserves

1. *History of Experience of Gains and Losses on the Pension Reserve*

The actuarial gains and losses identified as movements in the pension reserve for Worthing Borough Council can be analysed into the following categories.

	Year to 31.03.06 £'000	Year to 31.03.05 £'000	Year to 31.03.04 £'000	Year to 31.03.03 £'000
Difference between the Expected and Actual Return on Assets	8,210	1,994	5,783	(10,800)
Value of Assets	58,759	47,280	41,537	33,730
Percentage of Assets	14.0%	4.2%	13.9%	(32.0%)
Experience Gains/(Losses) on Liabilities	4	(2,121)	(87)	598
Total Present Value of Liabilities	97,810	84,806	66,998	64,450
Percentage of the Total Present Value of Liabilities	0.0%	(2.5%)	(0.1%)	0.9%
Actuarial Gains/(Losses) Recognised	(1,369)	(12,333)	5,696	(10,202)
Total Present Value of Liabilities	97,810	84,806	66,998	64,450
Percentage of the Total Present Value of Liabilities	(1.4%)	(14.5%)	8.5%	(15.8%)

For the Council's share of the Shoreham Airport pension reserve the analysis is as follows:

	Year to 31.03.06 £'000	Year to 31.03.05 £'000	Year to 31.03.04 £'000	Year to 31.03.03 £'000
Difference between the Expected and Actual Return on Assets	119	27	73	(141)
Value of Assets	847	679	607	497
Percentage of Assets	14.0%	4.0%	12.0%	(28.4%)
Experience Gains/(Losses) on Liabilities	3	23	(5)	(19)
Total Present Value of Liabilities	1,150	983	813	748
Percentage of the Total Present Value of Liabilities	0.3%	(2.3%)	(0.6%)	2.5%
Actuarial Gains/(Losses) Recognised	(1)	(100)	68	(160)
Total Present Value of Liabilities	1,150	983	813	748
Percentage of the Total Present Value of Liabilities	(0.1%)	(10.2%)	8.4%	(21.4%)

2. *Movements in Revenue Resources*

	Revenue Fund Balances £'000s	Share of Joint Venture £'000s	Earmarked Reserves £'000s	Pensions Reserve £'000s	Share of Joint Venture Pension Reserve £'000s
Surplus/(deficit) for 2005/06	646	14	-	-	-
Appropriations to/from revenue	-	(13)	424	(156)	-
Actuarial gains and losses relating to pensions	-	-	-	(1,369)	1
	646	1	424	(1,525)	1
Balance brought forward at 1 st April, 2005	798	115	3,137	(37,526)	(304)
Balance carried forward at 31 st March, 2006	1,444	116	3,561	(39,051)	(303)

Notes to Group Statement of Total Movements on Reserves

3. ***Increase/(Decrease) in Share of Joint Venture***

This represents the movement in the Council share of the net assets of Shoreham Airport. The significant increase in 2004/05 reflected a revaluation of the assets undertaken in accordance with SORP guidance by an independent company of RICS qualified commercial property consultants.

4 Except as noted above the remainder of the Statement is as per the Statement of Total Movement on Reserves on page 36. Please see the notes on pages 37-38 for further details.

Group Cash Flow Statement

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

	Note	2005/06		2004/05	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		16,328		15,125	
Other operating cash payments		12,214		11,944	
Housing Benefit paid out		20,566		18,308	
National non-domestic rate payments					
To national pool		26,347		22,944	
Precepts paid		40,158	115,613	38,426	106,747
Cash Inflows:					
Rents (after Rebates)		(1,883)		(1,686)	
Council Tax receipts		(41,856)		(40,146)	
National non-domestic rate					
Receipts from national pool		(2,827)		(2,654)	
Non-domestic rate receipts		(25,429)		(23,747)	
Revenue Support Grant		(3,849)		(3,832)	
DWP grants for benefits		(25,900)		(23,367)	
Other government grants		(999)		(618)	
Cash received for goods and services		(11,077)	(113,820)	(9,955)	(106,005)
Dividends from Joint Venture	1		1,793		742
			-		-
Returns on Investments & Servicing of Finance					
Cash outflows:					
Interest paid				3	
Interest element of finance lease					
Rental payments				-	3
Cash inflows:					
Interest received			(1,131)		(1,081)
Capital Activities					
Cash outflows:					
Purchase of fixed assets		2,392		1,651	
Long Term Investment		4,000		2,000	
Other capital cash payments		1,268	7,660	1,015	4,666
Cash inflows:					
Sale of fixed assets		(2,470)		(2,435)	
Capital grants received		(580)		(752)	
Other capital cash receipts		(789)	(3,839)	(4,222)	(7,409)
Net cash (inflow)/outflow before financing			4,483		(3,079)
Management of Liquid Resources					
Net increase/(decrease) in short term deposits			(4,025)		2,785
Financing					
Cash outflows:					
Repayment of amounts borrowed			-	-	
Cash inflows:					
New Short-term loans			-	-	-
(Increase)/Decrease in cash			(458)		(294)

Notes to Group Cash Flow Statement

1. *Joint Venture*

No dividends were received from the Council's share of Shoreham Airport in either 2005/06 or 2004/05. There were no other cash flows between the Council and the joint venture. The Group Cash Flow Statement is thus identical to the Statement on page 39. The relevant notes to the Statement can be found on pages 40 and 41.

Statement on Internal Control

1. Scope Of Responsibility

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

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

2. The Purpose Of The System Of Internal Control

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

The system of internal control has been in place at Worthing Borough Council for the year ending 31 March 2006 and up to date of the approval of the statement of accounts.

3. The Internal Control Environment

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

Establishing and monitoring the achievement of the authority's objectives

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

The facilitation of policy and decision making.

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

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

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

Statement on Internal Control

3. The Internal Control Environment (continued)

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

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

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

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

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

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

4. Review Of Effectiveness

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. For this statement the review of the effectiveness of the system of internal control has been informed by the work of the internal auditors and senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also through comments made by the external auditors, other review agencies and inspectorates.

Progress has been made on the significant weakness highlighted in last year's statement, in particular:

- An Interim Chief Executive was appointed in November 2005 to address the effect of the continued long term absence of the Chief Executive. Subsequently, the Chief Executive has taken early retirement on the grounds of ill-health and the Council has decided to fill the post of Chief Executive and extended current arrangements with the Interim Chief Executive until December 2006 whilst the recruitment process occurs.

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

- Reviewing the list of statutory principal obligations and organisational objectives drafted for the 2004/05 Statement of Internal Control. This review included updating the list with specific risk information from the Council's Risk Register;
- Obtaining assurance on the key controls employed in respect of these objectives and risks from internal audit reports; external audit reports and letters; information and reports provided by senior managers on reviews/inspections undertaken by external bodies and from other documents, reports etc available on the Council's Intranet;
- Identifying gaps in the assurance process and noting actions required to address such gaps;
- Highlighting any significant internal control issues.

Statement on Internal Control

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

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

5 **Significant Internal Control Issues**

No significant internal 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:

- Address the issues identified by officers and Members to improve leadership, the capacity of the Council and to deliver improvement and enhance management of staff;
- Continue to sharpen the Council's priorities and direct resources towards high priority areas and away from low priority areas;
- Ensure that the renewed focus on performance issues leads to action that delivers improved performance.

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

Signed:

Keith Mercer
Leader of the Council

Date:

27th June, 2006

Signed:

Ian Lowrie
Interim Chief Executive

Date:

27th June, 2006

Independent Auditor's Report to Worthing Borough Council

Opinion on the Financial Statements

I have audited the financial statements of Worthing Borough Council for the year ended 31st March, 2006 under the Audit Commission Act 1998. These comprise the Consolidated Revenue Account, the Balance Sheet, the Collection Fund, the Cashflow Statement, the Statement of Total Movement in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective Responsibilities of the Chief Financial 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 in the United Kingdom 2005 are set out in the Statement of Accountable Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority and its income and expenditure for the year, 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 on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" (published April 2004) I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read the 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.

Independent Auditor's Report to Worthing Borough Council

Basis of Audit Opinion (continued)

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 judgements 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 the 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 31st March, 2006 and its income and expenditure for the year then ended.

Signature:

Name: Chris Westwood
District Auditor and Relationship Manager

Date: 26th September, 2006

Address: Audit Commission,
44-45 West Street,
Chichester,
West Sussex,
P019 1RP.

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.

Independent Auditor's Report to Worthing Borough Council

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, Worthing Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

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 19 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Signature:

Name: Chris Westwood
District Auditor and Relationship Manager

Date: 26th September, 2006

Address: Audit Commission,
44-45 West Street,
Chichester,
West Sussex,
P019 1RP.