

Worthing
BOROUGH COUNCIL

***Statement of
Accounts
2004/2005***

WORTHING BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
for the year ended 31st March, 2005

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Explanatory Foreword

1. *Introduction*

The purpose of the Statement of Accounts is to provide information on the ways the Council, through its Cabinet and Cabinet Members 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 in a concise form the various statutory accounts together with other relevant information.

2. *District Profile*

The Town

Worthing has the dual attractions of the coast and the countryside and these aspects have helped shape the development of the town as a whole. The countryside surrounding the town falls largely within the South Downs Area of Outstanding Natural Beauty, which may be designated as a National Park in a few years time.

The People

There are just over 97,500 people living in Worthing, in 44,130 households, making it the second largest town in West Sussex. Population projections produced by the Office for National Statistics indicate that by 2016 the population may have grown to 102,835.

Worthing is the second most deprived local authority area in West Sussex. The Central and Heene wards are the most deprived wards within Worthing and rank 4th and 7th respectively in relation to the other 55 wards in West Sussex.

Worthing has in the past had the reputation of having a largely elderly population. Whilst it remains true that the over 60 age group makes up a significant element of the total population, change is occurring. The proportion of the 60+ age group was 28% in 2001, compared to 38% of the population in 1981 and 41% in 1971. The growth in the population has been most notable in the 16-44 and 45-59 age groups. These are the key household forming age groups.

The Economy

Worthing has excellent representation in leading business sectors, including finance, pharmaceuticals and customer services. The banking, financial and insurance sectors employ over a quarter of the workforce whilst the service related industries employ a third of the employees in the Borough. Worthing also has strong areas of employment in manufacturing, transport and tourism. Worthing has an economically active population of 46,011, which is qualified with up-to-date skills, particularly in financial systems and services.

The presence of international companies has been instrumental in developing the local economy and looking to the future it is expected that Worthing's economy will continue to grow, with the population of working age expected to increase to over 58,000 by 2006, an increase of 5% since 1998. The growth in GVA per FTE workers has grown by 3.5% in 2003/4.

As at March 2005 the unemployment figure for Worthing was 1.2%, considerably lower than the national average of 2.4%.

3. *Political Structure*

Due to the increase in population in the Durrington area of the town, the Boundary Commission has split the ward into two with four seats available instead of three and the new arrangements were in place for the all-out elections held in June, 2004. The new ward created will be known as Northbrook.

Explanatory Foreword (continued)

3. ***Political Structure*** (continued)

In June 2004 the Council held all-out elections following the changes in the ward boundaries. The Council comprises 37 Members and following the election the Conservatives held 26 seats and the Liberal Democrats had 11. During 2004/05 the Council operated a cabinet style system of governance, with "The Cabinet" comprising of a Leader and 4 Cabinet Members, with an Overview and Scrutiny Committee operating in place of the old style service based committees.

4. ***Revenue Spending in 2004/05***

2004/05 Budget

The initial forecast of General Fund requirements began soon after the budget for 2003/04 was approved. A significant range of essential savings/improved income opportunities was identified which were not expected to seriously affect services. In addition, allowance was made for all known unavoidable and committed growth in expenditures and reductions in income. The position was worsened by the influence of further unforeseen cost increases such as the higher than expected insurance premiums following the re-tender of the long-term insurance agreement, and the effect of increasing the excesses on the property and liability risk policies (£99,950), together with the continuing decline in investment earnings and loss of income on certain functions (Land Charges) and activities (Leisure facilities).

A significant range of essential savings/improved income opportunities together totalling around £482,000 were identified which were not expected to seriously affect services. These included increases in some fees and charges over and above inflation where these could be borne by the market. The forecast also provided for additional funding for costs related to service improvements linked to the Council's formally agreed Mission Statement and Strategic Objectives, including the waste collection and recycling service (£126,000), and the continuation of the extra money approved in 2003/2004 for enhanced cleansing. In addition, cognizance was given to budgetary requirements emanating from Service Plans prepared under the Performance Management Framework, although no significant new revenue budget demands or savings were identified for 2004/05 in this exercise.

The detailed budget changes were approved by the Executive on the 10th December 2003. The net expenditure forecast for 2004/05 agreed at that stage totalled £14.346m. This figure took into account the planned drawdowns from reserves agreed under the July 2003 budget strategy including £16,260 from the working balance and £150,000 from the Pension Contributions Reserve (to help mitigate the impact of the last Pension Fund valuation).

However, due to the change in funding of Housing and Council Tax Benefits by direct grant as announced as part of the provisional Local Government Finance Settlement, the figure of £14.346m forecast in December 2003, needed to be reduced by £1.244m, and incorporating the planned use of reserves, resulted in a revised forecast net expenditure of £13.102m. This compared with the final estimate of General Revenue Account requirements (net of the agreed transfers from reserves) of £13.230m, an increase of £128,000 on the forecast. The change was due primarily to further changes in the net effect of the Car Parks PPP on the overall Council budget and an underprovision for inflation and annual increments not identified when the original forecasts were prepared last Autumn.

Explanatory Foreword (continued)

4. Revenue Spending in 2004/05 (continued)

Revised Budget

At its meeting on the 1st February 2005 the Cabinet approved a revised revenue budget of £13,099,840 an increase of £43,720 on the originally approved budget of £13,056,120. This followed the consideration of a detailed report of all the known significant variations in budgeted expenditure and income in the financial year 2004/05. The report highlighted the estimates that had already been approved during the year and those requiring approval to cover the various changes reported during that committee cycle. However, as a result of the expenditure reported at this stage, there was little likelihood of any call on the Council's General Fund Working Balance in 2004/05.

Actual Spending

The following is an extract from the Consolidated Revenue Account which shows the actual spending for the year produced in a format compliant with BVACOP. This 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	2004/05 Gross Expenditure	2004/05 Income	2004/05 Net Expenditure	2003/04 Net Expenditure
1	£'000	£'000	£'000	£'000
Central Services to the Public	6,606	5,677	929	1,060
Cultural, Environmental & Planning Services	17,696	6,055	11,641	11,621
Highways, Roads & Transport Services	959	891	68	(67)
Exceptional item relating to car parks impairment review	-	4,127	(4,127)	-
2				
Housing Services	22,048	19,306	2,742	2,493
3				
Social Services	22	3	19	65
Corporate and Democratic Core	2,159	-	2,159	2,024
4				
Non-Distributed Costs	807	561	246	374
Net Cost of Services	50,297	36,620	13,677	17,570
(Surplus)/Deficit on Trading undertakings			25	(11)
(Surplus)/Deficit on Departmental Holding Accounts			(50)	(54)
Asset Management Revenue Account			(2,255)	(2,272)
Interest & Investment Income			(802)	(678)
Pensions interest costs net of expected return in Pensions assets			704	1,483
Net Operating Expenditure			11,299	16,038
Appropriations:				
Contributions to/(from) earmarked reserves			599	93
Contributions to/(from) capital reserves			(116)	(34)
Contribution from Capital Financing Account		7	(1,517)	(635)
Direct Financing of Capital Expenditure			6	1
Amounts charged as depreciation and impairment losses			2,370	(1,661)
Contribution to/(from) Pensions Reserve			268	(437)
Amount to be met from Government Grants and Local Taxpayers			12,909	13,365
Precept demanded on the Collection Fund			(6,420)	(5,802)
Transfer from the Collection Fund on 31st March			(3)	(28)
Revenue Support Grant			(3,832)	(4,128)
Distribution from Non-Domestic Rate Pool			(2,654)	(3,407)
Deficit/(Surplus) for the year			-	-
Balance at 1st April, 2004			(1,140)	(1,140)
Deficit/(Surplus) for the year			-	-
Balance on General Fund carried forward 31st March, 2005			(1,140)	(1,140)

Explanatory Foreword (continued)

4. Revenue Spending in 2004/05 (continued)

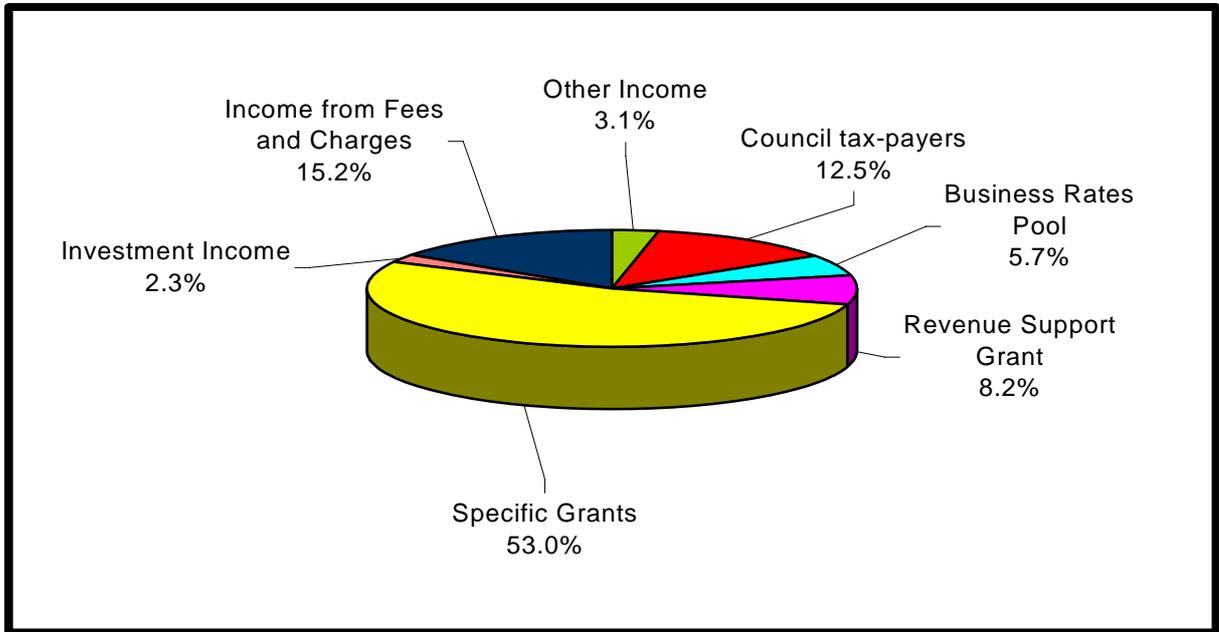
This table represents the information shown previously to reflect the spending under the agreed Executive Member portfolios. The underspending shown below, after being adjusted for the carry over of certain budgets, enabled the transfer of £444,880 to specific earmarked reserves, and no call on the working balance was made in the year.

REVENUE OUTTURN 2004/05			
[1] Cabinet Member	[2] 2004/05 Revised Estimate	[3] 2004/05 Actual Outturn	[4] Variations in Cabinet Member Net Requirements
	£	£	£ Notes
Leader	3,748,630	3,847,747	99,117
Community Development & Housing	1,901,890	1,858,025	(43,865) (a)
Culture, Leisure and Sport	7,265,780	6,811,736	(454,044)
Economic Development, Planning & Tourism	1,285,430	1,276,313	(9,117) (b)
Environment	(1,101,890)	(1,305,117)	(203,227) (c)
Leader: Holding Accounts	-	(50,316)	(50,316)
Total Cabinet Member Requirements	13,099,840	12,438,388	(661,452) (d)(e)
Revenue Expenditure funded from Reserves	(144,440)	(129,351)	15,089
Total Net Spending	12,955,400	12,309,037	(646,363)
NET OVERALL UNDERSPENDING		(646,363)	
Notes:			
(a) The Cabinet is recommended to carry forward a balance of £5,130 to the community initiatives reserve and change its terms of reference, so that it can be used for partnership initiatives in support of community engagement.			
(b) The Cabinet is recommended to carry forward the following slippage in the Economic Development, Planning and Tourism budgets:			
(i) Heritage Regeneration Scheme (£4,280) – street furniture improvements for west end of Montague Street.			
(ii) "Visit Sussex" software upgrade (£3,000).			
(iii) Economic Development: Northbrook Trading Estate signage (£3,620).			
(iv) Local Plan Retail Study (£12,000).			
Currently there is no balance in the Economic Development and Marketing Reserve. The proposed carry forward would, therefore, require a transfer to reserves of £22,900.			
(c) The Cabinet is recommended to carry forward the sum of £105,100 received from the local teaching Primary Care Trust (see detailed report to Cabinet 08.06.05). Currently there is no reserve to fund Joint Health Promotion. The proposed carry forward would, therefore, require a transfer £105,100 into the new fund as proposed in the above report.			
(d) The Cabinet is recommended to carry forward planned maintenance expenditure to the value of £57,000 representing approved works not completed in 2004/05. There is already £57,000 in the Prop. Maint. Reserve, so the proposed carry forward would, therefore, require no transfer to reserves.			
			£
Field Place	Flat refurbishment works		24,000
Leisure Centre	Main Hall ceiling panels		12,000
West Durrington	Footway lighting		10,000
Woods Way	Resurface parking bays		5,000
Aquarena	Ongoing roof repairs to plant enclosure		5,000
Portland House	Internal redecorations		1,000
			57,000
(e) The Cabinet is recommended to transfer £21,953 to the Insurance Reserve in respect of underspends on the cost of settling self-insured claims (approved by Leader 20.6.05).			
			£
Property			14,598
Public Liability			7,355
			21,953

Explanatory Foreword (continued)

4. Revenue Spending in 2004/05 (continued)

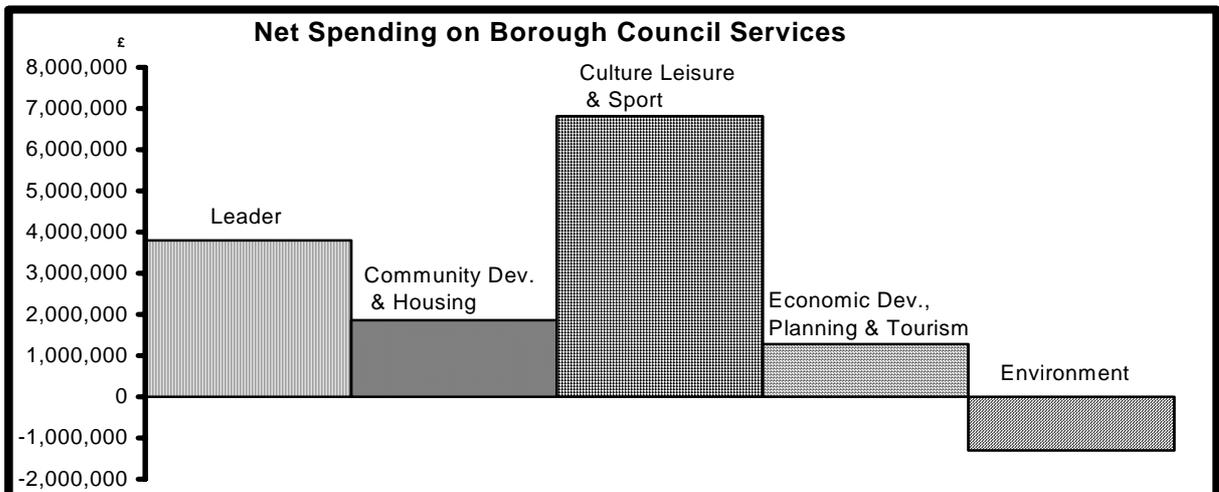
Where the Money Comes From



Council taxpayers contributed just over 12% of the Borough Council's gross revenue spending in 2004/05. The share of business rate income received from the national pool based on a standard amount per person accounts for just under 5.7% of the total. Revenue Support Grant, marginally down on the 2003/04 level at 8.2%. The large element of Specific Grant funding relates to the grant received from Central Government in support of Housing and Council Tax Benefits granted.

What Services Were Provided from Revenue

Spending on services after income from fees and charges and specific government grants is shown in the diagram below:

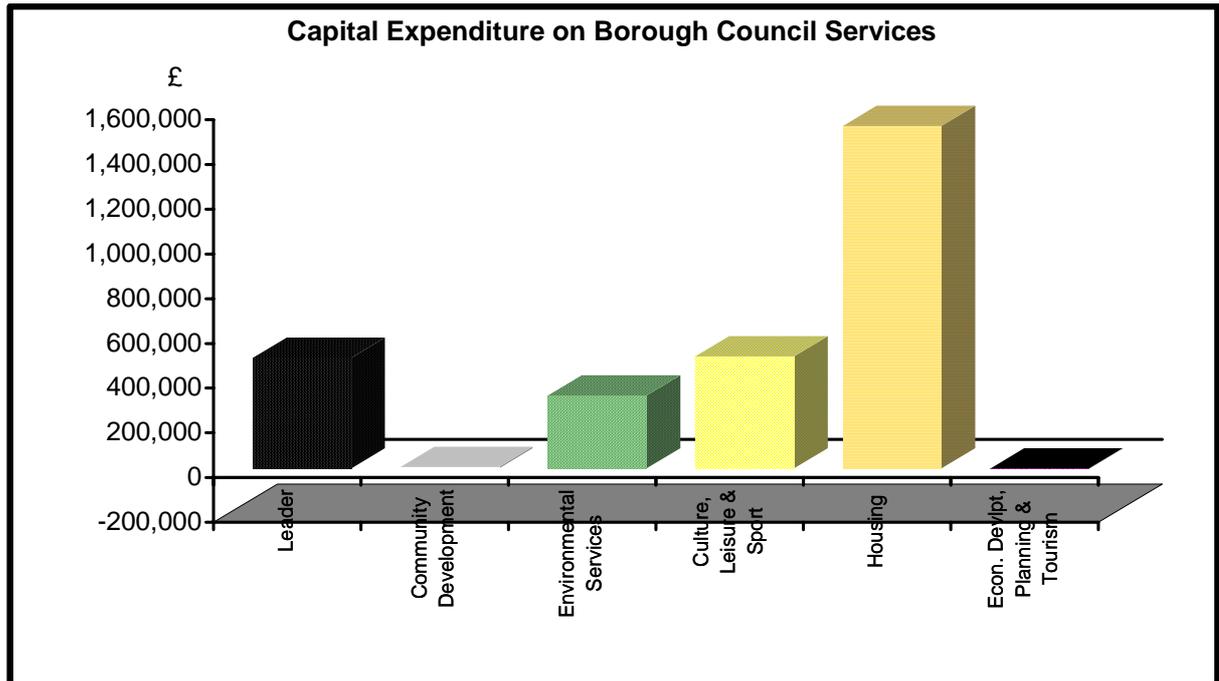


Explanatory Foreword (continued)

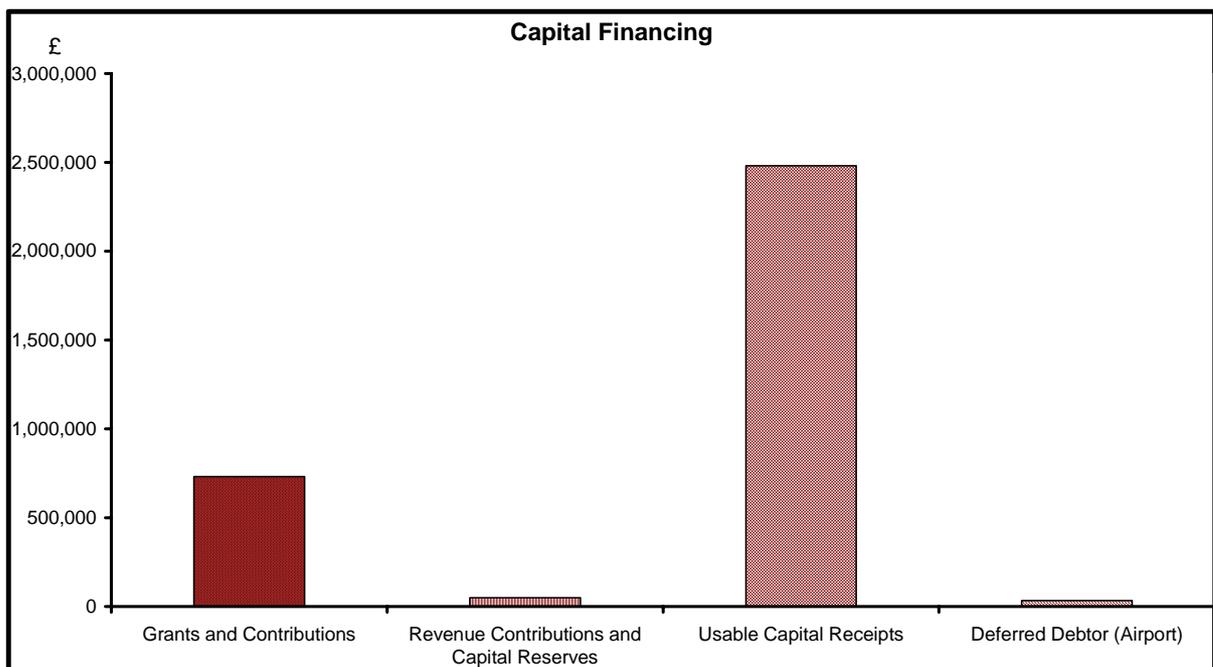
5. Capital Spending and Finance

Capital Spending for the year totalled £2,895,509 including £33,451 incurred at Shoreham Airport. This was £4,920,042 less than the revised estimate mainly as a result of slippage in the programme. Expenditure totalling £269,270 was also financed through the use of operating leases. The Council has agreed to carry forward certain net budgeted expenditure of £4,739,240 into the 2005/06 financial year where spending patterns have changed since the budget was set.

What The Capital Money Was Spent On



Where The Capital Monies Came From



Explanatory Foreword (continued)

5. ***Capital Spending and Finance*** (continued)

Replacement/Refurbishment - Leisure Facilities

The Council has embarked on a project to replace, or significantly refurbish, the Aquarena and to refurbish the Leisure Centre. A full option appraisal has been carried out and discussions are ongoing regarding the location of any new facility and the viability of the scheme. The Council has agreed that the sale proceeds from the disposal of 3 sites within the Borough, together with the capital receipt from the disposal of the Golf facilities will be earmarked contributions towards this project.

PPP in Car Parks

The Council has entered into a 10 year management agreement with NCP for the future provision of its multi-storey car parks. The start date for new arrangements was the 1st April 2004. Under the agreement, NCP will invest £4.2m in the car park facilities and, in return, will retain the revenues from the car parks as part of the management fee.

6. ***Balances and Reserves***

Adequacy of Revenue Reserves

There is a statutory requirement for local authority Chief Financial Officers to report at budget time on the adequacy of reserves held by their Council. The purpose is to ensure Members have authoritative advice available to them when they make their decisions on the budget and Council Tax levels and that they pay due regard to that advice in doing so.

CIPFA's Code of Practice on Local Authority Accounting (2002) advises that "*Revenue reserves result from events which have allowed monies to be set aside, surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this nature are available and can be spent or earmarked at the discretion of an authority.*"

Broadly speaking there are two categories of revenue reserves relevant to this Council: the **General Fund Working Balance** which primarily is available to cushion the impact of uncertain cash flows and as a contingency to meet unforeseen costs arising during a budget year (e.g. supplementary estimates); and **Earmarked Reserves** which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.

General Fund Working Balance

On the basis of the year-end figures referred to in paragraph 4 above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, the working balance is considered adequate for its purpose. To confirm this view, a limited number of yardsticks are available, not least from one of the Audit Commission's criteria for a "good" ranking under their CPA methodology, which expects the GF Working Balance to be at least 5% of forecast net operating expenditure. For 2004/05 the 5% minimum would equate to around £645,000. The Council itself (July 2002) has agreed a slightly higher minimum limit of 6% (£775,000) with an upper limit of 10% (£1,291,000); the actual level at 31st March, 2005 at 8.8% falls within these parameters.

Value Added Tax

The current position with regard to the 2004/05 partial exemption calculation is also very promising. The provisional calculation produced by your officers in conjunction with VAT advisers results in a calculation of 5.31% compared to the 5% limit. This is currently being reviewed by Customs and Excise officials, and it is hoped that once discussions are completed on the matter the VAT liability will be avoided for a further year. This will save the authority in excess of £91,414 in VAT repayable to HM Customs and Excise on all exempt activities through 2004/05.

Explanatory Foreword (continued)

6. **Balances and Reserves** (continued)

Earmarked Reserves

As at 31st March 2004, the Council maintained fourteen individual earmarked revenue reserves, ranging from small sums held for such purposes as Conservation Grants and Economic Development Initiatives to the substantial balance held in the Pension Contributions Reserve specifically to help mitigate the future impact of the Pension Fund revaluation.

The total balance on all these earmarked revenue reserves at 31st March 2005 was £2,485,000. This is an increase of £488,000 over the previous year. The figure excludes S.106 commuted sums held for future environment improvements and other sums held in reserve solely for capital expenditure purposes.

The full listing of all earmarked reserves is shown later in the notes to the Council's Balance Sheet.

7. **Direct Service Organisations**

The repeal of the Compulsory Competitive Tendering legislation in January 2000, removed the DSO's legal requirement to meet statutory targets or to produce a separate annual report. Since then, the Council has agreed that, in order to maintain consistency and accountability, the DSO will continue to report on their activities as long as they are operated under the existing contracts.

For the 2004/05 financial year Worthing Direct Services made an overall operating surplus of £36,449 on the services it provides to the Council on refuse collection, street cleaning, vehicle maintenance and grounds maintenance. Worthing Leisure suffered an overall operating deficit of £334,923 in its management of the leisure facilities at the Aquarena and Worthing Leisure Centre.

Under the Best Value Accounting Code of Practice, all DSO expenditure and income has been consolidated and accounted for in the appropriate revenue accounts.

The revised estimate included the following provision in the revenue account for the transfer of any surpluses or deficits:

	Revised Estimate £	Outturn 2004/05 £
Worthing Direct Services	38,180	36,449
Worthing Leisure	(418,450)	(334,923)
Net surplus/(deficit)	(380,270)	(298,474)

Overall, this outturn reveals a better than expected trading position and this has been reflected in the relevant service outturns.

8. **The West Sussex County Council Pension Fund**

The Borough Council, in common with all other district councils in the county, is a member of the West Sussex County Council Pension Fund. During 2004, the Pension Fund's actuary, Hymans Robertson, completed their work on the latest triennial valuation as at 31st March 2004. The actuary determined the contribution levels required from this Council for the three or six-year period beginning 2005/06.

Explanatory Foreword (continued)

8. **The West Sussex County Council Pension Fund** (continued)

The Borough Council's own element of the Fund's deficiency as at 31st March 2004 rose from £15.4m (in 2001) to £25.5m. The adverse change was almost entirely due to investment returns falling short of the levels originally anticipated in the 2001 valuation.

The latest statutory triennial valuation of the West Sussex County Council Pension Fund has revealed the need for a substantial rise in the Council's contribution level to the Fund as from 1st April 2005. The Fund's actuary has agreed to a stepped introduction of the new contribution rate over the three years 2005/06 to 2007/08. This will add approximately £150,000 to the Council's General Fund Revenue Account budget for each of the next three years 2005/06 to 2007/08.

The Council maintains an earmarked reserve specifically to support future Pension Fund contributions. As at 31st March 2005 the unspent balance stood at £1m. The Council has agreed to continue to apply a sum up to a maximum of £150,000 from this earmarked reserve on a year by year basis to help offset the budget impact of the stepped rises in employer's contribution rates from 2005/06 onwards.

The Consolidated Balance Sheet reveals that for the purposes of complying with FRS 17, the Pension Fund deficit at 31st March 2005 is stated as £37.5m.

9. **Comprehensive Performance Assessment**

The Audit Commission published the results of the West Sussex County Trial of District authorities on the 24th of July 2003. The Council's score is as follows:

	Council's Score
Corporate Assessment	Fair
Balancing Housing Markets	B
Public Space	B
BFI assessment of Housing Benefit	Fair to Good
Code of Audit Practice – Auditor's judgement	4

10. **The Council's Best Value Performance Plan including its Key Priorities for the period commencing 2004/05**

The Council is required to publish a Best Value Performance Plan each year. It has done so for a number of years in accordance with the provisions of the Local Government Act 1999. Last year, the Council approved its Best Value Performance Plan on 25th June 2004, after which it was printed and published and placed on the Council's website. The Council's Mission Statement is "For Worthing To Be A Thriving Borough Where People Want To Live, Work And Invest".

For the Best Value Performance Plan last year, following approval of the first Community Strategy "The Town We Want", considerable weight was placed on the aims and objectives set out in that Plan. Members of the Cabinet are reminded that in March this year, the Council approved its first Corporate Plan. Consequently, this year greater emphasis has been placed on the aims and objectives in this document.

The Council's overall financial position is very much shaped by the Key Priorities for 2004/05, agreed by the Council on the 25th June 2004 which are included in the Best Value Performance Plan for 2004/05.

Explanatory Foreword (continued)

11. *Looking Ahead*

The Best Value Performance Plan for 2005/06 was approved by the Full Council on 23rd June 2005. The Plan is designed to be a working document, which helps both Members and Officers of the Council to keep a focus on its priorities and to assess how well the Council is doing in terms of meeting its stated objectives. The Plan has been divided into two parts. Part One 'Looking Forward' is very much about "Delivering the Vision" as set out in the Corporate Plan. It includes eleven Key Priorities for the Council for 2005/06 and pays particular attention to the Corporate Improvement Action Plan that the Council also approved in March 2005. This contains nine Key Actions for the Council and progress on these will be monitored throughout the year.

The Key Priorities for the Council for 2005/06, priority Best Value Performance Indicators and planned Improvement Reviews are included under each of the Cabinet Member Portfolios. Targets have been set for the performance indicators, which the Council will seek to achieve over the next three years. It is this part of the document which Members of the Council and Officers of the Council need to pay particular attention to in ensuring that good progress is made in terms of achieving priorities and targets throughout 2005/06.

Part Two of the document looks back at how the Council has performed over the last year. Again, it is divided into Cabinet Member portfolios and some headline news has been included showing some areas where performance is improving and areas where further improvement is needed. It contains a section explaining how the Council's Key Priorities for 2004/05 were progressed. It also details progress on 2004/05 Improvement Reviews, our current performance for Performance Indicators and a comparison of our performance with other West Sussex District and Borough Councils.

The Council continues to improve and develop Performance Management and Part One of the Best Value Performance Plan explains how progress on the Plan will be monitored. Essentially, the Council's priorities will be monitored via a quarterly report to the Overview and Scrutiny Committee, via the appropriate Performance Panel. Progress on the higher level Corporate Improvement Action Plan will be the subject of a quarterly report to both the Cabinet and to the Overview and Scrutiny Committee. Progress on the priority Best Value Performance Indicators will be the subject of a quarterly report to the Overview and Scrutiny Committee, via the appropriate performance Panel.

Medium Term Financial Plan

Work is now well underway on the preparation of the Council's first Medium Term Financial Plan. An Officers' Group has been established and has evaluated and moderated the scoring assessments of all the statutory and non-statutory services that are provided by the Council. Particular consideration has been given to important material, such as the Council's Corporate Plan, its stated priorities, the Community Strategy, Government objectives and other relevant criteria, in order to ensure that all services are reviewed through a robust scoring mechanism.

The outcome of this exercise will be the subject of consultation with the wider community in the early summer and all of this will then help the Council set out its future priorities and non-priorities in its medium term Financial Plan. It is expected that the Medium Term Financial Plan will be considered by the Council in the autumn, so that its outcomes and implications can be considered in the budget setting process for 2006/07.

Allied to this work, is an ongoing review of all of the Council's assets, which are being considered over a five-year period. This year Improvement Reviews of Theatres and Personnel Services are already underway and the outcomes from these are likely to be considered by the Council in June 2005.

Explanatory Foreword (continued)

11. ***Looking Ahead*** (continued)

Budget Strategy and Forecast 2006/07

Two key elements which impact on the preparation of the Medium Term Financial Plan is the agreement of the priorities for the expenditure on the Council's Revenue Budget and the agreement of the principles to be used in considering the Budget Strategy for 2006/07 and future years and the calculation of the Budget Forecast.

Initial forecasting work on the General Fund Revenue Budget requirements commence soon after the budget for the current financial year (2005/06) is approved. The forecast makes certain assumptions on the likely level of inflation and pay awards for the following year, and an assessment of the likely increases in fees and charges. In addition, the forecast makes allowance for all known unavoidable and committed growth in expenditure and reductions in income.

It is quite likely that following the experience of the preparation of the 2005/06 budget, notwithstanding the possibility of further savings accruing from natural budget changes and additional income, some reductions will be needed in base budget expenditure in 2006/07 to maintain existing service standards and provision and to meet known expenditure

The budget principles and guidelines outlined in the report to Cabinet on the 8th June 2005 implied a **no growth budget**, as any growth emanating from Members or Officers would be funded by changing priorities or from savings/additional income. In addition, the Council may require some service enhancements or desirable growth for the forthcoming year, as indicated by the agreed Strategic Objectives and Key Priorities. Growth may also result from the agreement of annual service plans and improvements to services agreed as part of the Improvement Review programme. These can only be progressed from increases in Council Tax or from further compensatory savings in the base budget.

Prudential Code

The Local Government Act 2003 introduced some much welcomed "freedoms and flexibilities" to local authority finance. One such change was the repeal of existing capital finance legislation and the introduction of "The Prudential Code for Capital Finance in Local Authorities".

The Council has embraced the new freedom for capital financing in the context that it should be prudent, i.e. affordable and sustainable. The Council agreed prudential indicators for 2004/05 as part of the budget setting process for that year.

12. ***Community Strategy***

Worthing's first Community Strategy, is called "The Town We Want". This is the work of Worthing Together, our Local Strategic Partnership, which was adopted by both "Worthing Together" and the Council in April 2004. The Community Strategy has a 10-year vision for Worthing, and involves a range of public, private and community sector agencies. It sets a context for the Council to operate within. One of the functions of the Best Value Performance Plan is to illustrate how the Council will contribute to the wider community agenda, whilst also meeting its own improvement priorities.

13. ***The Euro***

Future British participation in the European Monetary Union is likely to require the Council to devote increasing resources to dealing with this issue. As yet, because there is still considerable uncertainty as to timing and precise operational requirements, no preparatory work has been done, no costs have been incurred, and it is not possible to calculate a meaningful estimate of future costs.

Explanatory Foreword (continued)

14. *Statement of Accounts*

This foreword comprises a brief summary of the Council's main financial results in 2004/05 covering both revenue and capital activities. Revenue spending is generally on items which are consumed within a year and is financed from council tax, government grant, contributions from non-domestic rates and charges for services. Capital expenditure is generally incurred on creating assets, which have a life beyond one year, and is financed largely from grants, contributions and capital receipts generated from the disposal of assets.

The Council's statutory accounts for 2004/05 as set out on the following pages consist of:

- (i) The Consolidated Revenue Account (pages 20 – 26). 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.
- (ii) The Collection Fund (pages 27 – 29). The Council is required to maintain a separate collection fund to receive monies as a billing authority in relation to the Council Tax and 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.

15. *Statement of Accounts*

- (iii) The Consolidated Balance Sheet (pages 30 – 42). This sets out the financial position of the Council on the 31st March 2005, 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.
- (iv) The Statement of Total Movements on Reserves (pages 43 - 45). 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.
- (v) The Cashflow Statement (pages 46 – 48). This summarises the Council's cash transactions for the year.

The Council has included a Statement on Internal Control (pages 49 - 51), which it has 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.

These accounts are supported by the Statement of Accounting Policies, which follow on pages 15 – 19, and various notes to the accounts.

16. *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 (Policy Development) in Portland House, Richmond Road, Worthing.

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 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 (Fin. 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, 2005.

ANDREW D. GARDINER
Assistant Director (Financial Services) & Section 151 Officer

Dated: 5th July, 2005

Certificate of Approval by General Purposes Committee

I confirm that these Accounts were approved by the General Purposes Committee of Worthing Borough Council on 26th July, 2005.

Chairman General Purposes Committee

Dated: 26th July, 2005

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 (ACOP 2004) 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 the basis of 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, 2005.

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 Reserve. The authority applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use, with the exception of a part share in Shoreham Airport;
- 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 2004/05 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 2004/05 are as follows:

- | | | |
|---|-----------------------------------|------|
| ■ | assets carried at current value | 3.5% |
| ■ | assets carried at historical cost | 4.8% |

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 for buildings under a value of £50,000:

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

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.

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 for bad debts are included in the accounts for liabilities which may arise or will be incurred, but where there is uncertainty as to the amounts concerned or the dates on which these liabilities will arise. Although these provisions do not strictly comply with the requirements of FRS12, they do correctly identify a proportion of the authority's debtors that should have their carrying value adjusted to the probable recovery amount of zero.

15. **Debtors and Creditors**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with ACOP 2004. 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.

Statement of Accounting Policies (continued)

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.

18. **Group Accounts**

Although the Council has a minority interest in Shoreham Airport (two-thirds owned by Brighton and Hove City Council, and one-third owned by Worthing Borough Council), Group Accounts have not been prepared for 2004/05 as the Council is taking advantage of transitional arrangements contained in the 2004 SORP.

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	2004/05 Gross Expenditure	2004/05 Income	2004/05 Net Expenditure	2003/04 Net Expenditure
1	£'000	£'000	£'000	£'000
Central Services to the Public	6,606	5,677	929	1,060
Cultural, Environmental & Planning Services	17,696	6,055	11,641	11,621
Highways, Roads & Transport Services	959	891	68	(67)
Exceptional item relating to car parks impairment review	2	- 4,127	(4,127)	-
Housing Services	3	22,048	19,306	2,742
Social Services	22	3	19	65
Corporate and Democratic Core	2,159	-	2,159	2,024
Non-Distributed Costs	4	807	561	246
Net Cost of Services	50,297	36,620	13,677	17,570
(Surplus)/Deficit on Trading undertakings	5		25	(11)
(Surplus)/Deficit on Departmental Holding Accounts			(50)	(54)
Asset Management Revenue Account	6		(2,255)	(2,272)
Interest & Investment Income			(802)	(678)
Pensions interest costs net of expected return in Pensions assets			704	1,483
Net Operating Expenditure			11,299	16,038
Appropriations:				
Contributions to/(from) earmarked reserves			599	93
Contributions to/(from) capital reserves			(116)	(34)
Contribution from Capital Financing Account		7	(1,517)	(635)
Direct Financing of Capital Expenditure			6	1
Amounts charged as depreciation and impairment losses			2,370	(1,661)
Contribution to/(from) Pensions Reserve			268	(437)
Amount to be met from Government Grants & Local Taxpayers			12,909	13,365
Precept demanded on the Collection Fund			(6,420)	(5,802)
Transfer from the Collection Fund on 31st March			(3)	(28)
Revenue Support Grant			(3,832)	(4,128)
Distribution from Non-Domestic Rate Pool			(2,654)	(3,407)
Deficit/(Surplus) for the year			-	-
Balance at 1st April, 2004			(1,140)	(1,140)
Deficit/(Surplus) for the year			-	-
Balance on General Fund carried forward 31st March, 2005			(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:

	2004/05	2003/04
	£'000	£'000
Net Cost of Services:		
- current service cost	(1,650)	(1,172)
- past service costs	-	-
- curtailments and settlements	(9)	(136)
Net Operating Expenditure:		
- Interest cost	(3,648)	(3,889)
- Expected return on assets in the scheme	2,944	2,406
Amounts to be met from Government Grants and Local Taxation:		
- Movement on pensions reserve	(268)	437
Actual amount charged against Council Tax for pensions in the year:		
- Employers' contributions payable to the scheme	(2,631)	(2,354)

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 loss has been reassessed and a sum of £4.1m has been credited to the net cost of services in 2004/05.

3. Affordable Housing and House Renovation Grants

Gross expenditure includes £595,404 (£634,659 in 2003/04) relating to the write-off of deferred charges, being amounts paid to third parties for private house renovation, and £903,247 (£Nil in 2003/04) 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 £246,000 relates principally to actuary estimates of employer's pension costs in relation to curtailments and settlements £9,133 (£136,000 in 2003/04) and pensions added years £296,776 (£297,716). These costs are offset by the receipt of a defective dwelling grant of £59,950.

5. **Trading Activities**

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

	2004/05 Income £'000	2004/05 Expenditure £'000	2004/05 Deficit/(Surplus) £'000	2003/04 Deficit/(Surplus) £'000
Refuse Collection	2,287	2,273	(14)	(72)
Street Cleaning	867	846	(21)	(4)
Grounds Maintenance	96	91	(5)	12
Vehicle Maintenance	482	485	3	-
Leisure Management	1,936	2,271	335	325
Operating deficit/(surplus)	5,668	5,966	298	261
FRS 17 Adjustment	-	25	25	(11)
Restated deficit/(surplus)	5,668	5,991	323	250

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 are 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 2004/05 the composition of the Asset Management Revenue Account was as follows:-

	£'000		£'000
External Interest	3	Amounts charged to Service	
Provision for depreciation	1,744	Revenue Accounts:	
Impairment Losses Reversal	(4,127)	Capital Charges	4,002
Impairment	13	Impairment Losses Reversal	(4,127)
Balance transferred to		Impairment	13
Consolidated Revenue Account	<u>2,255</u>		
	<u>(112)</u>		<u>(112)</u>

Notes to Consolidated Revenue Account

7. **Contribution from Capital Financing Account**

The sum of £1.517m has been transferred from the Capital Financing Account to offset the impact of: the cost of Affordable Housing Grants (£903,247), Renovation Grants (£595,404) and other capital grants (£17,858) written off to service expenditure. This transfer is required by the Accounting Code of Practice to ensure that the write-off of this expenditure has no effect upon the amount of money to be raised via local taxation.

8. **Leasing**

Various vehicles, plant and office equipment are held on operating leases. Rentals paid in 2004/05 were £526,317.

Current commitments outstanding on operating leases at 31st March, 2005 are as follows:-

	Committed at 31st March, 2005 £
Due in 2005/06	355,279
Due in 2006/07	262,500
Due in 2007/08	224,499

9. **Section 5, Local Government Act 1986**

Local authorities are required to disclose how much expenditure is incurred on publicity. In 2004/05 expenditure totalled £313,393 (£335,149 in 2003/04). The main areas of expenditure were in publicising Worthing as a resort £51,550 (£52,970), advertising entertainments £147,158 (£149,420), and recruitment advertising £72,876 (£77,095).

10. **Officers' Emoluments**

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

Actual numbers were as follows:

<u>Remuneration Band</u>	<u>2004/05 No. of Employees</u>	<u>2003/04 No. of Employees</u>
£50,000 - £59,999	10	11
£60,000 - £69,999	-	-
£70,000 - £79,999	2	-
£80,000 - £89,999	-	-
£90,000 - £99,999	1	1
	13	12

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 £9,636 (£8,513 in 2003/04). These costs are recovered in full and are not included in the Consolidated Revenue Account.

12. **Disclosure of Audit Costs**

In 2004/05 Worthing Borough Council incurred the following Audit Commission fees relating to external audit and inspection:

	Note	2004/05 £'000	2003/04 £'000
Audit – Code of Practice work e.g. accounts, performance review and financial controls.	1	94	127
Inspection – e.g. CPA or scoring of particular services		12	16
Grant Claim Certification		25	23
Other		-	-
TOTAL		131	166

Note 1: The 2003/04 fee includes £54,000 for a one-off adjustment to bring the accounting year in line with the audit year.

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:-

	2004/05 £'000	2003/04 £'000
Grants to Voluntary Organisations	140	133

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 2004/05.

Joint Committees - the Council has a one-third interest in Shoreham Airport and relevant transactions are disclosed in the note to the Balance Sheet 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 2004/05

	2004/05 Chargeable	2004/05 Non- Chargeable	2004/05 Total Building Control	2003/04 Total Building Control
	£'000	£'000	£'000	£'000
<u>EXPENDITURE</u>				
Employees	184	118	302	302
Transport	6	3	9	13
Supplies and Services	14	7	21	24
Central & Support Service charges	46	47	93	80
TOTAL EXPENDITURE	250	175	425	419
<u>INCOME</u>				
Building regulations charges	267	-	267	277
NET OUTTURN FOR YEAR	17	(175)	(158)	(142)

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 £
2002/03	5,948
2003/04	28,654
2004/05	16,668
Cumulative Surplus	51,270

Notes to Consolidated Revenue Account

16. **Members' Allowances**

The total amount of allowances paid to Council Members during 2004/05 was £154,827 (£149,936 in 2003/04).

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 (formerly The Worthing Community Safety Partnership) 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 2004/05	£000s	£000s
<u>Income</u>		
Government Grants	175	
Sussex Police	19	
Worthing Borough Council	61	
Adur District Council	10	
Housing Associations	5	
West Sussex County Council	95	
Others	17	
Total Income		382
<u>Expenditure</u>		
Revenue	278	
Capital	63	
Total Expenditure		341
		(41)
Excess Income Over Expenditure		(41)
<u>Balances Brought Forward 1st April, 2004:</u>		(82)
		(123)
BALANCES CARRIED FORWARD 31ST MARCH, 2005		(123)

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

The balances carried forward at 31st March, 2005 will be used to fund a range of agreed specific projects aimed at:

- Reducing crime
- Reassuring the public by reducing the fear of crime and anti-social behaviour, and
- Reducing the harm caused by drugs.

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.	2004/05	2003/04
Income:		£'000	£'000
Council Tax receivable (net of benefits)	1	40,332	37,553
Transfer from General Fund re benefits		4,610	4,021
Income collectable from business ratepayers	2	23,894	22,962
		68,836	64,536
Expenditure:			
Precepts and demands	3	44,846	41,735
Business Rate:			
Payment to National Pool	2	23,723	22,760
Costs of Collection Allowance		136	137
Interest on Refunds		35	65
Council Tax - write-offs and bad debt provision		167	110
Contribution to precepting authorities from Previous Year's Surplus		19	202
		68,926	65,009
Deficit for year		(90)	(473)
Surplus/(Deficit) at 1st April Brought Forward		(252)	221
Deficit at 31st March Carried Forward	4	(342)	(252)

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 2004/05, the Council Tax Base was estimated in December 2003 to be 37,844, calculated as follows:

<u>Band</u>	<u>Estimated No. of Taxable Properties after effect of discounts</u>	<u>Ratio</u>	<u>Band D Equivalent Dwellings</u>
A	5,075	6/9	3,382
B	8,559	7/9	6,657
C	11,248	8/9	9,998
D	8,042	9/9	8,042
E	4,851	11/9	5,929
F	2,101	13/9	3,035
G	815	15/9	1,359
H	9	18/9	18
	40,700		38,420
			(576)
		COUNCIL TAX BASE	37,844

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.

The Council Tax at Band D was set at £1,185.03 (Borough Council's element £169.65) in order to raise estimated income of £44,846,000. The actual income was £71,000 lower at £44,775,000 made up as follows:

	£'000
Council Tax receivable	40,332
Council Tax Benefit from General Fund	4,610
Write-offs and bad debt provision	(167)
	44,775

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, 2005 was £59,187,194. The national non-domestic multiplier for the year was 45.6p.

Notes to Collection Fund Accounts (continued)

3. **Precepts and Demands**

	£'000
West Sussex County Council	34,448
Sussex Police Authority	3,978
Worthing Borough Council	6,420
	<hr/>
	44,846
	<hr/>

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

Council Tax - the deficit in the Collection Fund representing Council Tax is £341,897. A recovery of £383,630, £44,300 and £71,774 has been made in 2005/06 from West Sussex County Council, Sussex Police Authority and Worthing Borough Council respectively. The remaining surplus of £157,807 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, 2005 were £892,790, after providing for estimated bad debts of £770,000, (2003/04 : £870,130 and £641,600 respectively).

Consolidated Balance Sheet as at 31st March, 2005

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

	See Note No.	As at 31.03.2005		As at 31.03.2004	
		£'000	£'000	£'000	£'000
<u>Intangible Assets</u>	1,3		43		221
<u>Tangible Fixed Assets</u>	2				
Operational:					
Other Land and Buildings		53,688		53,599	
Community		4,946		4,946	
Infrastructure		591		435	
Vehicles, Plant, Furniture & Equipment		1,418		1,133	
		60,643		60,113	
Non-Operational:					
Land and Buildings		13,463		8,834	
<u>Total Tangible Fixed Assets</u>			74,106		68,947
<u>Long Term Investments</u>	4		3,050		5,050
<u>Long Term Debtors</u>					
Housing Advances		438		481	
Council House Sales		109		136	
Other Advances		131	678	169	786
<u>Total Net Long Term Assets</u>			77,877		75,004
<u>Current Assets</u>					
Stocks & Work in Progress		130		107	
Debtors & Prepayments	5	4,745		6,154	
Investments		13,725		10,940	
Cash and Bank		413		119	
			19,013		17,320
<u>Less: Current Liabilities</u>					
Creditors and Receipts in Advance		(5,262)		(5,245)	
Temporary Borrowing	6	(28)	(5,290)	(28)	(5,273)
<u>Total Assets Less Current Liabilities</u>			91,600		87,051
<u>Long Term Liabilities</u>					
Deferred Liabilities		(1,264)		(1,275)	
Liability related to defined benefit Pension scheme	7	(37,526)	(38,790)	(25,461)	(26,736)
<u>Total Assets Less Liabilities</u>			52,810		60,315
Financed by:					
Fixed Asset Restatement Account	8		48,005		46,646
Capital Financing Account	9		20,698		19,111
Government Grants – deferred	10		882		654
Deferred Credits	11		198		229
Usable Capital Receipts Reserve	12		16,618		15,711
Pensions Reserve	7		(37,526)		(25,461)
Earmarked Reserves	13		3,137		2,537
Revenue Fund Balances	14		798		888
			52,810		60,315

Notes to Consolidated Balance Sheet

1. **Intangible Assets**

Movements during the year:

	Balance at 31.03.04	Transferred from Tangible Assets	Expenditure	Written Off	Balance at 31.03.05
	£'000	£'000	£'000	£'000	£'000
Software Licences	-	25	18	-	43
	-	25	18	-	43

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) **Movements during the year:**

	Balance at 1.4.04	Acquisition Of New Assets	Disposals	Depreciation/ Amortisation	Revaluation/ Transfers	Impairment	Balance at 31.3.05
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Land & Buildings	53,599	513	(44)	(1,341)	(3,153)	4,114	53,688
Community	4,946	285	-	(3)	(282)	-	4,946
Infrastructure	435	83	-	(2)	75	-	591
Vehicles, Plant, Furniture & Equipment	1,133	491	(6)	(307)	107	-	1,418
Non-operational Land & Buildings	8,834	7	(155)	(155)	4,932	-	13,463
	68,947	1,379	(205)	(1,808)	1,679	4,114	74,106

(b) **Other Land and Buildings**

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

Shoreham Airport

The analysis above includes a part share of Shoreham Airport (two-thirds Brighton and Hove City Council, one-third Worthing Borough Council) for which an historic cost valuation of £667,000 was received in March 1996 and which has been increased to £1,366,095 in 2004/05. This item is administered by, and treated in the accounts of, the Joint Airport Committee in recognition of which the Council also includes in its balance sheet at 31st March, 2005 a deferred liability of £1,264,294 being the balance of the Council's share required to finance airport capital expenditure.

(c) **Community Assets**

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

Notes to Consolidated Balance Sheet (continued)

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

(d) **Non-operational Assets**

This category includes properties and sites owned by the Authority, which are not used for carrying out its statutory functions. The components at 31st March, 2005 were:

	£'000
Car Parks	82
Community Centres	319
Industrial Sites	1,848
Pavilions & Other Recreational Premises	1,190
Properties and Developments	10,024
	13,463

Further asset revaluations are anticipated in 2005/06 to reflect a rolling programme of revaluation in accordance with CIPFA guidelines.

(e) **Capital Expenditure & Financing**

The new Prudential Code Regulations effective from 1st April 2004 require the Capital Investment Programme to be financed on an accruals basis. As a result of this change capital creditors from 2003/04 also need to be financed in 2004/05.

<u>Expenditure</u>	<u>£'000</u>	<u>Financed By</u>	<u>£'000</u>
General Fund Services	1,329	Receipts	2,481
Affordable Housing	903	Grants	628
Housing Renewal Grants	596	Other Contributions	103
2003/04 Creditors	399	Capital Expenditure Reserve	42
Other Housing	34	Deferred Debtor	33
Shoreham Airport	33	Revenue Contributions	7
	3,294		3,294

Contracts for current and future capital expenditure, which were entered into by 30th June, 2005, include the following significant commitments:

	£'000
Affordable Housing:	
- Cross Street	870
- 80 Park Road	132
- 151-152 Tarring Road	96
Disability Discrimination Act Improvements:	
- Provision of minor alterations and improvements to Council Buildings	191
e-government Schemes	202
Leisure Centre – Renew Roof Covering	62
Play Areas – General Provision 2004/05	69
Seafront Enhancements – Phase 3 2004/05	61

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

Notes to Consolidated Balance Sheet (continued)

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

In addition, the Council has firm plans for the following significant capital schemes, which are expected to be entered into by 31st March, 2006:

	£'000
Affordable Housing:	
- 3TO Scheme	800
- Recovery Project	50
- Rivoli Phase 2	316
- Station Road	144
Beach House Grounds	
- Structural Repairs to Chalets Kiosks and Walkway	55
Coast Protection Works:	
- Sea Place/Eirene Road	349
Contaminated Land Surveys – General Provision	50
Customer Relationship Management Strategy	496
IT Desktop Equipment	60
Disability Discrimination Act Improvements 2005/06:	
- Provision of minor alterations and improvements to Council Buildings	200
e-government Initiatives	85
Play Areas – General Provision 2005/06	50
Seafront Enhancements Phase 4 2005/06	100
Town Centre Master Plan – Preparation	137
Vehicle Replacements	473

(f) **Fixed assets held by the Council at 31st March, 2005 include:**

<u>Type of Asset</u>	<u>Number</u>
OPERATIONAL:	
<i>Other Land and Buildings</i>	
Beach Shelters	19
Crematorium (1) and Cemeteries	4
Entertainment Venues	4
Museum and Art Gallery	1
Parking of Vehicles	10
Properties and Developments	7
Public Conveniences	37
Sports Buildings	5
Swimming Pool	1
Other	12
	100
<i>Community Assets</i>	
Civic Regalia	6
Parks and Open Spaces (420 Hectares)	-
	6
<i>Vehicles, Plant, Furniture and Equipment</i>	
Equipment	61
Furniture	3
Vehicles	15
	79
NON-OPERATIONAL:	
Car Parks	4
Community Centres	12
Industrial Sites/Buildings	30
Pavilions and Other Recreational Premises	17
Properties and Developments	56
	119

Notes to Consolidated Balance Sheet (continued)

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

(g) **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.

	Other Land and Buildings £'000	Vehicles, Plant, etc. £'000	TOTAL £'000
Valued at historical cost	4,941	5	4,946
Valued at current value in:			
Current year 31.03.05	4,873	286	5,159
Previous year 31.03.04	3,953	137	4,090
Two years ago 31.03.03	(9,286)	(81)	(9,367)
Three years ago 31.03.02	5,926	(60)	5,866
Four years ago 31.03.01	1,285	1,137	2,422
Five years ago 31.03.00	16,952	-	16,952
Prior to 31.03.00	44,038	-	44,038
TOTAL	72,682	1,424	74,106

(h) **Impairment Review**

As required under capital accounting regulations, the Council completed an Impairment Review of all its assets at 31st March, 2005 to ensure that fixed assets held are recorded at no more than their recoverable amount. The review revealed a significant increase in the value of the multi-storey car parks, amounting to £4,126,480 thereby reversing the impairment loss recorded in our accounts in 2002/03. This has resulted from improvement works carried out by NCP following the letting of a Car Parks PPP contract. The only other material change noted in the valuation of assets was the reduction in value of 15 Eirene Road by £12,140 due to the demolition of the building on the site.

3. **Deferred Charges**

Movements during the year were:

	Balance at 31.03.04 £'000	Expenditure £'000	Written off £'000	Transferred to Fixed Assets £'000	Balance at 31.03.05 £'000
Affordable Housing	-	903	903	-	-
Coast Protection	37	-	37	-	-
Information Technology	38	-	38	-	-
House Renovation Grants	-	595	595	-	-
Other	146	-	7	139	-
	221	1,498	1,580	139	-

Notes to Consolidated Balance Sheet (continued)

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, 2005, the Council held two long term market investments comprising fixed cash deposits totalling £3m. The investments were placed in July 2003 and November 2004 and at 31st March, 2005 had over one year to run to maturity.

5. **Debtors**

Amounts falling due within one year:

	31.03.05	31.03.04
	£000s	£000s
NNDR Payers and Council Taxpayers	1,199	1,097
Government Departments	124	596
Sundry Debtors	3,115	3,690
Prepayments	307	771
	4,745	6,154

Debtors are shown net of the following bad debt provisions:

	31.03.05	31.03.04
	£000s	£000s
NNDR Payers and Taxpayers	1,182	1,185
Housing Benefit Overpayments	587	539
Sundry Debtors	42	83
	1,811	1,807

6. **Borrowing**

	At 31.03.04	New/ Addition	Repaid	At 31.03.05
	£'000	£'000	£'000	£'000
Temporary Borrowing: (term 3-12 months)	28	28	28	28
	28	28	28	28

Notes to Consolidated Balance Sheet (continued)

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:-

	31.03.2005 £000s	31.03.2004 £000s
Estimated Employer Assets	47,280	41,537
Present value of scheme liabilities	(80,808)	(64,431)
Present value of unfunded liabilities	(3,998)	(2,567)
	(37,526)	(25,461)
Net Pension Liabilities	(37,526)	(25,461)

This increase in Net Pension Liabilities is analysed below:

	Year to 31.03.05 £000s	Year to 31.03.04 £000s
Net Liability at beginning of the year	(25,461)	(30,720)
Current Service Costs	(1,650)	(1,172)
Employer Contributions	2,343	2,160
Contributions in respect of Unfunded Benefits	288	194
Impact of settlements and curtailments	(9)	(136)
Expected return on Assets	2,944	2,406
Interest on Pension Scheme Liabilities	(3,648)	(3,889)
Actuarial gains/(losses)	(12,333)	5,696
	(37,526)	(25,461)
Net Liability at end of the year	(37,526)	(25,461)

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:

	31.03.2005 % per annum	31.03.2004 % per annum
Price increases	2.9%	2.9%
Salary increases	4.4%	4.4%
Pension increases	2.9%	2.9%
Discount rate	5.4%	6.5%

Notes to Consolidated Balance Sheet (continued)

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

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 31.03.2005 £000s	Assets at 31.03.2004 £000s
Equities	7.7%	35,969	31,349
Bonds	5.1%	5,950	6,049
Property	6.5%	3,160	2,774
Cash	4.0%	2,201	1,365
TOTAL	7.1%	47,280	41,537

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.

8. **Fixed Asset Restatement Account**

	£'000
Opening Balance at 01.04.04	46,646
Disposal of fixed assets	(206)
Revaluations at 31.03.05	1,565
Impairment relative to price decreases	-
Closing Balance at 31.03.05	<u>48,005</u>

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.

Notes to Consolidated Balance Sheet (continued)

9. **Capital Financing Account**

	£'000	£'000
Balance brought forward 01.04.2004		19,111
Plus: Depreciation and impairment losses		2,370
		21,481
Plus: 2004/05 expenditure financed from capital receipts	2,481	
2004/05 expenditure financed from revenue account	7	
2004/05 Capital discharged re: Shoreham Airport deferred liability	44	
Govt. Grants: Private Sector Housing Renewal	240	
Single Regeneration Budget	11	
Other Grants: West Sussex County Council	5	
Contributions	28	
	2,816	
Less: Write down of deferred charges		(1,517)
Write down of long-term debtors		(47)
Transfer of available provision for credit liabilities balance to capital receipts		(2,035)
		20,698

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

Movements during the year were:

	Balance at 31.03.04	Increases	Written off	Balance at 31.03.05
	£'000	£'000	£'000	£'000
Coast Protection (DEFRA)	38	6	17	27
IEG (ODPM)	370	230	91	509
Seafront Cycle Route (DoT)	50	-	2	48
	458	236	110	584
Coast Protection	10	3	10	3
Other Environmental Improvements	186	117	8	295
	196	120	18	298
Total Government Grants – Deferred	654	356	128	882

11. **Deferred Credits**

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

Notes to Consolidated Balance Sheet (continued)

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	£'000
Balance at 01.04.2004		817	15,711
Add: New receipts in year:			
Gross LSVT receipts		817	
Fixed asset sales	501		
Less: Related costs	(3)		
Net receipts	498		
Repayments of advances		82	
Transfer of available provision for credit liabilities from Capital Financing Account		2,035	3,432
Less: Amount transferred to Capital Expenditure Reserve			(44)
Amount utilised to finance capital expenditure			(2,481)
Balance at 31.03.2005			16,618
To be utilised as follows:			
General Capital Financing			10,375
Ring fenced for future "Leisure Provision"			1,852
Ring fenced for Affordable Housing (RTB Clawback Receipts)			4,313
Ring fenced for Affordable Housing and Regeneration			78
			16,618

Notes to Consolidated Balance Sheet (continued)

13. Reserves

Movements during the year were as follows:

	Closing Balance at 31.03.04 £'000	Increase £'000	Decrease £'000	Closing Balance at 31.03.05 £'000
<u>Earmarked Reserves</u>				
Community Initiatives	5	5	-	10
Conservation Grants	12	15	8	19
Economic Development Initiatives	15	23	15	23
Insurance	177	46	15	208
Joint Health Promotion	-	105	-	105
Leisure Lottery & Other Partnerships	133	-	-	133
Museum Reserve	133	-	3	130
Oncost & Working Accounts	28	-	-	28
Pension Contributions	650	350	-	1,000
Pier Repair and Renewals	20	-	-	20
Planned Maintenance	70	-	13	57
Special & Other Emergency Expenditure	502	86	88	500
Stock Transfer Equalisation	247	-	-	247
Tree Planting Project	5	-	-	5
	1,997	630	142	2,485
<u>Capital Expenditure Reserve</u>				
Transfers from General Fund	87	43	42	88
	87	43	42	88
<u>Environmental Improvements</u>				
Commuted Sums:				
Transport	202	59	36	225
Open Spaces	251	116	28	339
	453	175	64	564
<u>Summary</u>				
Earmarked Reserves	1,997	630	142	2,485
Capital Expenditure Reserve	87	43	42	88
Environmental Improvements	453	175	64	564
	2,537	848	248	3,137

- (i) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.
- (ii) 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.
- (iii) 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.

Notes to Consolidated Balance Sheet (continued)

13. **Reserves** (continued)

- (iv) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (v) The Joint Health Promotion reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (vi) 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.
- (vii) 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.
- (viii) On-cost and Working Accounts relate to surpluses arising from trading activities in respect of the Director of Resources Revenues and Benefits Division. The balances are carried forward to finance equipment replacement.
- (ix) 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.
- (x) The Pier Repairs and Renewals Reserve relates to the Pier Undertaking.
- (xi) The Planned Maintenance Reserve represents the carry forward of planned maintenance work on buildings not completed by the year end.
- (xii) 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.
- (xiii) 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.
- (xiv) The Tree Planting Project Reserve was established to fund "Greening the Borough" initiatives.
- (xv) 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.
- (xvi) 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.

Notes to Consolidated Balance Sheet (continued)

14. **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 31.03.04	Increase	Decrease	Balance at 31.03.05
	£'000	£'000	£'000	£'000
General Fund	1,140	-	-	1,140
Collection Fund	(252)	-	90	(342)
	888	-	-	798

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

15. **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.

16. **Post Balance Sheet Events**

At 31st March, 2005, the Council held long-term investments totalling £3.05m. However, on 22nd April, 2005, one of these investments, £1m placed with the National Australia Bank Limited which was due to mature on 26th July, 2006, was redeemed early.

Statement of Total Movements on Reserves

	Notes	2004/05 £000s		2003/04 £000s
<u>Surplus/(deficit) for the year:</u>				
General Fund		-		-
Collection Fund		(90)		(473)
Movements on specific Earmarked Reserves		600		(130)
Appropriation from Pensions Reserve		268		(437)
Actuarial gains and (losses) relating to pensions		(12,333)		5,696
Total increase/(decrease) in revenue resources	1		(11,555)	4,656
Increase/(decrease) in usable capital receipts		907		
Increase/(decrease) in unapplied capital grants and contributions		(31)		
Total increase/(decrease) in realised capital resources	2		876	1,927
Gains/(losses) on revaluation of fixed assets		1,564		
Total increase/(decrease) in unrealised value of fixed assets	3		1,564	3,947
Value of assets sold, disposed of or decommissioned	4		(205)	(1)
Revenue resources set aside		1,587		
Movement on Government Grants – Deferred		228		
Total increase/(decrease) in amounts set aside to finance capital investment	5		1,815	(1,218)
TOTAL RECOGNISED GAINS AND LOSSES			(7,505)	9,311

Notes to the Statement of Total Movements on Reserves

1. **Movements in Revenue Resources**

	Revenue Fund Balances £'000s	Earmarked Reserves £'000s	Pensions Reserve £'000s
Surplus/(deficit) for 2004/05	(90)	-	-
Appropriations to/from revenue	-	600	268
Actuarial gains and losses relating to pensions	-	-	(12,333)
	(90)	600	(12,065)
Balance brought forward at 1 st April, 2004	888	2,537	(25,461)
	798	3,137	(37,526)

2. **Movements in Realised Capital Resources**

	Usable Capital Receipts Reserve £000s	Unapplied Capital Grants and Contributions £000s
Amounts receivable in 2004/05	3,432	-
Amounts transferred to Capital Expenditure Reserve	(44)	-
Amounts applied to finance new capital investment in 2004/05	(2,481)	(31)
Total increase/(decrease) in realised capital resources in 2004/05	907	(31)
Balance brought forward at 1 st April, 2004	15,711	229
	16,618	198

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

	Fixed Asset Restatement Account £000s
Gains/(losses) on revaluation of fixed assets 2004/05	1,564
Impairment losses on fixed assets due to general changes in prices in 2004/05	-
Total increase/(decrease) in unrealised capital resources in 2004/05	1,564

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

Amounts written off fixed asset balances for disposals in 2004/05	(205)
Total Movement on Reserve in 2004/05	1,359
Balance brought forward at 1 st April, 2004	46,646
Balance carried forward at 31 st March, 2005	48,005

Notes to the Statement of Total Movements on Reserves

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

	Capital Financing Account £000s	Government Grants Deferred £000s
Total Capital Receipts set aside in 2004/05	-	-
<u>Revenue Resources set aside in 2004/05:</u>		
Capital expenditure financed from revenue	7	-
Reconciling amount for provisions for loan repayment	1,580	-
Total Revenue Resources set aside in 2004/05	1,587	-
Grants applied to capital investment in 2004/05	-	228
Total increase/(decrease) in amounts set aside to finance capital investment	1,587	228
Total movement on reserve in 2004/05	1,587	228
Balance brought forward at 1 st April, 2004	19,111	654
Balance carried forward at 31 st March, 2005	20,698	882

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	2004/05		2003/04	
		£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows:					
Cash paid to & on behalf of employees		15,125		15,058	
Other operating cash payments		11,944		11,875	
Housing Benefit paid out		18,308		16,783	
National non-domestic rate payments					
To national pool		22,944		23,351	
Precepts paid		38,426	106,747	35,933	103,000
Cash Inflows:					
Rents (after Rebates)		(1,686)		(1,832)	
Council Tax receipts		(40,146)		(37,469)	
National non-domestic rate					
Receipts from national pool		(2,654)		(3,407)	
Non-domestic rate receipts		(23,747)		(23,160)	
Revenue Support Grant		(3,832)		(4,128)	
DWP grants for benefits		(23,367)		(22,200)	
Other government grants	5	(618)		(314)	
Cash received for goods and services		(9,955)	(106,005)	(10,660)	(103,170)
	1		742		(170)
Returns on Investments & Servicing of Finance					
Cash outflows:					
Interest paid		3		2	
Interest element of finance lease					
Rental payments		-	3	-	2
Cash inflows:					
Interest received			(1,081)		(788)
Capital Activities					
Cash outflows:					
Purchase of fixed assets		1,651		1,697	
Long Term Investment		2,000		-	
Other capital cash payments		1,015	4,666	1,146	2,843
Cash inflows:					
Sale of fixed assets		(2,435)		(998)	
Capital grants received	5	(752)		(642)	
Other capital cash receipts		(4,222)	(7,409)	(364)	(2,004)
Net cash (inflow)/outflow before financing	2		(3,079)		(117)
Management of Liquid Resources					
Net increase/(decrease) in short term deposits	3		2,785		(610)
Financing					
Cash outflows:					
Repayment of amounts borrowed		-		2	
Cash inflows:					
New Short-term loans		-	-	-	2
(Increase)/Decrease in cash	2		(294)		(725)

Notes to Cash Flow Statement

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

	2004/05 £'000	2003/04 £'000
Revenue deficit/(surplus)		
General Fund	-	-
Collection Fund	90	473
	90	473
Capital financed from reserves	(9)	(17)
Capital cash transferred to reserves	44	-
Capital financed from other revenue sources	-	-
Cash transferred from Earmarked Reserves to Capital Sources	(97)	(169)
Capital financing adjustments	-	(3)
(Increase)/Reduction in Earmarked Reserves	(600)	130
Capital charged to revenue	(6)	-
Net receipts on servicing of finance items	1,078	786
Adjust for:		
(Increase) in Revenue Creditors	(43)	(922)
Increase/(Reduction) in Revenue Debtors	262	(432)
Increase/(Reduction) in Stocks and Work in Progress	23	(16)
	742	(170)
Revenue activities net cash (inflow)/outflow	742	(170)

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

	2004/05 £000	2003/04 £000
Balances at beginning of year:		
Cash in hand/(overdrawn)	119	(606)
Balances at end of the year:		
Cash in hand	413	119
	294	725
Movement in Cash	294	725
(Decrease)/Increase in short-term investment	2,785	(610)
(Increase)/Decrease in temporary borrowing	-	2
	3,079	117
Movement in Net Funds	3,079	117

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

	2004/05 £'000	2003/04 £'000
Balances at beginning of year:		
Short-term investments	10,940	11,550
Investments made	131,795	143,630
Investments realised	(129,010)	(144,240)
	13,725	10,940
Balances at end of the year:	13,725	10,940
Short-term investments		

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**

	2004/05	2003/04
	£'000	£'000
Revenue Grants:		
Repurchase of Defective Dwellings	60	60
ODPM Planning Delivery	377	220
ODPM Homeless Persons Initiative	50	34
Home Office Grants for Community Safety	131	-
	618	314
Capital Grants:		
ODPM Specified Grants for Housing Renovation	257	297
Home Office Grants for Community Safety	15	-
Other ODPM Grants	480	295
Department of Transport	-	50
	752	642

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 2005 and up to date of the approval of the statement of accounts.

3. The Internal Control Environment

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

Establishing and monitoring the achievement of the authority's objectives

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

The facilitation of policy and decision-making.

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

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 and Internal Audit.

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

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

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

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

4. Review Of Effectiveness

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. For this statement, review of the effectiveness of the system of internal control has been informed by the work of the internal auditors, Chief Officers and the statutory officers 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.

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 2003/04 Statement of Internal Control.
- Obtaining assurance on the key controls employed in respect of these objectives.
- Identifying gaps in the assurance process and making action plans to address such gaps.
- Highlighting significant internal control issues

The Cabinet has been advised on the implications of the result of the review of effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the systems is in place.

5. Significant Internal Control Issues

Set out below are specific areas of internal control which are currently being addressed:-

- Corporate Governance - Whilst her powers, functions and responsibilities have been delegated to, and are being undertaken by, the Director of Resources and the Director of Services, the long term absence of the Chief Executive continues to be a significant issue.

Statement on Internal Control

Signed:

Leader

Date: 26th July, 2005

Signed:

Director of Resources on behalf of
Chief Executive

Date: 26th July, 2005

Signed:

Director of Services on behalf of
Chief Executive

Date: 26th July, 2005

Auditor's Report to Worthing Borough Council

I have audited the financial statements on pages 2 to 14 and 20 to 48, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 15 to 19.

This report is made solely to Worthing Borough Council in accordance with Part II the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 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

As described on page 14 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on page 14 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC, or if the statement is misleading or inconsistent with other information I am aware of from audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements, or material inconsistencies with the statement of accounts.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 evaluated the overall adequacy of the presentation of the information in the financial statements.

Auditor's Report to Worthing Borough Council

Opinion

In my opinion the financial statements present fairly the financial position of Worthing Borough Council as at 31st March, 2005 and its income and expenditure for the year then ended.

Certificate

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

Signature:

Name: **Chris Westwood**

Date: **September, 2005**

Address: **Audit Commission,
Southern House,
Sparrowgrove,
Otterbourne,
Hants,
S021 2RU.**