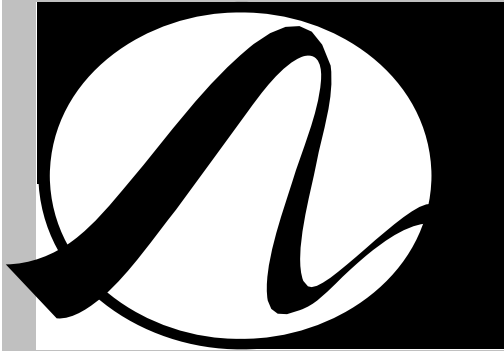


**ADUR**  
DISTRICT COUNCIL



***Statement of  
Accounts  
2011/2012***

**A D U R   D I S T R I C T   C O U N C I L**

**S T A T E M E N T   O F   A C C O U N T S**

**for the year ended 31st March, 2012**

**C O N T E N T S**

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## **EXPLANATORY FOREWORD**

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### ***INTRODUCTION***

This is an explanatory foreword to the Statement of Accounts.

The enclosed 2011/12 Statement of Accounts have been compiled to comply with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice.

Significant changes to the CIPFA Code of Practice for 2011/12 are minimal compared to recent years but include:-

- The adoption of FRS 30 for Heritage Assets. This is a new classification of assets with detailed disclosure notes and changes to valuations;
- New disclosure requirements for exit packages;
- Clearer guidance on unspent grants that do not have any conditions attached.

The significant Accounting Policies are included as Note 1 to these accounts.

As a result of the 2011 Accounts and Audit Regulations, there is no longer the requirement to include the Governance Statement as part of the Statement of Accounts. Once approved, the Governance Statement will be published at the end of these accounts.

The Statements, now required, are listed and explained in the next section.

### ***EXPLANATION OF ACCOUNTING STATEMENTS***

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

	<b>Page No:</b>
<b>Statement of Responsibilities</b> This statement sets out the respective responsibilities of both Councils and the Executive Head of Financial Services in respect of the Councils accounts.	<b>10</b>
<b>Movement in Reserves Statement</b> This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and unusable reserves.	<b>11-12</b>
<b>Comprehensive Income &amp; Expenditure Statement</b> This account brings together the expenditure and income relating to all of the services for which the Council is responsible for and demonstrates how the net cost for the year has been financed from Adur District Council.	<b>13</b>
<b>The Balance Sheet</b> This sets out the financial position of the Council as the 31st March 2012. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any fixed assets held.	<b>14</b>
<b>The Cash Flow Statement</b> This summarises the Council's cash transactions for the year.	<b>15</b>

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## **EXPLANATORY FOREWORD**

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### ***EXPLANATION OF ACCOUNTING STATEMENTS***

**Page No:**

**Notes to the Accounts**

**20-90**

**Housing Revenue Account and Notes**

**91-97**

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

**Collection Fund and Notes**

**98 - 100**

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for their distribution to preceptors (West Sussex County Council and The Sussex Police Authority) and the Council's own General Fund. The Collection Fund also records the Council's contribution to the National Non-Domestic Rating Pool.

### ***WORKING IN PARTNERSHIP***

Government initiatives have placed great emphasis on partnership working for future service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District and Worthing Borough Councils embarked on an innovative partnership arrangement.

The shared single officer structure, which was introduced in April 2008, now includes most of the services that were intended to operate as a shared Adur & Worthing service. The combined shared services have a net revenue spend of £19 m and sit within the non-legal entity of a joint committee. This joint committee has to meet all the accounting requirements of a public sector body. For accounting purposes the following key processes apply:

- The joint committee has a separate budget and statement of accounts.
- As each service moves across to the joint committee their respective budgets and spend are pooled.
- The joint budgets/expenditure are recharged back to Adur and Worthing Councils.

A separate statement of accounts is required to be produced for the Joint Strategic Committee for Adur and Worthing Councils. A copy is available on request from the Executive Head of Financial Services, Town Hall, Chapel Road, Worthing, BN11 1HB.

### ***COUNCIL PRIORITIES***

The harmonised high level corporate priorities for Adur as well as Worthing Councils were updated in 2011.

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## **EXPLANATORY FOREWORD**

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### ***COUNCIL PRIORITIES***

The 5 current corporate priorities, jointly agreed by Adur and Worthing Councils are:-

- Protect front line services
- Promote a clean, green and sustainable environment
- Support and improve the local economy
- Work in partnerships to promote health and well being in our communities
- Ensure value for money and low Council Tax

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

### ***MEDIUM TERM FINANCIAL PLAN (MTFP) INCLUDING CURRENT ISSUES AND FUTURE PLANS***

The budget strategy for this Council has been compiled in the context of the Government's Comprehensive Spending Review and the resultant harsh grant settlements. Significant savings were identified as part of the most recent 2012/13 budget. The projected cumulative budget shortfall is a challenging prospect. While the Council will continue to emphasise efficiency and value for money, this will be insufficient to bridge the projected funding gap. The work of the Council's Budget Advisory Group will be essential in ensuring the forthcoming challenges are met.

The Adur District Council budget strategy has taken account of risks such as:

- income generated by the Council may be affected by the recession;
- withdrawal of funding by partners, potentially losing funding for key priorities;
- the inflation allowance in non-pay budgets could result in higher than expected costs;

### ***FINANCIAL OVERVIEW***

A comprehensive summary of the financial performance of the Partnership authorities – Adur District Council, Worthing Borough Council and the Joint Strategic Committee – is contained in the 21<sup>st</sup> June 2012 Joint Strategic Committee report "Final Revenue and Capital Outturn for Joint, Adur and Worthing 2011/12". This is available on Adur District Council website [www.adur.gov.uk](http://www.adur.gov.uk) and the Worthing Borough Council website [www.worthing.gov.uk](http://www.worthing.gov.uk).

### ***SUMMARY OF REVENUE SPEND***

A more detailed summary of the Council's financial results for 2011/12 is given on the following pages but a brief outline of the Council's' financial position is given below.

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels and without reducing reserves despite facing a range of additional costs that were not part of the original budget. The current economic recession has impacted on income streams for the Council.

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## **EXPLANATORY FOREWORD**

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### ***SUMMARY OF REVENUE SPEND***

Adur District Council reported an underspend of £437,958 against a budget of £9,718,800

The headline budget variations across the Council were:-

- Vacancy savings target exceeded
- Increased efficiencies arising from joint working in unanticipated areas such as equipment, furniture and materials
- Utilities expenditure underspent
- Shortfall in budgeted income from housing benefit payments
- New Homes Bonus Grant

The significant variance between budgeted movement in reserves and actual is primarily due to:-

- The new accounting treatment for unspent revenue grants that do not have any conditions attached. These are now transferred to a specific earmarked reserve and had previously been treated as a Receipt in Advance (£558,027).
- A number of redundancies have been financed from reserves £155,522.

## EXPLANATORY FOREWORD

### SUMMARY OF REVENUE SPEND

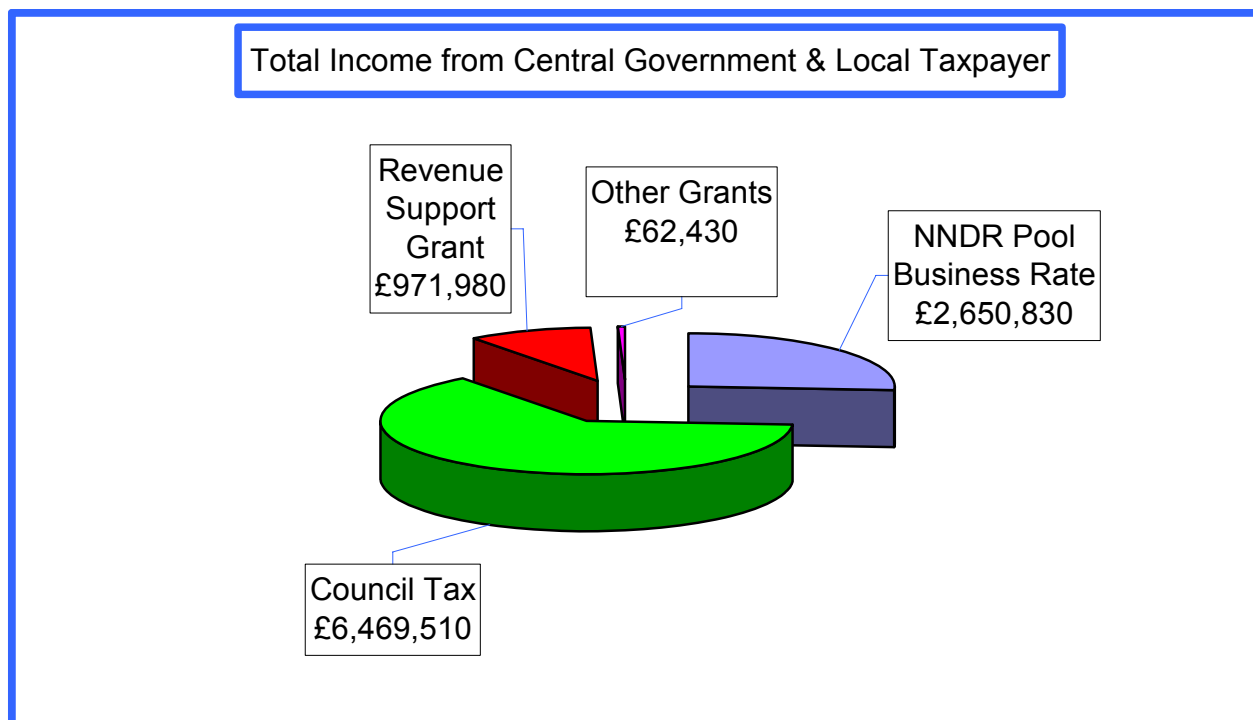
#### Final Revenue Outturn

SUMMARY FINAL REVENUE OUTTURN			
CABINET MEMBER PORTFOLIOS	CURRENT ESTIMATE 2011/12	OUTTURN 2011/12	UNDER/ OVERSPEND
	£000s	£000s	£000s
CM for Environment	3,853	3,575	(278)
CM for Health & Wellbeing	1,006	763	(243)
CM for Customer Services	1,059	1,632	573
Leader	515	478	(37)
CM for Regeneration	1,879	1,190	(689)
CM for Resources	1,928	2,093	165
Net Support Services including Joint	23		(23)
<b>TOTAL CABINET MEMBERS</b>	<b>10,263</b>	<b>9,731</b>	<b>(532)</b>
Credit Back Depreciation	(873)	(1,309)	(436)
Minimum Revenue Provision	730	710	(20)
New Homes Bonus Grant.		(68)	(68)
Financial Instrument Adjustment		2	2
	<b>10,120</b>	<b>9,066</b>	<b>(1,054)</b>
<b>Transfer to/from reserves:</b>			
Contribution to/from reserves	(251)		251
Revenue Contributions To Capital Expenditure		16	16
Transfer from reserves to fund specific expenditure (carry forwards)	(150)	199	349
Capacity Issue Reserve			-
<b>Net Underspend Recommended For Transfer To Reserves</b>		<b>438</b>	<b>438</b>
<b>Total Budget requirement before External Support from Government</b>	<b>9,719</b>	<b>9,719</b>	<b>-</b>

<b>Approved use of the underspend:</b>	
Unspent budget approved for use in 2012/13	174
Contribution to Insurance reserve	100
Contribution to Local Plan reserve	107
Balance of Net Underspend available to be transferred to Capacity Issues Reserve	57
	<b>438</b>

## EXPLANATORY FOREWORD

### SUMMARY OF REVENUE SPEND



#### Central Government Support

The Councils share of Business Rates and Revenue Support Grant has reduced by £1,402,980 compared to 2010/11, a reduction of 28%.

#### Local Taxpayers

The Council collected £30m of Council Tax relating to 2011/12, this represented 97.7% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £5.245m. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.8%, Sussex Police Authority 8.8% and Adur District Council 17.4%.

The Council also collects non-domestic rates from local businesses which are paid over to the government's national pool. The pool is then re-distributed back to the Councils pro rata to entitlement to overall government support. £14.1m was billed during the year on behalf of the national pool and £2.6m was re-distributed from the pool to Adur.

#### Housing Revenue Account

The Housing Revenue Account had budgeted for a deficit of £207,000 to be funded from their reserves. Salary savings in Adur Homes, reductions in utility costs and reductions in recharges from other services have led to an underspend of £451,000 allowing for a £251,000 contribution to reserves.



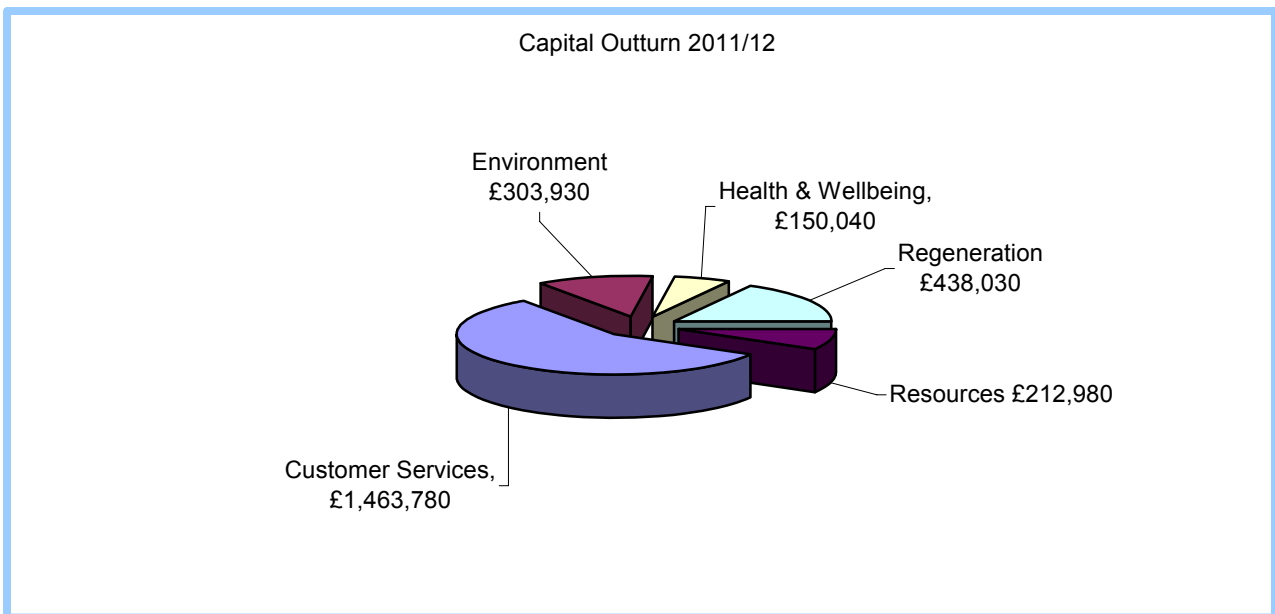
# EXPLANATORY FOREWORD

## **SUMMARY OF REVENUE SPEND**

### **Exceptional Item relating to the Housing Revenue Account**

Additionally, the 2011/12 HRA has been charged with a one-off payment of £51m to central government in respect of the introduction of self-financing arrangements for housing authorities with effect from 1 April 2012. This transaction has been reversed out of the HRA to the Capital Adjustment Account in accordance with the accounting treatment prescribed by LAAP Bulletin 92, so that there is no impact on Council tenants or Council tax payers. A corresponding long term liability resides under long term borrowing in the Council's balance sheet to reflect the requirement to finance this transaction over 30 years.

## **SUMMARY OF CAPITAL SPEND**



The total approved Adur Capital scheme investment programme for all portfolios was set at £2,854,980. Actual expenditure in the year totalled £2,568,760, a reduction of £286,220 on the approved estimate, comprising of slippage of £216,150 and a net underspend of £70,070. In addition an underspend of £62,500 resulted from 3 schemes that did not proceed making a total net underspend of £132,570. This was financed as follows.

	<b>2011/12</b>
	<b>£'000</b>
Capital Receipts	488
Government grants and other contributions	1,718
Revenue Contributions	73
Borrowing	290
<b>TOTAL</b>	<b>2,569</b>

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## **EXPLANATORY FOREWORD**

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### ***IMPAIRMENT AND REVALUATION LOSSES***

In 2011/12 the revaluation of the Housing Revenue Account dwellings by the District Valuation Office led overall to a revaluation loss. This totalled £2,926,276, the whole amount was charged to Income and Expenditure via the Capital Adjustment Account.

### ***POST EMPLOYMENT BENEFITS***

Employees of the Council have the option to become members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme is funded and provides defined benefits to members (retirement lump sums and pensions), earned by employees as they worked for the Council. The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund and comply fully with the requirements of IAS19.

To comply with these relevant accounting standards, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year. Therefore the cost of post employment/retirement benefits shown in Note 48 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

### ***STATEMENT FROM SECTION 151 OFFICER***

This is a challenging time for Local Government. Both Adur and Worthing Councils have faced a considerable reduction in central Government funding and have a strong desire to limit the increases to Council Tax.

The overall underspend is most welcome at this time to help the Councils manage the financial climate which they are currently grappling with building capacity to manage service reductions over the next year and fund future service developments.

The outturn position will inform the development of the 2013/14 budget. The intention is to build in recurring underspends into the 2013/14 budget where possible and so avoid the need for unnecessary service reductions.

### ***FURTHER INFORMATION***

Further information on Adur District Council's accounts is available from the Executive Head of Financial Services based at the Town Hall, Chapel Road, Worthing, or by accessing the Adur District Council website, [www.adur.gov.uk](http://www.adur.gov.uk).

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012

### ***The Council's Responsibilities:***

- (a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council in the financial year 2011/12 that officer was the Executive Head (Financial Services).
- (b) To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- (c) To approve the Statement of Accounts by 30<sup>th</sup> September, 2012.

### ***The Executive Head (Financial Services) and Section 151 Officer's Responsibilities:***

The Executive Head of Financial Services is responsible for the preparation of the Council's Statement of Accounts which is required to give "true and fair" view of the financial position of the Council.

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

The Executive Head (Financial Services) also has to keep proper accounting records which are up to date and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2012 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March, 2012 and its income and expenditure for the year ended on that date.

**SARAH GOBEY**  
Executive Head (Financial Services)

Dated: 20<sup>th</sup> September, 2012

### ***Certificate of Approval by Joint Governance and Audit Committee***

I confirm that these Accounts were approved by the Joint Governance and Audit Committee of Adur District Council and Worthing Borough Council on 20<sup>th</sup> September, 2012.

**ROD HOTTON**  
Chairman, Joint Governance and Audit Committee

Dated: 20<sup>th</sup> September, 2012

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## **MOVEMENT IN RESERVES STATEMENT**

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This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves, such as the revaluation of non-current assets. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Councils.

**See Movement of Reserves Statement on next page.**

MOVEMENT IN RESERVES STATEMENT

Single Entity (England and Wales)	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserves	Major Repairs Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31st March 2010</b>	<b>860</b>	<b>2,123</b>	<b>1,520</b>	<b>319</b>	<b>1,806</b>	<b>-</b>	<b>1,539</b>	<b>8,167</b>	<b>132,382</b>	<b>140,549</b>
<b>Movement in Reserves during 2010/11</b>										
Surplus or (deficit) on provision of services	12,717		(49,949)					(37,232)	-	(37,232)
Other Comprehensive Exp. & Income	59							59	11,972	12,031
<b>Total Comprehensive Expenditure Income</b>	<b>12,776</b>	<b>-</b>	<b>(49,949)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,173)</b>	<b>11,972</b>	<b>(25,201)</b>
Adjustments between accounting and funding basis under Regs. (Note 7)	(12,447)	-	50,064		(649)	-	524	37,492	(37,492)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>329</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>(649)</b>	<b>-</b>	<b>524</b>	<b>319</b>	<b>(25,520)</b>	<b>(25,201)</b>
Transfers to/from Earmarked Reserves (Note 8)	(332)	332	74	(74)	-	-	-	-	-	-
<b>Incr'se/Decr'se (movement) in Year</b>	<b>(3)</b>	<b>332</b>	<b>189</b>	<b>(74)</b>	<b>(649)</b>	<b>-</b>	<b>524</b>	<b>319</b>	<b>(25,520)</b>	<b>(25,201)</b>
<b>Balance at 31st March 2011 c/fwd</b>	<b>857</b>	<b>2,455</b>	<b>1,709</b>	<b>245</b>	<b>1,157</b>	<b>-</b>	<b>2,063</b>	<b>8,486</b>	<b>106,862</b>	<b>115,348</b>
<b>Movement in Reserves during 2011/12</b>										
Surplus or (deficit) on provision of services	237	-	(53,117)	-	-	-	-	(52,880)	-	(52,880)
Other Comprehensive Expenditure and Income	-							-	(4,844)	(4,844)
<b>Total Comprehensive Expenditure and Income</b>	<b>237</b>	<b>-</b>	<b>(53,117)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,880)</b>	<b>(4,844)</b>	<b>(57,724)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	508	-	53,367	-	1	1,110	(19)	54,967	(54,967)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>745</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>1</b>	<b>1,110</b>	<b>(19)</b>	<b>2,087</b>	<b>(59,811)</b>	<b>(57,724)</b>
Transfers to/from Earmarked Reserves (Note 8)	(745)	707	(110)	110	-	-	-	(38)	38	0
<b>Increase/Decrease in Year</b>	<b>-</b>	<b>707</b>	<b>140</b>	<b>110</b>	<b>1</b>	<b>1,110</b>	<b>(19)</b>	<b>2,049</b>	<b>(59,773)</b>	<b>(57,724)</b>
<b>Balance at 31st March 2012 c/ fwd</b>	<b>857</b>	<b>3,162</b>	<b>1,849</b>	<b>355</b>	<b>1,158</b>	<b>1,110</b>	<b>2,044</b>	<b>10,535</b>	<b>47,089</b>	<b>57,624</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2011/12	2011/12		2011/12	2010/11	2010/11	2010/11
	Gross Expenditure	Gross Income	Note	Net Expenditure	Gross Expenditure	Gross Income	Net Income/Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
<b>NET EXPENDITURE ON SERVICES</b>							
Central Services to the Public	6,968	(5,933)		1,035	6,956	(5,940)	1,016
Cultural Services	2,227	(417)		1,810	1,391	(220)	1,171
Environmental & Regulatory Services	4,323	(433)		3,890	3,649	(801)	2,849
Planning Services	2,280	(1,049)		1,231	1,737	(701)	1,036
Highways and Transport	613	(486)		127	1,482	(611)	871
Other Housing Services	23,121	(21,304)		1,817	22,035	(19,953)	2,082
Adult Social Care	226	(292)		(66)	209	(256)	(47)
Corporate & Democratic Core	2,356	(492)		1,864	2,836	(678)	2,158
Non-Distributed Costs	1,195	(3,495)		(2,300)	1,400	(3,915)	(2,515)
Exceptional Item - Pension revaluation	-			-	-	(6,880)	(6,880)
<b>Net Cost of General Fund Services</b>	<b>43,309</b>	<b>(33,901)</b>		<b>9,408</b>	<b>41,696</b>	<b>(39,955)</b>	<b>1,741</b>
Housing Revenue Account	12,705	(11,723)		982	9,467	(11,135)	(1,668)
Exceptional Item: HRA Self Financing Payment	51,185	-	17	51,185	50,540	-	50,540
<b>Net Cost of Services</b>	<b>107,199</b>	<b>(45,624)</b>		<b>61,575</b>	<b>101,703</b>	<b>(51,090)</b>	<b>50,613</b>
Other Operating Expenditure			9	274			1,069
Financing and Investment Income and Expenditure			10	1,595			(1,043)
(Surplus) or Deficit of Discontinued Operations				-			-
Taxation and non-specific grant income			11	(10,564)			(13,407)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>52,880</b>			<b>37,232</b>
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			25	(159)			88
(Surplus)/Deficit arising on revaluation of available for sale financial assets				-			-
Actuarial (Gains)/Losses on pension fund assets and liabilities			48	4,990			(12,060)
Other				13			(59)
<b>Other Comprehensive Income and Expenditure</b>				<b>4,844</b>			<b>(12,031)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>57,724</b>			<b>25,201</b>

## BALANCE SHEET

See Note No:	As at 31st March 2012	Restated As at 31st March 2011	Restated As at 1st April 2010
	£'000	£'000	£'000
<b>Long Term Assets:</b>			
Property, Plant & Equipment	12	143,972	147,860
Heritage Assets	13	221	217
Investment Property	14	8,286	9,146
Intangible Assets	15	128	3
Assets Held for Sale	21	-	-
Long Term Investments	16	5	5
Long Term Debtors	19	186	235
<b>Total Long Term Assets</b>		<b>152,799</b>	<b>157,466</b>
<b>Current Assets:</b>			
Short Term Investments	16	17,115	11,083
Inventories	17	95	116
Short Term Debtors	19	2,754	4,050
Cash & Cash Equivalents	20	-	893
<b>Total Current Assets</b>		<b>19,964</b>	<b>16,142</b>
<b>Current Liabilities:</b>			
Cash & Cash Equivalents	20	(2,755)	-
Short Term Borrowing	16	(2,577)	(353)
Short Term Creditors	22	(3,394)	(5,640)
Provisions	23	(343)	(520)
Grants Received in Advance Revenue	39	(669)	-
<b>Total Current Liabilities</b>		<b>(9,737)</b>	<b>(6,513)</b>
<b>Long Term Liabilities:</b>			
Long Term Borrowing	16	(80,337)	(31,362)
Other Long Term Liabilities	47	(25,060)	(20,380)
Capital Grants Receipts in Advance	39	(5)	(5)
<b>Total Long Term Liabilities</b>		<b>(105,403)</b>	<b>(51,747)</b>
<b>Net Assets</b>		<b>57,623</b>	<b>115,347</b>
<b>Financed By Reserves:</b>			
Usable Reserves	8 & 24	(10,535)	(8,486)
Unusable Reserve	25	(47,088)	(106,861)
<b>Total Reserves</b>		<b>(57,623)</b>	<b>(115,347)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	See Note No:	2011/12	Restated 2010/11
		£'000	£'000
Net (surplus) or deficit on provision of services	26	(52,880)	(37,232)
Adjustments to net surplus or deficit on the provision of services for non cash movements	26	5,666	43,028
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(6,437)	(171)
Net cash flows from Operating Activities	26	<b>(53,651)</b>	<b>5,625</b>
Investing Activities	27	(1,552)	(5,470)
Financing Activities	28	51,555	1,170
Net increase or decrease in cash and cash equivalents		<b>(3,648)</b>	<b>1,325</b>
Cash and cash equivalents at the beginning of the reporting period		893	(432)
<b>Cash and cash equivalents at the end of the reporting period</b>	20	<b>(2,755)</b>	<b>893</b>



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# NOTES TO THE ACCOUNTS

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## **NOTE 1: ACCOUNTING POLICIES**

### **STATEMENT OF ACCOUNTING POLICIES 2011/12**

#### **General**

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) / The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Financial Accounting in United Kingdom - 2011/12 Accounts, which is based on International Financial Reporting Standards (IFRS).

As outlined in the Foreword, there are not many changes to the CIPFA Code of Practice for 2011/12, which affect this Council compared to recent years but include:-

- The adoption of FRS 30 for Heritage Assets, which means a new classification of assets with detailed disclosure notes and changes to valuations;
- New disclosure requirements for exit packages;
- Clearer guidance on unspent grants that do not have any conditions attached.

### **UNDERLYING ASSUMPTIONS TO THE STATEMENT OF ACCOUNTS**

#### **Accruals**

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

#### **Going Concern**

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

### **PRINCIPAL QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS**

#### **Understandability**

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

#### **Relevance**

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

#### **Materiality**

An item is considered to be material where its omission or mis-statement could influence the decisions or assessments of users of the financial statements presented in the accounts. Materiality, therefore, is subjective and depends on the nature or size of the omission or mis-statement judged in the surrounding circumstances.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **PRINCIPAL QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS**

#### **Materiality**

The Council has therefore exercised its professional judgement in considering the size and nature of any transaction, or set of transactions, brought into the financial statements. In so doing, the Council does not set fixed monetary limits or rules for materiality, but has taken a view upon what would provide a proper understanding of the Council's overall financial position. Where appropriate, such a view has been reached in consultation with the Council's auditors.

Where IFRS based financial statements require adjustments to the Councils balances previously reported under UK GAAP, the authority will not make such changes where they are judged to be immaterial.

#### **Reliability**

The information presented in the accounts represents fairly the substance of the transactions and events of the Council, and is complete, prudently prepared, and free of deliberate or systematic bias or material error.

#### **Comparability**

A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. As 2011/12 is the first year for accounting for heritage assets and additional requirements for exit packages, comparative figures for 2011/12 have been derived by restating the formerly published accounts, as if the accounting policies applied to 2011/12 had been in place in 2010/11.

#### **Primacy of Legislative Requirements**

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

### **INCOME AND EXPENDITURE**

#### **Revenue Recognition**

Revenue recognition has been accounted for in accordance with IAS 18. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

### **COSTS OF SUPPORT SERVICES**

The CIPFA Service Reporting Code (SRCOP) requires the costs of support services to be charged on a fair and transparent basis. The allocation bases used for the main costs are outlined below. The majority of services are allocated out on a time allocation basis with the exception of the following:

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **COSTS OF SUPPORT SERVICES**

<b>Admin Buildings</b>	Headcount
<b>Human Resources inc training</b>	Headcount
<b>Payroll</b>	Headcount
<b>ICT</b>	Number of PC's per section
<b>Customer Services</b>	Number of calls multiplied by length of time per call
<b>Cashiers</b>	Number of transactions
<b>Exchequer Services</b>	Number of transactions
<b>Insurance - Employees</b>	Headcount
<b>Insurance - Premises</b>	Premises Valuation
<b>Insurance - Vehicles</b>	No of Vehicles

### **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other Councils that involve the use of the assets and resources of the Councils rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other Councils, with the assets being used to obtain benefits for the Councils. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangement and income that it earns from the arrangement.

### **Leases**

IAS 17 requires leases to be classified between finance leases and operating leases. IAS 17 defines a lease as "a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership".

The core tests which collectively or individually may provide evidence of finance leases are:

- the lease transfers ownership of the asset to the lessee (the User) by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value;
- the lease term is for the major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **COSTS OF SUPPORT SERVICES**

#### **Leases**

##### Council as a Lessee – Finance Lease:

Finance leases are recognised as property, plant and equipment on the Balance Sheet at the commencement of the lease, at fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower).

For each asset recognised on the Balance Sheet an equivalent liability is also shown representing the value of the obligation to repay the lessor (asset provider) the amounts due in respect of the capital cost of the assets. Consequently, lease payments are split between the finance interest element and the repayment of the liability.

##### The Council as a Lessee – Finance Lease:

The liability is financed by making a prudent annual contribution (the Minimum Revenue Provision, MRP) for repayment of debt in accordance with statutory requirements. This provision is charged to the General Fund with a contra credit to the Capital Adjustment Account.

Depreciation is charged to service revenue accounts over the life of the assets, or lease term if shorter. Depreciation is charged from the first full year the assets become operational, and also in the year of disposal.

As the Council is not required to raise council tax to cover depreciation, or revaluation and impairment losses arising on leased assets, the annual MRP credited to the Capital Adjustment Account is used to negate any impact on Council tax payers. This is done by transferring the credit to the General Fund Balance, by way of an adjusting transaction via the Movement in Reserves Statement.

##### The Council as a Lessee – Operating Lease:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement on an accruals basis. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

##### The Council as a Lessor – Operating Lease:

Where the Council grants an operating lease the asset is retained in the Council's Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **INTANGIBLE ASSETS**

The Council has no internally generated assets. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **NON CURRENT ASSETS**

#### **Expenditure and Valuation principles**

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

Non-current 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). Non-current assets are classified into the groupings required by the International Financial Reporting Standards (IFRS) code. The surpluses arising on the revaluation of property, plant and equipment are credited to the Revaluation Reserve and surpluses arising on the revaluation of investment properties are credited to the Comprehensive Income and Expenditure Account. The Council applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- Property Plant and Equipment assets are included in the balance sheet at market value. Where there is no open market value assets are included in the balance sheet at depreciated replacement cost. Community assets, infrastructure assets and assets under construction are stated at historic cost value.
- Assets held for sale, are included in the balance sheet if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.
- Investment properties, are included in the balance sheet at market value and need to meet the criteria of property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.

For 2011/12 the Council's values of land and buildings have been included in the accounts based on professional valuations. A *de minimis* value of £10,000 per capital contract or rolling programme has been applied to new vehicles, plant and equipment, and £10,000 for new land and buildings. Assets valued below these limits are not included, unless a revaluation is pending.

#### **Charges to Revenue for non-current Assets**

Service revenue accounts, central support services, and trading accounts are charged with a depreciation charge and any impairment loss for all non-current assets used in the provision of services. The depreciation charge is credited out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement on the General Fund Balance so that there is no impact on the amount required to be raised from local taxation for the provision of Council services.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **NON CURRENT ASSETS**

#### **Charges to Revenue for non-current Assets**

The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

<b>Buildings</b>	20-70 yrs except when impairment has occurred.
<b>Vehicles</b>	5-7 yrs
<b>Equipment</b>	from over 1 to 25 years
<b>Intangible Assets, Software</b>	from over 1 to 7 years
<b>Infrastructure Assets</b>	25 years
<b>Community Assets</b>	Held in perpetuity
<b>Assets (Finance Leases)</b>	Up to 10 years

Depreciation is not charged on investment properties, assets under construction, community assets and assets held for sale.

#### **Impairment**

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and were there to be reason to believe that the value had reduced materially in the period due to impairment, the valuation would be adjusted accordingly. Further information is supplied in Note 44.

#### **Depreciation**

Depreciation is charged to service revenue accounts for most non-current assets:

- newly acquired assets are depreciated from the first full year they become operational. Assets in the course of construction are not depreciated until they are brought into use
- assets disposed of are depreciated in the year of disposal
- depreciation is calculated using the straight-line method over the useful life of the asset
- assets acquired under Finance Leases are depreciated over the asset life, or the lease term if shorter.
- assets held for sale are not depreciated.

#### **Componentisation of Assets**

Where an item of Property, Plant and Equipment asset has major components, the cost of which is significant in relation to the total cost, the components are depreciated separately. The Council uses the straight line method of depreciation over the useful estimated life (UEL) of the component.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **NON CURRENT ASSETS**

#### **Componentisation of Assets**

In accordance with the Code, significant components are recognised as assets are acquired, enhanced or revalued from 1 April 2010 onwards, and not retrospectively of this date. When a component is replaced or restored, the carrying amount of the old component is de-recognised and the new component reflected in the carrying amount. The carrying amount of the replaced component is estimated using the net present value of the original component. When components are written out this will not result in a loss on either the asset values or sales”.

For Property, Plant and Equipment, apart from Council Dwellings, the accounting policy is to componentise all land and property assets valued at £50,000 or more in total where there has been a revaluation or enhancement since 1<sup>st</sup> April 2010. The following sub-component categories are used.

Main Structures  
Replaceable Structures  
Services  
External Works  
Land

As Council dwellings have not been componentised, the major Repairs Allowance has been used as a proxy for depreciation as permitted by stock valuation guidance.

#### **Capitalisation of Borrowing Costs**

IAS 23 requires borrowing costs, such as interest payments and other financing charges, to be capitalised in respect of assets that take a substantial period of time to get ready for use or sale. Capitalisation of borrowing costs is required to continue until the point at which the related assets become operational or are sold.

However, the Code of Practice allows borrowing costs to be charged to revenue expenditure as they are incurred. The Council’s policy is to apply the discretion permitted under the Code to expense borrowing costs as they are incurred. Accordingly, borrowing costs expensed are disclosed within Interest Payable in the Comprehensive Income and Expenditure Statement.

#### **GRANTS AND CONTRIBUTIONS**

Grants and other contributions in relation to revenue and capital 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. A grants and contributions reserve has been created to fulfil the requirements of the 2011/12 Code of Practice. The de minimis for grants and contributions is £5,000.

#### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Capital expenditure, such as improvement grants for which no non-current assets exist is classified as Revenue Expenditure Funded from Capital Under Statute. Expenditure is written off to the Comprehensive Income and Expenditure Account in the year it is incurred.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **CURRENT ASSETS**

The 2011/12 Code included the following current assets, which have specific accounting policies not included elsewhere:

(i) **Inventories**

These include cleaning materials, vehicle spares, printing and stationery, and catering supplies.

This council has accounted for inventories in accordance with IAS2 and IPSAS 12, which includes public sector interpretations of measurement which the Code has adopted.

(ii) **Work in Progress**

Any rechargeable works are shown at the actual cost incurred (excluding overheads allocation) at 31st March.

### **CURRENT LIABILITIES**

The 2011/12 Code includes the following current liabilities, which have specific accounting policies not included elsewhere.

#### **Provisions**

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

#### **DEBTORS AND CREDITORS**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. 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 for debtors and creditors are made on a best-estimate basis. Accruals are raised for items that singularly or in total (e.g. bulk orders) are estimated to be £250 or more in value.

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 are provided as a provision for bad debt and deducted from the debtors balance in the Balance Sheet.

#### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

Financial Instruments are broadly defined in the Code of Practice as contracts that give rise to a financial asset in one entity and a financial liability in another entity. Typical financial instruments are:



## NOTES TO THE ACCOUNTS

### **NOTE 1: ACCOUNTING POLICIES**

#### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

LIABILITIES	ASSETS
Trade payables and other payables Borrowings Financial guarantees	Bank deposits Trade receivables Loans receivable Other receivables and advances Investments

The Council recognises financial instruments in the accounts at the point when contractual obligations are made in regard to exchange of goods and services, rather than when receipts or payments pass from one party to another.

The accounting treatment of any particular financial instrument (i.e. how its carrying value is measured, and gains and losses recognised) depends on its classification on initial recognition. For this purpose, IFRS7 recognises two classes of financial liabilities and four classes of financial assets, being:

FINANCIAL LIABILITIES	FINANCIAL ASSETS
Amortised cost Fair value through profit or loss	Loans and receivables Available for sale Fair value through profit or loss Held to maturity

The Council's financial assets include trade receivables, bank deposits and investments, while its financial liabilities include all operational creditors and external borrowing. Both classes of financial instruments have been accounted for at amortised cost taken as the carrying amount on initial recognition (i.e. the transaction price), or (as in the case of investments and borrowing), principal plus accrued interest to 31<sup>st</sup> March, 2012.

The Code also requires that each class of financial assets and financial liabilities be disclosed at "fair value" in a way that permits it to be compared with the carrying amount in the statement of accounts. Comparisons of fair value with the carrying amounts are shown where required within the Notes to Core Financial Statements.

In making such comparisons, fair value is taken as meaning the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms-length transaction.

#### **Soft Loans**

The Code requires specific accounting requirements in respect of "soft loans", being loans made to or from third parties at preferential rates of interest below market rates. The Code requires the fair value of soft loans to be estimated as the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

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# NOTES TO THE ACCOUNTS

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## **NOTE 1: ACCOUNTING POLICIES**

### **ACCOUNTING FOR FINANCIAL INSTRUMENTS**

The council issues soft loans to employees in respect of car loans, and is in receipt of one interest free loan to finance a capital project. No adjustment in respect of these loans is made to the accounts to reflect the requirements of the Code on the grounds that the adjustment would be immaterial.

### **INVESTMENTS**

Investments comprise cash deposits placed with financial institutions for fixed term or notice periods, and are shown on the balance sheet at amortised cost, being the value of principal and accrued interest outstanding at the balance sheet date.

### **DEBT REDEMPTION**

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption.

In accordance with statutory guidance and the Council's Statement for Minimum Revenue Provisions (MRP) an amount is charged annually to revenue and set aside for repayment of debt.

The provisions are made each year from the General Fund Revenue Accounts, which is then held in the Capital Adjustment Account (CAA). The accumulated provision held in the CAA is used to repay the principal amounts borrowed to finance capital investment.

### **INTERNAL INTEREST**

Interest is credited to some Reserve Account balances based upon the average rate of return on the Council's investments for the year.

### **CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are defined as "short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value". Accordingly, the investments that may fall within the definition are principally held for short-term cash management purposes, not for obtaining a significant return on investment.

International Accounting Standard IAS 7 suggests that short term investments are for periods no longer than 3 months duration, as any longer period would increase the risk of a change in value of the investments. However, the Council recognises that fixed term deposits up to 3 months do not satisfy the requirement for the investments to be readily convertible for cash management purposes. Therefore, in practice the Council's policy restricts the composition of cash and cash equivalents to current account balances held with its own banker, plus instant access call accounts or money market fund deposits placed in other financial institutions, that would be returnable without penalty within 24 hours notice.

### **EXCEPTIONAL ITEMS**

Where exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **RESERVES**

The Council sets aside specific amounts as reserves to meet future spending need or to cover contingencies.

Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service within the Income and Expenditure Statement. The amount so charged is funded by transferring from the Reserves to the General Fund Balance an equivalent amount via the Statement of Movement of General Fund Balances.

**The Grants and Contributions Reserve** has been created in 2011/12 to comply with changes in accounting standards required by the code of practice. Contributions to the reserve are generated when the grant or contribution has been recognised as income in the Comprehensive Income & Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.

### **VALUE ADDED TAX**

VAT is included in the Comprehensive Income and Expenditure Account only to the extent that it is irrecoverable.

### **PENSION COSTS**

The pension costs in the Council's accounts show the attributable share of the assets and liabilities of West Sussex Local Government Pension Fund, which provides Council employees with defined benefits relating to pay and service. This accounting treatment complies fully with the requirements of IAS 19.

Employees of the Council are members of a pension scheme:

- The Local Government Pensions Scheme, administered by West Sussex County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **PENSION COSTS**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussed County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of based on the indicative rate of return on bonds.
- The assets of West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve;
  - contributions paid to the West Sussex County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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## **NOTES TO THE ACCOUNTS**

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### **NOTE 1: ACCOUNTING POLICIES**

#### **PENSION COSTS**

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **TERMINATION BENEFITS**

Redundancy costs are recognised in the year in which the decision is made.

#### **CURRENT EMPLOYEE BENEFITS AND ACCUMULATED ABSENCES**

The Council reviews the cost of accumulated absences as required by the IFRS code of practice. The review reveals that the level of this is not material and therefore has chosen not to accrue these costs.

#### **CONTINGENT LIABILITIES:**

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts unless perceived as being remote.

#### **CAPITAL RECEIPTS**

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

#### **HERITAGE ASSETS**

Heritage Assets are a new classification of assets following the adoption of FRS 30.

#### **Definition of Heritage Assets**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

# NOTES TO THE ACCOUNTS

## **NOTE 1: ACCOUNTING POLICIES**

### **HERITAGE ASSETS**

#### **Definition of Heritage Assets**

An intangible heritage asset is defined as an intangible asset with cultural, environmental or historical significance.

#### **Recognition of Heritage Assets**

The Council recognises heritage assets when the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Council does not recognise the asset on the Balance Sheet. Assets which are not recognised in the Balance Sheet are included in a separate Disclosure Note.

#### **Valuation of Heritage Assets**

The Council's heritage assets are normally measured at valuation except where it is not possible to establish a valuation; for example if there is no market for a particular heritage asset or where it is not possible to provide a reliable estimate of the replacement cost of the asset due to the lack of comparative information. The unique nature of many heritage assets makes reliable valuation complex. Therefore where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available the asset is carried at historical cost (less any accumulated depreciation, amortisation and impairment losses).

Valuations may be made by any method that is appropriate and relevant and include:

- (i) Insurance valuations based on current estimations of market values which are updated annually.
- (ii) External valuations
- (iii) Valuations by reference to recent auctions for similar assets.
- (iv) Valuations by reference to antique and other industry journals and reference materials

Valuations are reviewed with sufficient regularity to ensure they remain current.

#### **Depreciation, Amortisation and Impairment of Heritage Assets**

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation on intangible assets is considered on an individual asset basis. Assets are reviewed for impairment where an asset has suffered physical deterioration or breakage, or where doubts arise as to the authenticity of the heritage asset.

#### **Accounting for Heritage Assets**

Heritage assets are accounted for in the same way as property, plant and equipment and intangible assets.

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## **NOTES TO THE ACCOUNTS**

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***NOTE 2: ACCOUNTING STANDARDS ISSUED, BUT HAVE NOT YET BEEN NOT ADOPTED***

For the 2011/12 Statement of Accounts there are no accounting standards issued which have not yet been adopted.

***NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES***

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

***NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION***

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO THE ACCOUNTS

### **NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

Item	Uncertainties	Effect is actual results differ from assumptions
<b>Property, Plant &amp; Equipment</b>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. The useful life of some of the council properties has been reduced and as a result the depreciation has increased</p> <p>Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2011/12, the Council's actuaries advised that the net pensions liability has increased by £4.68m.</p> <p>Retirement benefits are charged as amounts become payable to pension funds rather than as future benefits are earned. Net changes made for retirement benefits in accordance with IAS 19 are excluded when the movement in the general fund (revenue outturn) is determined. It does not impact on the setting of council tax.</p>
<b>Arrears</b>	<p>At March 2012 the Council had a balance of debtors due (excluding government departments) of £2.75m. A review of significant balances suggested that an impairment of doubtful debt of £1.1m was appropriate.</p>	<p>Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.</p>



## NOTES TO THE ACCOUNTS

### **NOTE 5: MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material income and expense items to disclose that are not reported in the Comprehensive Income and Expenditure Statement.

### **NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period, 31<sup>st</sup> March 2012 and the date when the Statement of Accounts is authorised for issue, 20<sup>th</sup> September 2012.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after 20<sup>th</sup> September 2012, the date of authorisation for issue, are not reflected in the Statement of Accounts.

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2011/12 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expen. Statement</b>						
Charges for depreciation and impairment of non current assets Note 25	(1,286)	(2,219)				3,505
Revaluation losses on Property Plant and Equipment Note 25	0	(2,922)				2,922
Movements in the market value of investment Properties	116					(116)
Amortisation of intangible assets Note 25	(31)					31
Capital grants and contributions applied Note 25	322	40				(362)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2011/12 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						-
Movement in the Donated Assets Account - not applicable						
Revenue Expenditure funded from capital under statute Note 25	(525)					525
HRA - Self financing		(51,185)				51,185
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Note 25	(194)	(248)				442
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>						
Statutory provision for the financing of capital investment Note 25	710					(710)
Capital expenditure charged against the General Fund and HRA balances		375		(375)		-
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement Note 25						-
Application of grants to capital financing transferred to the Capital Adjustment Account Note 25	66				17	(83)
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	345	518	(863)			-
Use of the Capital Receipts Reserve to finance new capital expenditure Note 41	16		461			(477)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2011/12 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool Note 25	(401)		401			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			-		2	(2)
Other	-		-			-
<b>Adjustments involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA		2,028		(2,028)		-
Use of the major Repairs Reserve to finance new capital expenditure				1,293		(1,293)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements Note 25	2	234				(236)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Note 48	(3,013)	(137)				3,150
Employers Pension Contributions and direct payments to pensioners payable in the year Note 48	3,311	149				(3,460)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2011/12 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	54					(54)
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b>						
Not required						
<b>Adjustment involving the Accumulated Absences Account</b>						
<b>TOTAL ADJUSTMENTS 2011/12</b>	<b>(508)</b>	<b>(53,367)</b>	<b>(1)</b>	<b>(1,110)</b>	<b>19</b>	<b>54,967</b>

2010/11 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment A/c:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non current assets	(3,238)					3,238
Revaluation losses on property plant and equipment	4,864	(52,528)				47,664
Movements in the market value of investment properties	3,916					(3,916)
Amortisation of intangible assets	(1)					1
Capital grants and contributions applied	760					(760)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2010/11 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Movement in the Donated Assets Account						
Revenue Expenditure funded from capital under statute	(1,255)					1,255
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(810)	(72)				882
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	714					(714)
Capital expenditure charged against the General Fund & HRA	109	200				(309)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,105				(1,105)	0
Application of grants to capital financing transferred to the Capital Adjustment Accounts					581	(581)
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	45	120	(165)			0

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2010/11 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Capital Receipts Reserve Account:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure			731			(731)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals						
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(92)		92			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(3)			3
Other	6		(6)			0
<b>Adjustments involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA		1,972		(1,962)		(10)
Use of the Major Repairs Reserve to finance new capital expenditure				1,962		(1,962)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	2	244				(246)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 4)	2,720					(2,720)

## NOTES TO THE ACCOUNTS

### **NOTE 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2010/11 USABLE RESERVES COMPARATIVE FIGURES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Pensions Reserve</b>						
Employers Pension Contributions and direct payments to pensioners payable in the year	3,520					(3,520)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	82					(82)
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b>						
Not required						
<b>Adjustment involving the Accumulated Absences Account</b>						
<b>TOTAL ADJUSTMENTS 2010/11</b>	<b>12,447</b>	<b>(50,064)</b>	<b>649</b>	<b>0</b>	<b>(524)</b>	<b>37,492</b>

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

The Council holds a number of specific reserves. Movements during the year were as follows:

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

Movement in Earmarked Reserves	Balance at 01.04.10	Decrease 2010/11	Increase 2010/11	Balance at 31.03.11	Decrease 2011/12	Increase 2011/12	Balance at 31.03.12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Revenue Reserves</b>							
Capacity Issues Fund	1,113	(92)	255	1,276	(121)	160	1,315
Insurance Fund	172	(30)	50	192	(2)	-	190
New Technology Fund	37	-	-	37	-	-	37
Partnership Development	353	(223)	150	280	(158)	-	122
Community Alarm	7	-	-	7	-	1	8
Local Plan	-	-	-	-	-	186	186
Health and Safety	32	-	-	32	-	1	33
Investment Property Maintenance Fund	69	-	-	69	-	-	69
Building Maintenance Fund	120	(4)	61	177	(26)	-	151
Leisure Centre	25	(23)	-	2	(2)	-	-
Performance Reward Grant	26	-	-	26	-	-	26
Election Reserve	-	-	10	10	-	-	10
Vehicle Repair & Renewal Reserve	-	-	24	24	-	5	29
Grants & Contributions	-	-	-	-	-	688	688
Carry Forward Reserve	147	(16)	170	301	(117)	95	279
Others (all under £10,000)	23	-	-	23	(5)	1	19
<b>Total General Fund</b>	<b>2,124</b>	<b>(388)</b>	<b>720</b>	<b>2,456</b>	<b>(431)</b>	<b>1,137</b>	<b>3,162</b>
<b>Housing Revenue Account</b>							
Housing Repairs Reserve	303	(74)	-	229	-	-	229
Housing Revenue Account	1,519	-	189	1,708	-	142	1,850
Housing Revenue New Homes	-	-	-	-	-	110	110
Major Repairs Reserve	-	-	-	-	-	1,109	1,109
Others (all under £10,000)	16	-	-	16	-	-	16
<b>Total Housing Revenue Account</b>	<b>1,838</b>	<b>(74)</b>	<b>189</b>	<b>1,953</b>	<b>-</b>	<b>1,361</b>	<b>3,314</b>
<b>Total Earmarked Reserves</b>	<b>3,962</b>	<b>(462)</b>	<b>909</b>	<b>4,409</b>	<b>(431)</b>	<b>2,498</b>	<b>6,476</b>



## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

<b>RESERVE</b>	<b>PURPOSE OF RESERVE</b>
<b>Carry Forward Reserve</b>	To carry forward underspends in one financial year the following year that have been caused by planned spending being delayed.
<b>Performance Reward Grant Fund</b>	Balance of underspent grant earmarked for spending on projects to achieve agreed Local Area Agreement outcomes.
<b>Capacity Issues Reserve</b>	To cushion the impact of the recession and fund one-off initiatives for the community.
<b>Insurance Fund</b>	To offset costs of insurance excesses.
<b>New Technology</b>	To fund additional IT equipment.
<b>Partnership Development Fund</b>	To fund initial set up costs of the partnership.
<b>Community Alarm</b>	To fund the capital costs of community alarm equipment.
<b>Health and Safety</b>	To offset unexpected costs arising from Health and Safety legislation.
<b>Investment Property Maintenance Fund</b>	Fund to offset future maintenance costs of investment property.
<b>Building Maintenance Fund</b>	Fund to offset future maintenance costs of the Council's operational buildings.
<b>Leisure Centre – Client Building Maintenance</b>	To provide funds to meeting the authorised contract commitments for the leisure centre and community swimming pool.
<b>Elections</b>	To replace and update election equipment that previously had been funded by government
<b>Vehicle Repairs and Renewals</b>	To smooth out the impact of future vehicle maintenance costs of the Adur & Worthing council Services fleet
<b>Others</b>	All other reserves held (under £10,000).
<b>Housing Revenue Account</b>	A ring fenced reserve for Housing Revenue Account surplus
<b>Housing Repairs Reserve</b>	Reserve to support repairs to Council Dwellings
<b>Local Plan Reserve</b>	For Development and Production of the Adur Local Plan, to include creation of sound evidence base, public consultation stages, formal examination, and production of final document.

## NOTES TO THE ACCOUNTS

### **NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES**

#### **RESERVE**

#### **PURPOSE OF RESERVE**

##### **Housing Revenue New Homes**

New earmarked reserve specifically for new development and refurbishment of council housing.

##### **Grants and Contributions**

To comply with changes in accounting policy required by the code of practice. The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income & Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.

##### **Major Repairs Reserves**

To hold the funding received from the DCLG as part of the subsidy payment to the Council to finance capital expenditure on Council Houses. This would normally be used in year, however for 2011/12 there has been slippage of capital schemes into 2012/13

#### **CAPITAL RESERVES AND BALANCES**

As shown on the Balance Sheet Page 14

##### **Revaluation Reserve**

Capital accounting regulations require the establishment of this account to represent the accumulated gains on the fixed assets held by the council arising from increases in value, as a result of inflation or other factors. The account is written down by depreciation charges on assets incurred because the asset has been revalued and by the revaluation gains when assets are sold.

##### **Capital Adjustment Account**

The Capital Adjustment Account is an account required under capital accounting regulations and reflects the difference between the cost of fixed assets consumed and the capital financing assets set aside to pay for them. It is written down by capital expenditure which does not result in the creation of a fixed asset and the depreciated historical cost of assets when sold.

##### **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.

##### **Capital Grants Unapplied Reserve**

Capital Grants Unapplied Reserve is held for capital grants that have been received but have not yet been used to finance capital expenditure.

## NOTES TO THE ACCOUNTS

### **NOTE 9: OTHER OPERATING EXPENDITURE**

Other Operating Expenditure	31-Mar-12	31-Mar-11
	<b>£'000</b>	<b>£'000</b>
Parish Council Precepts	292	283
De-recognition of Assets	39	742
Payments to the Government Housing Capital Receipts Pool	401	93
Gains/losses on the disposal of non-current assets	(458)	(49)
<b>TOTAL</b>	<b>274</b>	<b>1,069</b>

### **NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Financing and Investment Income and Expenditure	2011/12	2010/11
	<b>£'000</b>	<b>£'000</b>
Interest payable & similar charges	1,871	1,852
Pensions interest cost & expected return on pensions assets	86	990
Interest receivable & similar income	(248)	(161)
Income and expenditure in relation to investment properties and changes in fair value	(372)	(3,602)
Other investment income	258	(122)
<b>TOTAL</b>	<b>1,595</b>	<b>(1,043)</b>

### **NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME**

Taxation and Non-Specific Grant Income	2011/12	2010/11
	<b>£'000</b>	<b>£'000</b>
Council Tax Income	(6,448)	(6,479)
Non Domestic Rates	(2,651)	(4,388)
Non-ringfenced Government Grants	(1,036)	(676)
Capital Grants and Contributions	(429)	(1,864)
<b>TOTAL</b>	<b>(10,564)</b>	<b>(13,407)</b>

# NOTES TO THE ACCOUNTS

## **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

### **OPERATIONAL ASSETS**

Restated Movements in 2011/2012	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2011 Restated</b>	121,335	21,966	6,876	3,595	1,720	160	46	155,698
Additions	1,473	74	317	104	-	-	29	1,997
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4)	(50)	38	-	-	-	-	(16)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,896)	-	-	-	-	-	-	(4,896)
Derecognition - Other	-	(35)	(718)	-	(1)	-	-	(754)
Assets reclassified (to)/from Held for Sale	(248)	-	-	-	-	(160)	-	(408)
Assets reclassified (to)/from Investment Properties	-	959	-	-	-	-	-	959
Reclassifications between asset classes, including transfers to intangible assets	57	(52)	(357)	9	-	-	(13)	(356)
<b>At 31 March 2011</b>	<b>117,717</b>	<b>22,862</b>	<b>6,156</b>	<b>3,708</b>	<b>1,719</b>	<b>-</b>	<b>62</b>	<b>152,224</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	(1,972)	(314)	(4,111)	(1,436)	-	(5)	-	(7,838)
Depreciation charge	(2,028)	(783)	(581)	(100)	-	(5)	-	(3,497)
Depreciation written out to the Revaluation Reserve	-	166	-	-	-	5	-	171
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,969	-	-	-	-	-	-	1,969
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	(8)	-	-	-	-	(8)
Derecognition - Disposals	4	-	-	-	-	5	-	9
Derecognition - Other	-	2	712	-	-	-	-	714
Other movements in depreciation and impairment	(1)	-	229	-	-	-	-	228
<b>At 31 March 2012</b>	<b>(2,028)</b>	<b>(929)</b>	<b>(3,759)</b>	<b>(1,536)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,252)</b>
<b>Net Book Value at 31 Mar 2012</b>	<b>115,689</b>	<b>21,933</b>	<b>2,397</b>	<b>2,172</b>	<b>1,719</b>	<b>-</b>	<b>62</b>	<b>143,972</b>
<b>At 31 March 2011</b>	<b>119,363</b>	<b>21,652</b>	<b>2,765</b>	<b>2,159</b>	<b>1,720</b>	<b>155</b>	<b>46</b>	<b>147,860</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **OPERATIONAL ASSETS**

Share of above assets used in the provision of the joint services

Movements in 2011/2012	Vehicles, Furniture and Equipment	Assets under Construction	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2011	3,736	4	3,740
Additions	257	3	260
Derecognition - Other	(170)	-	(170)
Reclassifications between asset categories	4	(4)	-
<b>At 31 March 2012</b>	<b>3,827</b>	<b>3</b>	<b>3,830</b>
<b>Accumulated Depreciation &amp; Impairment</b>			
At 1 April 2011	(1,518)	-	(1,518)
Depreciation charge	(467)	-	(467)
Derecognition - Other	169	-	169
<b>At 31 March 2012</b>	<b>(1,816)</b>	<b>-</b>	<b>(1,816)</b>
			-
<b>Net Book Value at 31 March 2012</b>	<b>2,011</b>	<b>3</b>	<b>2,014</b>
<b>Net Book Value at 31 March 2011</b>	<b>2,218</b>	<b>4</b>	<b>2,222</b>

# NOTES TO THE ACCOUNTS

## **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

### **COMPARATIVE MOVEMENTS 2010/11**

Restated Movements in 2010/2011	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2010 Restated</b>	172,048	17,430	7,397	2,999	1,740	-	263	201,877
Additions	2,764	536	530	347	-	-	46	4,223
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,865)	2,551	13	-	-	-	-	(301)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(50,540)	2,387	-	-	-	-	-	(48,153)
Derecognition - Disposals	(72)	-	-	-	-	-	-	(72)
Derecognition - Other	-	(766)	(1,096)	-	-	-	-	(1,862)
Reclassifications between asset classes, including transfers to intangible assets	-	(172)	32	249	(20)	160	(263)	(14)
<b>At 31 March 2011</b>	<b>121,335</b>	<b>21,966</b>	<b>6,876</b>	<b>3,595</b>	<b>1,720</b>	<b>160</b>	<b>46</b>	<b>155,698</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	-	(386)	(4,685)	(1,360)	-	-	-	(6,431)
Depreciation charge	(1,972)	(718)	(519)	(76)	-	(1)	-	(3,286)
Depreciation written out to the Revaluation Reserve	-	261	-	-	-	-	-	261
Deprecation written out to the Surplus/Deficit on the Provision of Services	-	489	-	-	-	-	-	489
Derecognition - Disposals	-	-	-	-	-	-	-	-
Derecognition - Other	-	36	1,084	-	-	-	-	1,120
Other movements in depreciation and impairment	-	4	9	-	-	(4)	-	9
<b>At 31 March 2011</b>	<b>(1,972)</b>	<b>(314)</b>	<b>(4,111)</b>	<b>(1,436)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(7,838)</b>
<b>Net Book Value at 31 March 2011</b>	<b>119,363</b>	<b>21,652</b>	<b>2,765</b>	<b>2,159</b>	<b>1,720</b>	<b>155</b>	<b>46</b>	<b>147,860</b>
<b>At 31 March 2010</b>	<b>172,048</b>	<b>17,044</b>	<b>2,712</b>	<b>1,639</b>	<b>1,740</b>	<b>-</b>	<b>263</b>	<b>195,446</b>

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **COMPARATIVE MOVEMENTS 2010/11**

Share of above assets used in the provision of the joint services

Movements in 2010/2011	Vehicles, Furniture and Equipment	Assets under Construction	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2010	3,332	47	3,379
Additions	372	4	376
Reclassifications between asset categories	32	(47)	(15)
<b>At 31 March 2011</b>	<b>3,736</b>	<b>4</b>	<b>3,740</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2010	(1,152)	-	(1,152)
Depreciation Charge	(377)	-	(377)
Derecognition - Disposals	11		11
<b>At 31 March 2011</b>	<b>(1,518)</b>	<b>-</b>	<b>(1,518)</b>
<b>Net Book Value at 31 March 2011</b>	<b>2,218</b>	<b>4</b>	<b>2,222</b>
<b>Net Book Value at 31 March 2010</b>	<b>2,180</b>	<b>47</b>	<b>2,227</b>

#### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 40 – 60 years
- Other Land and Buildings: 20 – 70 years
- Vehicles, Plant, Furniture and Equipment: 1 – 20 years
- Infrastructure: 25 years

#### **Capital Commitments**

At 31 March 2012, the Council had not entered into any significant contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years.

## NOTES TO THE ACCOUNTS

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

#### **REVALUATIONS**

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured that fair value is revalued at least every 5 years. All valuations were carried out by the District Valuation Office. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institution of Chartered Surveyors. The Council uses depreciated historical cost as a valuation basis for infrastructure assets, community assets, assets under construction and for vehicles, plant and equipment.

The significant assumptions applied in estimating the fair values are:

- Operational Assets - Properties valued will continue to be in the occupation of the Local Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	-	-	2,397	2,172	1,719	-	62	6,350
<b>Valued at fair value as at:</b>								
31st March 2012	115,689	6,118	-	-	-	-	-	121,807
31st March 2011	-	15,815	-	-	-	-	-	15,815
<b>Total Cost or Valuation</b>	<b>115,689</b>	<b>21,933</b>	<b>2,397</b>	<b>2,172</b>	<b>1,719</b>	<b>-</b>	<b>62</b>	<b>143,972</b>

### **NOTE 13: HERITAGE ASSETS**

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Movements in 2011/2012	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2011	8	23	185	216
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2	3	-	5
<b>At 31 March 2012</b>	<b>10</b>	<b>26</b>	<b>185</b>	<b>221</b>



## NOTES TO THE ACCOUNTS

### **NOTE 13: HERITAGE ASSETS**

#### **COMPARATIVE MOVEMENTS 2010/11**

Restated Movements in 2010/2011	Civic Regalia	Fine Art/ Furniture	Monuments	TOTAL
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b> At 1 April 2010	8	23	185	216
<b>At 31 March 2011</b>	<b>8</b>	<b>23</b>	<b>185</b>	<b>216</b>

#### **Civic Regalia**

The Council's Civic Regalia is reported in the Balance Sheet at insurance valuation. The insurance valuation is updated annually.

#### **Fine Art/Furniture**

This collection consists of various 19th Century paintings which have been donated to the Council and 2 carved oak chairs. These assets are stored or displayed in the Council's administration buildings and are reported in the Balance Sheet at insurance valuation, which is updated annually.

#### **Monuments**

The war memorial at The Green, Southwick is reported in the Balance Sheet at historical cost as it is not practical to provide a valuation at a cost which is commensurate to users of the financial statements

### **NOTE 14: INVESTMENT PROPERTIES**

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11
	£'000	£'000
Rental income from investment property	(572)	(537)
Direct operating expenses arising from investment property	316	333
<b>Net (gain)/loss</b>	<b>(256)</b>	<b>(204)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment properties or repairs, maintenance or enhancement.

## NOTES TO THE ACCOUNTS

### **NOTE 14: INVESTMENT PROPERTIES**

The following table summarises the movement in the fair value of investment properties over the year.

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year</b>	9,146	5,056
<b>Additions:</b>		
Subsequent expenditure	20	43
<b>Disposals:</b>	-	(43)
<b>Net gains/losses from fair value adjustments:</b>		
General Fund	80	3,899
Housing Revenue Account	36	61
<b>Transfers:</b>		
To/from Property, Plant and Equipment	(960)	130
<b>Balance at end of the year</b>	8,322	9,146

### **NOTE 15: INTANGIBLE ASSETS**

The Council has no internally generated assets and accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

The useful lives assigned to the software licences are between 1 and 7 years and the carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £30,839 charged to revenue in 2011/2012 was charged £27,278 to the General Fund and £3,561 to the Housing Revenue Account.

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year</b>		
Gross carrying amounts	79	155
Accumulated amortisation	(76)	(155)
<b>Net carrying amount at start of year</b>	3	-
<b>Additions:</b>		
Purchases	26	15
Amortisation for the period	(31)	(1)
Transfers from property, plant and equipment	130	(11)
<b>Net carrying amount at end of year</b>	128	3
<b>Comprising</b>		
Gross carrying amounts	398	79
Accumulated amortisation	(270)	(76)
	128	3

## NOTES TO THE ACCOUNTS

### **NOTE 15: INTANGIBLE ASSETS**

Share of above assets used in the provision of the joint services

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year</b>		
Gross carrying amounts	15	-
Accumulated amortisation	(12)	-
<b>Net carrying amount at start of year</b>	<b>3</b>	<b>-</b>
<b>Additions:</b>		
Purchases	-	15
Amortisation for the period	(1)	(1)
Transfers from property, plant and equipment	-	(11)
<b>Net carrying amount at end of year</b>	<b>2</b>	<b>3</b>
<b>Comprising</b>		
Gross carrying amounts	15	15
Accumulated amortisation	(13)	(12)
	<b>2</b>	<b>3</b>

### **NOTE 16: FINANCIAL INSTRUMENTS**

A financial instrument is defined as any contract which gives rise to a financial asset in one entity and a financial liability in another. This definition therefore covers both assets and liabilities within the Council's Balance Sheet and includes items such as investments, long term and short term borrowing, trade debtors (receivables) and creditors (payables). The Code of Practice requires the Council to make a range of disclosures in respect of financial instruments, which follow in the tables below.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	Long Term		Current		Total	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost (Borrowings)	(80,337)	(31,362)	(2,577)	(353)	(82,914)	(31,715)
<b>Total Liabilities</b>	<b>(80,337)</b>	<b>(31,362)</b>	<b>(2,577)</b>	<b>(353)</b>	<b>(82,914)</b>	<b>(31,715)</b>
Loans and Receivables - Investments	-	-	17,115	11,083	17,115	11,083
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>17,115</b>	<b>11,083</b>	<b>17,115</b>	<b>11,083</b>
<b>NET ASSETS / (LIABILITIES)</b>	<b>(80,337)</b>	<b>(31,362)</b>	<b>14,538</b>	<b>10,730</b>	<b>(65,799)</b>	<b>(20,632)</b>

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

The borrowing on the balance sheet is analysed below by maturity structure:

	31-Mar-12	31-Mar-11
	£'000s	£'000s
<b>An analysis of loan debt by maturity is:</b>		
Maturing within one year	2,578	353
	2,578	353
Maturing in 1-2 years	2,217	500
Maturing in 2-5 years	5,132	520
Maturing in 5-10 years	6,837	-
Maturing in more than 10 years	66,150	30,342
<b>TOTAL</b>	<b>82,914</b>	<b>31,715</b>

The composition of borrowings and investments at the balance sheet date are further analysed overleaf:

	Long Term		Current		TOTAL	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	£'000	£'000	£'000	£'000	£'000	£'000
<b>BORROWING:</b>						
Public Works L'n B'd	(61,934)	(12,455)	(2,009)	(285)	(63,943)	(12,740)
<b>Public W'ks L'n Board</b>	<b>(61,934)</b>	<b>(12,455)</b>	<b>(2,009)</b>	<b>(285)</b>	<b>(63,943)</b>	<b>(12,740)</b>
Barclays Capital	(11,137)	(11,139)	(59)	(58)	(11,196)	(11,197)
DEPFA Bank Plc	(7,248)	(7,248)	(1)	(1)	(7,249)	(7,249)
Dresdner Bank AG	-	(500)	(500)	-	(500)	(500)
Salex	(17)	(20)	(9)	-	(26)	(20)
Adur Bowling Club	-	-	-	(9)	-	(9)
<b>Other Comm.lenders</b>	<b>(18,402)</b>	<b>(18,907)</b>	<b>(569)</b>	<b>(68)</b>	<b>(18,971)</b>	<b>(18,975)</b>
<b>TOTAL BORROWING</b>	<b>(80,336)</b>	<b>(31,362)</b>	<b>(2,578)</b>	<b>(353)</b>	<b>(82,914)</b>	<b>(31,715)</b>
<b>INVESTMENTS</b>						
Bank of Scotland	-	-	2,016	3,022	2,016	3,022
Barclays Capital	-	-	4,031	3,028	4,031	3,028
Lloyds TSB	-	-	3,046	-	3,046	-
Nationwide Bldg Soc.	-	-	3,008	3,023	3,008	3,023
Royal Bank of Scotland	-	-	2,012	2,010	2,012	2,010
Santander UK	-	-	3,002	-	3,002	-
<b>TOTAL INVESTMENTS</b>	<b>-</b>	<b>-</b>	<b>17,115</b>	<b>11,083</b>	<b>17,115</b>	<b>11,083</b>
<b>NET TOTAL INVEST'S/ (LIABILITIES)</b>	<b>(80,336)</b>	<b>(31,362)</b>	<b>14,537</b>	<b>10,730</b>	<b>(65,799)</b>	<b>(20,632)</b>

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	FINANCIAL LIABILITIES Measured at Amortised Cost		FINANCIAL ASSETS Loans and Receivables		TOTAL	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	(1,817)	(1,819)	-	-	(1,817)	(1,819)
Impairment Losses	-	-	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>(1,817)</b>	<b>(1,819)</b>	<b>-</b>	<b>-</b>	<b>(1,817)</b>	<b>(1,819)</b>
Interest Income	-	-	266	200	266	200
Increase in Impairment	-	-	(8)	(5)	(8)	(5)
<b>Interest Income and Similar Income</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>195</b>	<b>258</b>	<b>195</b>
<b>Net Gain/(Loss) in Yr</b>	<b>(1,817)</b>	<b>(1,819)</b>	<b>258</b>	<b>195</b>	<b>(1,559)</b>	<b>(1,624)</b>

The losses and gains in impairment relate solely to the provisions for losses on trade debtors calculated in accordance with accounting policies.

#### Fair Values - Borrowing

The fair value of investments and borrowing at 31<sup>st</sup> March, 2012 is based upon professional evaluation by the Council's treasury management advisers.

The valuations use the net present value approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used is equal to the current rate in relation to the same instrument from a comparable lender at 31<sup>st</sup> March 2012. The fair value includes accrued interest in the calculation to provide a comparison with the carrying value in the Balance Sheet.

The fair values for loans from the PWLB have been calculated using the new borrowing rate in force on the last working day of the financial year.

The fair value of cash and cash equivalents reflects cash overdrawn at the bank at 31 March 2012 as reported in the balance sheet. The value of Trade and other Payables differs from the amounts shown in the Balance Sheet on account of the exclusion of statutory debtors that fall outside the definition of Financial Instruments because they are not trade related. The fair values calculated are as follows:

	31st March 2012		31st March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Borrowing PWLB	(63,943)	(57,755)	(12,740)	(15,692)
Other Loans	(18,971)	(22,551)	(18,975)	(23,191)
<b>Total Borrowing</b>	<b>(82,914)</b>	<b>(80,306)</b>	<b>(31,715)</b>	<b>(38,883)</b>
Cash & Cash Equivalents	(2,755)	(2,755)	-	-
Trade and Other Payables	(2,963)	(2,963)	(3,585)	(3,585)
	<b>(88,632)</b>	<b>(86,024)</b>	<b>(35,300)</b>	<b>(42,468)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

The fair value of PWLB debt at 31 March 2012 is below the carrying amount, whereas the reverse applied at the same date in the previous year. This is because the Council borrowed £51.185m on 28 March 2012 arising from central government's introduction of the Housing Self-financing regime. This amount was borrowed at a rate of 3.03%, compared to a market rate of 4.38% for the same loan. This one loan, issued at a preferential rate, equated to a discount of some £11.5m at the balance sheet date, and has the effect of reducing the fair value of all PWLB debt to below the carrying amount - where previously all PWLB debt was at rates above market levels.

The fair values of other loans at 31 March 2012 (and the same date the previous year) are predominantly loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This means that if the Council were to repay these loans before the due date then it would have to pay a premium to the lender over and above the carrying value.

#### **Fair Values - Investments**

	31st March 2012		31st March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments	17,115	17,115	11,083	11,083
Trade Receivables	2,496	2,496	3,725	3,725
Cash & Cash Equivalents	-	-	893	893
<b>Loans and Receivables</b>	<b>19,611</b>	<b>19,611</b>	<b>15,701</b>	<b>15,701</b>

The fair value for investments is the same as the carrying amount because the portfolio of investments at 31st March comprises short term cash deposits for which the fair value is deemed to approximate to the carrying value.

The disclosure for Loans and Receivables includes two other elements being Trade Receivables (or trade debtors) and Cash and Cash equivalents. The carrying amount for Trade Receivables differs from the total value of Debtors shown in Note 19 and the Balance Sheet on account of the exclusion of statutory debtors that fall outside the definition of Financial Instruments because they do not constitute trade debts. The carrying value of Cash and Cash Equivalents is negative at 31 March 2012 and is therefore included under the disclosure for Financial Liabilities.

#### **Nature and Extent of Risks Arising From Financial Instruments**

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay the amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.

Market risk – the possibility the Council might suffer financial loss as a result of changes in interest rates

The Council's treasury management activities are carried out by a central team under policies approved by the Council as part of its annual treasury management strategy. This provides a written framework for overall risk management of its treasury management actions.

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Credit Risk**

Credit risk arises from investments with banks and building societies as well as credit exposures to the Council's customers. The Council's treasury management policy on investments limits the amounts invested with any institution or group according to the credit rating provided by the principal rating agencies Fitch, Moody's and Standard and Poor's. Consequently the Council limits lending of no more than £6m to institutions rated AA+ or above, £5m to institutions rated AA or AA-, and £3m to those rated A+ or below. In the case of the council's own bank the limit is £4m or 25% of total funds (whichever is higher).

The Council has not incurred any loss or default from any of its investments and is not aware of any loss being suffered on cash deposits by any Council using similar investment criteria. However the prevailing financial climate since the banking crises of 2008 would suggest that the investment of council's funds is not entirely without risk.

Trade and rental debts are usually payable immediately when due. Generally therefore, all amounts outstanding at the year end, apart from those amounts raised as part of the final accounts process are past their due date. Exposure to losses on these debtors is assessed on an aged debt basis as identified in the accounting policies and is shown below, with an aged debt analysis of the trade receivables.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted for current market conditions. The historical default rates for trade debtors is 26.43%, while the bad debt provision for 2011/12 as a percentage of total debtors was just 0.81%. Considering current market conditions and expectations for the future the Historical Default rate has been adjusted from 26.43% to 30.00% to gauge the likely maximum exposure to default and uncollectability.

Credit Risk Exposure	Carrying Amount at 31-Mar-12	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-12	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-12	Estimated Maximum Exposure at 31-Mar-11
	£'000	%	%	£'000	£'000
Deposit with Banks and Financial Institutions	17,115	0.000%	0.0009%	15	55
Customers	2,496	26.43%	30.00%	749	1,117
	<b>19,611</b>			<b>764</b>	<b>1,172</b>

#### **Liquidity Risk**

As the Council has ready access to borrowings either directly from the Public Works Loans Board or financial markets via brokers, there is no material risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council maybe forced to refinance a significant proportion of its borrowings at a time of rising (and therefore unfavourable) interest rates. To minimise the impact of such an event the Council's strategy limits the amount of debts subject to variable rates of interest. The Council also has a maturity structure that also limits the amount of debt due to mature to no more than 20% in any one year. In practice the amounts due for repayment in the next 10 years are currently less than 4% of total debts

## NOTES TO THE ACCOUNTS

### **NOTE 16: FINANCIAL INSTRUMENTS**

#### **Market Risk**

The Council is exposed to risk in its exposure to interest rate movements in its investments as at March 31<sup>st</sup> 2012 and on its borrowings. The Council generally invests and borrows at fixed rates. Its investments are generally for a period up to 1 year. Borrowings comprise long term fixed rate loans from the Public Works Loans Board, financial markets, and LOBO loans from commercial lenders at variable rates.

Movements in interest rates may have a complex impact on the Council, for example if interest rates were to rise this would enable the Council to invest at higher rates as previous investments mature so increasing the income credited to the Comprehensive Income and Expenditure Statement. However some of the commercial lenders might wish to exercise their option to increase the interest charged on the Council's variable/temporary borrowings, at which point the Council would have to either accept or replace with a different loan at a higher interest rate. In either case the result would be an increase in the interest costs.

The Council has a range of strategies for limiting interest rate risk. The policy is to minimise the amount of variable rate borrowing and to make fixed rate deposits and investments over a range of maturities ensuring that the Council's exposure to short term market fluctuations is minimised.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	109
Increase in interest receivable on variable rate investments	(17)
Impact on Surplus or Deficit on the Provision of Services	92
Share of overall impact debited to the HRA	60
Decrease in fair value of fixed rate investment assets	5
Impact on Other Comprehensive Income and Expenditure	5
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	10,585

#### **Price Risk**

The Council has no investments in equity shares and thus is not exposed to losses arising from movements in share prices.

#### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



## NOTES TO THE ACCOUNTS

### **NOTE 17: INVENTORIES**

Adur District Council holds £48,311; (2010/11 £80,728) Inventories (stock) mainly for the use of providing internal services; this is not considered a significant part of the overall assets held by the Council and is deemed not material. The Adur share of Inventories from the Joint Strategic Committee is £46,974; (2010/11 £35,297). This is a gross stock holding for Adur District Council of £95,285; (2010/11 £116,025).

### **NOTE 18: CONSTRUCTION CONTRACTS**

The Council has not entered into any significant construction contracts to undertake work for a third party.

### **NOTE 19: DEBTORS**

	31-Mar-12	31-Mar-11
<b>Amounts falling due in one year:</b>	<b>£'000s</b>	<b>£'000s</b>
Central Government Bodies	504	823
Other Local Authorities	881	411
NHS Bodies	-	-
Public Corporations & Trading Funds	29	50
Other Entities and Individuals	1,340	2,766
	<b>2,754</b>	<b>4,050</b>

The past due amounts for customers can be analysed as follows.

<b>Overall Aged Debt Analysis</b>	31-Mar-12	31-Mar-11
	<b>£'000</b>	<b>£'000</b>
Under 1 year	2,205	3,579
1 - 2 years	149	103
2 - 3 years	86	129
Over 3 years	314	239
	<b>2,754</b>	<b>4,050</b>

### **Long Term Debtors**

Long term debtors disclosed in the balance sheet comprise of:

<b>Long Term Debtors</b>	31-Mar-12	31-Mar-11
	<b>£'000s</b>	<b>£'000s</b>
Private sector house purchase	-	-
Council house purchase	7	8
Car loans	179	227
<b>TOTAL</b>	<b>186</b>	<b>235</b>

## NOTES TO THE ACCOUNTS

### **NOTE 20: CASH AND CASH EQUIVALENTS**

The Council holds Cash and Cash Equivalents for the purpose of meeting short term commitments.

	31-Mar-12	31-Mar-11
	£'000	£'000
<b>The balance is made up of the following elements:</b>		
Cash overdrawn by the Council	(3,302)	11
Bank Current Accounts	547	882
Short Term deposits, of up to 3 months duration, placed with other financial institutions	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>(2,755)</b>	<b>893</b>

### **NOTE 21: ASSETS HELD FOR SALE**

	Current 2011/12	Current 2010/11	Non Current 2011/12	Non Current 2010/11
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year 1st April 2011</b>	-	-	-	-
<b>Assets newly classified as held for sale:</b>				
From Property, Plant and Equipment	-	-	403	-
<b>Assets sold:</b>			(403)	
<b>Balance outstanding at year-end</b>	-	-	-	-

### **NOTE 22: CREDITORS**

	31-Mar-12	31-Mar-11
	£'000s	£'000s
Central Government Bodies	858	241
Other Local Authorities	512	300
NHS	-	-
Public Corporations and Trading Funds	305	-
Other Entities and Individuals	1,719	5,099
<b>TOTAL</b>	<b>3,394</b>	<b>5,640</b>

### **NOTE 23: PROVISIONS**

The table below identifies the movements in the year in the amounts set aside for provisions. Below the table is a brief description of the nature of each provision and any information on likely timings and uncertainties surrounding its use.

## NOTES TO THE ACCOUNTS

### **NOTE 23: PROVISIONS**

	Balance at 31-Mar-11	Additional provisions made in 2011/12	Amounts used in 2011/12	Balance at 31-Mar-12
	£'000	£'000	£'000	£'000
Land Charges Provision	34	-	-	34
Courtfields Major works	71	54	(2)	124
Insurance Claim	138	-	(17)	121
Insurance Provision	25	-	-	25
Concessionary Fares	252	-	(213)	39
	<b>520</b>	<b>54</b>	<b>(232)</b>	<b>343</b>

Courtfields Major Works Reserve is a provision for the cost of works that the Council is obliged to undertake at Courtfields. No major works are currently programmed for the properties but it is highly likely that some major works will need to be undertaken in the next few years.

Insurance Claim Provision primarily relates to the expected cost of reinstatement works in respect of fire damage that has the subject to a successful insurance claim. The works have been delayed pending the resolution of legal proceedings that do not involve the Council. The timing is therefore uncertain however the size of the Council's liability is expected to be limited to the amount set aside.

Insurance Provision relates to potential outstanding claims at the year end.

**Concessionary Fares:** The Council's provision for the financial settlement, relating to the legal challenge by the operator has now been resolved. This full and final settlement of £213k has been accrued in 2011/12.

### **NOTE 24: USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement page 12.

## NOTES TO THE ACCOUNTS

### NOTE 25: UNUSABLE RESERVES

31st March 2011	UNUSABLE RESERVES	31st March 2012
<b>£'000s</b>		<b>£'000s</b>
(2,961)	Revaluation Reserve	(3,040)
-	Available for Sale Financial Instruments Reserve	-
(125,193)	Capital Adjustment Account	(69,732)
901	Financial Instruments Adjustment Account	667
(8)	Deferred Capital Receipts Reserve	(7)
20,380	Pension Reserve	25,060
19	Collections Fund Adjustment Account	(36)
-	Unequal Pay Back Pay Account	-
-	Accumulated Absences Account	-
<b>(106,862)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(47,088)</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2011/12	Restated 2010/11
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(2,961)	(3,087)
Upward revaluation of assets	(213)	(2,878)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	54	2,967
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(3,120)</b>	<b>(2,998)</b>
Difference between fair value depreciation and historical cost depreciation	80	37
<b>Balance at 31 March</b>	<b>(3,040)</b>	<b>(2,961)</b>

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## NOTES TO THE ACCOUNTS

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### ***NOTE 25: UNUSABLE RESERVES***

#### **Capital Adjustment Account**

The Capital Adjustment Account reflects the difference between the cost of long term assets consumed and the capital financing assets set aside to pay for them. It is written down by capital expenditure which does not result in the creation of a long term asset and the depreciated historical cost of assets when sold.

The account contains accumulated gains and loses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**See table on next page.**

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

Capital Adjustment Account	2011/12	2010/11
	£'000	£'000
<b>Balance at 1 April</b>	<b>(125,193)</b>	<b>(169,210)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	3,505	3,238
Revaluation losses on property, plant and equipment	2,922	47,664
Amortisation of intangible assets	31	1
Revenue expenditure funded from capital under statute	525	1,255
Settlement Payments Determination 2012	51,185	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	442	882
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>58,610</b>	<b>53,040</b>
Adjusting amounts written out of the Revaluation Reserve	(80)	(39)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(488)	(731)
Use of the Major Repairs Reserve to finance new capital expenditure	(1,293)	(1,972)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(362)	(760)
Application of grants to capital financing from the Capital Grants Unapplied Account	(63)	(582)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(710)	(714)
Capital expenditure charged against the General Fund and HRA balances	(73)	(309)
	<b>(3,069)</b>	<b>(5,107)</b>
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(80)	(3,916)
<b>Balance at 31 March</b>	<b>(69,732)</b>	<b>(125,193)</b>

### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid on discounts received on the early redemption of loans.

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Financial Instruments Adjustment Account**

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balances in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case this period is the unexpired term that was outstanding on the loans when they were redeemed.

As a result, the balance on the account at 31st March 2012 will be charged to the General Fund over the next 54 years.

<b>Financial Instruments Adjustment Account</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	901	1,147
Discount recognised in the year and applied to the Comprehensive income and Expenditure Statement	2	2
Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Balance in accordance with statutory requirements	(234)	(246)
	<b>669</b>	<b>903</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	(2)
<b>Balance at 31 March</b>	<b>667</b>	<b>901</b>

#### **Pension Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

Unusable Pension Reserve	2011/12	2010/11
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	20,380	38,680
Actuarial gains or losses on pension assets and liabilities	4,990	(12,060)
Reversal of items relating to retirement benefits debited or credited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	3,150	(2,720)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,460)	(3,520)
<b>Balance at 31 March</b>	<b>25,060</b>	<b>20,380</b>

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	2011/12	2010/11
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(8)	(11)
Transfer to the Capital Receipts Reserve upon receipt of cash	1	3
<b>Balance at 31 March</b>	<b>(7)</b>	<b>(8)</b>

### **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2011/12	2010/11
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	19	101
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(54)	(82)
<b>Balance at 31 March</b>	<b>(35)</b>	<b>19</b>



## NOTES TO THE ACCOUNTS

### **NOTE 25: UNUSABLE RESERVES**

#### **Accumulated Absences Account**

There is a requirement under IFRS to accrue for compensated absences (mainly cost of carried forward holiday). A review was undertaken across the Council and Joint Strategic Committee in 2011/12. The value is not deemed material and has not been accounted for.

### **NOTE 26: CASH FLOW - OPERATING ACTIVITIES**

	Net 2011/12	Net Restated 2010/11
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	300	369
Interest paid	(2,215)	(1,472)
Dividends received		
<b>Total</b>	<b>(1,915)</b>	<b>(1,103)</b>

#### **Cash Flow – Net Cash Flow From Operating Activities**

	Net 2011/12	Net 2010/11
	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(52,880)</b>	<b>(37,232)</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	3,505	3,238
Impairment and downward valuations	2,922	47,664
Amortisation	31	1
Adjustment for internal interest charged	-	(2)
Increase/Decrease in Interest Creditors	(344)	349
Increase/Decrease in Creditors	(2,037)	(364)
Increase/Decrease in Interest and Dividend Debtors	52	208
Increase/Decrease in Debtors	972	1,164
Increase/Decrease in Inventories	21	(21)
Pension Liability	(310)	(6,240)
Contributions to/(from) Provisions	492	65
Provision for Equal Pay	-	-
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	442	882

## NOTES TO THE ACCOUNTS

### **NOTE 26: CASH FLOW - OPERATING ACTIVITIES**

#### Cash Flow – Net Cash Flow From Operating Activities

	Net 2011/12	Net 2010/11
	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		
Movement in Investment property values	(80)	(3,916)
	<b>5,666</b>	<b>43,028</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital Grants credited to surplus or deficit on the provision of services	-	-
Proceeds from the sale of short and long term investments	(6,000)	-
Premiums or Discounts on the repayment of financial liabilities	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(437)	(171)
	<b>(6,437)</b>	<b>(171)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(53,653)</b>	<b>5,625</b>

### **NOTE 27: CASH FLOW - INVESTING ACTIVITIES**

	Net 2011/12	Net 2010/11
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	<b>(2,121)</b>	<b>(4,607)</b>
Purchase of short-term and long-term investments	-	<b>(950)</b>
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>504</b>	<b>95</b>
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	<b>65</b>	<b>(8)</b>
<b>Net cash flows from investing activities</b>	<b>(1,552)</b>	<b>(5,470)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 28: CASH FLOW - FINANCING ACTIVITIES**

	Net 2011/12	Net Restated 2010/11
	£'000	£'000
Cash receipts of short- and long-term borrowing	52,019	493
Other receipts from financing activities	356	1,364
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	(72)
Repayments of short- and long-term borrowing	(820)	(532)
Other payments for financing activities		(83)
<b>Net cash flows from financing activities</b>	<b>51,555</b>	<b>1,170</b>

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure except for depreciation;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year 2011/12 is as follows:

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depre- ciation	Total Expend- iture	Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Member Portfolio</b>							
Environment	-	1,742	2,861	510	5,113	(1,538)	3,575
Customer Services	-	27,119	448	311	27,878	(26,246)	1,632
Regeneration	231	922	1,820	2	2,975	(1,786)	1,189
Resources	1,863	2,772	1,410	164	6,209	(4,116)	2,093
Other	336	413	1,128	44	1,921	(679)	1,242
<b>Net Portfolio Expenditure</b>	2,430	32,968	7,667	1,031	44,096	(34,365)	9,731
<b>Housing Revenue Account</b>	1,342	9,406	1,245	2,028	14,021	(14,272)	(251)
<b>Net Cost of Services</b>	3,772	42,374	8,912	3,059	58,117	(48,637)	9,480
Credit back notional capital				(1,309)			(1,309)
Minimum Revenue Provision		710					710
Other grants						(68)	(68)
Revenue contribution to capital		-				2	2
<b>Spend 2011/12</b>	3,772	43,084	8,912	1,750	58,117	(48,703)	8,815

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2011/12 £'000</b>
Cost of services in service analysis	8,815
Add services not included in main analysis	-
Add amounts not reported to management	45,384
Remove amounts reported to management not included in comprehensive Income and Expenditure Statement	(1,319)
<b>Net Cost of Services in Comprehensive Income &amp; Exp'ture St'ment</b>	<b>52,880</b>

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2011/12	Service Analysis	Services not in Analysis	Not reported to management	Not included in Income & Expenditure	Allocation of Re-charges	Net Cost of Services	Total
Fees, charges & other service income	(22,465)	-	-	-	-	(22,465)	<b>(22,465)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest & investment income	(266)	-	-	-	-	(266)	<b>(266)</b>
Income from council tax	-	-	(6,491)	-	-	(6,491)	<b>(6,491)</b>
Government grants and contributions	(25,974)	-	(4,184)	-	-	(30,158)	<b>(30,158)</b>
<b>Total Income</b>	<b>(48,705)</b>	-	<b>(10,675)</b>	-	-	<b>(59,380)</b>	<b>(59,380)</b>
Employee expenses	3,771	-	(310)	-	-	3,461	<b>3,461</b>
Other service expenses	41,242	-	-	(1,319)	-	39,923	<b>39,923</b>
Support Service recharges	8,912	-	-	-	(278)	8,634	<b>8,634</b>
Depreciation, amortisation and impairment	1,751	-	4,628	-	-	6,379	<b>6,379</b>
Interest Payments	1,844	-	-	-	-	1,844	<b>1,844</b>
Precepts & Levies	-	-	293	-	-	293	<b>293</b>
Payments to Housing Capital	-	-	401	-	-	401	<b>401</b>
Receipts Pool	-	-	-	-	-	-	-
Gain/ Loss on Disposal of Fixed Assets	-	-	(420)	-	-	(420)	<b>(420)</b>
Other	-	-	51,745	-	-	51,745	<b>51,745</b>
<b>Total operating expenses</b>	<b>57,520</b>	-	<b>56,337</b>	<b>(1,319)</b>	<b>(278)</b>	<b>112,260</b>	<b>112,260</b>
<b>Surplus or deficit on the provision of services</b>	<b>8,815</b>	-	<b>45,662</b>	<b>(1,319)</b>	<b>(278)</b>	<b>52,880</b>	<b>52,880</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The income and expenditure of the Council's principal portfolios recorded in the budget reports for 2010/11 year is as follows:

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
<b>Member Portfolio</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Environment	17	1,836	2,748	456	5,057	(1,752)	3,305
Improved Customer Services	-	26,328	541	280	27,149	(25,021)	2,128
Regeneration	475	1,035	1,398	2	2,910	(1,344)	1,566
Resources	1,641	746	1,367	118	3,872	(1,181)	2,691
Other	1,050	1,438	863	69	3,420	(2,069)	1,351
<b>Net Portfolio Expenditure</b>	<b>3,183</b>	<b>31,383</b>	<b>6,917</b>	<b>925</b>	<b>42,408</b>	<b>(31,367)</b>	<b>11,041</b>
<b>Housing Revenue Account</b>	<b>3,525</b>	<b>4,763</b>	<b>1,216</b>	<b>1,972</b>	<b>11,476</b>	<b>(11,591)</b>	<b>(115)</b>
<b>Net Cost of Services</b>	<b>6,708</b>	<b>36,146</b>	<b>8,133</b>	<b>2,897</b>	<b>53,884</b>	<b>(42,958)</b>	<b>10,926</b>
Credit back notional capital				(1,143)			(1,143)
Minimum Revenue Provision		714					714
Other grants						(37)	(37)
Revenue contribution to capital		20					20
<b>Spend 2010/11</b>	<b>6,708</b>	<b>36,880</b>	<b>8,133</b>	<b>1,754</b>	<b>53,884</b>	<b>(42,995)</b>	<b>10,480</b>

### **RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2010/11 £'000</b>
Cost of Services in service analysis	10,480
Add services not included in main analysis	72
Add amounts not reported to management	27,841
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,161)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>37,232</b>

## NOTES TO THE ACCOUNTS

### **NOTE 29: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS**

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement for 2010/11.

Reconciliation to Subjective Analysis 2010/11	Service Analysis	Services not in Analysis	Not reported to management	Not included in Income & Expenditure	Allocation of Re-charges	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(17,658)	-	-	-	-	(17,658)	(17,658)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest & investment income	(214)	-	-	-	-	(214)	(214)
Income from council tax	-	-	(6,478)	-	-	(6,478)	(6,478)
Government grants and contributions	(25,123)	-	(6,839)	-	-	(31,962)	(31,962)
<b>Total Income</b>	<b>(42,995)</b>	<b>-</b>	<b>(13,317)</b>	<b>-</b>	<b>-</b>	<b>(56,312)</b>	<b>(56,312)</b>
Employee expenses	6,708	-	(6,240)	-	-	468	468
Other service expenses	35,061	72	-	(1,161)	-	33,972	33,972
Support Service recharges	8,133	-	-	-	-	8,133	8,133
Depreciation, amortisation and impairment	1,754	-	45,291	-	(218)	46,827	46,827
Interest Payments	1,819	-	-	-	-	1,819	1,819
Precepts & Levies	-	-	283	-	-	283	283
Payments to Housing Capital Receipts Pool	-	-	93	-	-	93	93
Gain or Loss on Disposal of Fixed Assets	-	-	694	-	-	694	694
Other	-	-	1,255	-	-	1,255	1,255
<b>Total operating expenses</b>	<b>53,475</b>	<b>72</b>	<b>41,376</b>	<b>(1,161)</b>	<b>(218)</b>	<b>93,544</b>	<b>93,544</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,480</b>	<b>72</b>	<b>28,059</b>	<b>(1,161)</b>	<b>(218)</b>	<b>37,232</b>	<b>37,232</b>

### **NOTE 30: ACQUIRED AND DISCONTINUED OPERATIONS**

There have been no acquired or discontinued operations during 2011/12.

## NOTES TO THE ACCOUNTS

### **NOTE 31: TRADING OPERATIONS**

The former Direct Service Organisations are designated as trading accounts and a summary of their trading results is shown below, together with other services treated as trading services. The Council operates 3 trading accounts as shown below:

	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure	2010/11 Net Expenditure
	£'000	£'000	£'000	£'000
Horticultural Services	796	(761)	35	25
Building Maintenance	610	(687)	(77)	(78)
	1,406	(1,448)	(42)	(53)
Trade Refuse	456	(526)	(70)	(69)
	<b>1,862</b>	<b>(1,974)</b>	<b>(112)</b>	<b>(122)</b>

The trading account has been consolidated within the Comprehensive Income and Expenditure Statement under other operating expenditure.

Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The service charges a commercial rate and is in direct competition with other service providers. Surpluses are shared and credited back to the Council.

Horticultural Service is provided to maintain the Council Parks, Open Spaces and Recreational facilities. The service charges a commercial rate, which was again, checked against outside contractors rates in 2011/12 and the financial results proved very competitive against other service providers.

A Building Maintenance service is provided to maintain the Council tenant properties in conjunction with the Council's surveyors department. The service charges a commercial rate and is in direct competition with other service providers.

### **NOTE 32: AGENCY SERVICES**

Adur District Council have entered into an Agency Agreement with West Sussex County Council to improve the Parking Enforcement for the District. In 2011/12 income collected was £148,753, (2010/11 £143,719) and expenditure was £141,309 (2010/11 £142,539). West Sussex County Council contributes £50,000; (2010/11 £50,000) towards this contract, with the balance being funded by Adur District Council.

The Council also has agency agreements with other local authorities for treasury management, revenue and benefits and insurance provision to provide value for money, relying on expertise within particular authorities. These agency agreements are deemed by Adur Council to be immaterial.

### **NOTE 33: ROAD CHARGING**

This note is not applicable to Adur District Council.

## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

Since July 2007, Adur District Council and Worthing Borough Council have been working in partnership. During 2011/12 the services that have been provided jointly are Customer Services and Waste Management, Community Safety and Housing Strategy, Planning, Regeneration and Wellbeing, Legal and Democratic Services, Financial Services, Corporate Strategy and a single senior officer structure.

	<b>Gross Expenditure 2011/12</b>	<b>Gross Income 2011/12</b>	<b>Net Expenditure 2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>EXPENDITURE</b>			
Central services to the public	301	-	301
Cultural and Related Services	234	-	234
Environmental and Regulatory Services	6,366	(1,659)	4,707
Planning Services	1,921	(403)	1,518
Highways & Transport Services	281	-	281
Other Housing Services	69	-	69
Corporate & Democratic Core	185	-	185
<b>Net Cost of Services</b>	9,357	(2,062)	7,295
Holding Accounts	14,006	(948)	13,058
<b>NET OPERATING EXPENDITURE</b>	<b>23,363</b>	<b>(3,010)</b>	<b>20,353</b>
Other operating expenditure			2
Taxation & non-specific grant income			(590)
<b>Funded by:</b>			
Adur District Council			(7,824)
Worthing Borough Council			(11,494)
<b>(Surplus) or deficit on provision of services</b>			447
<b>Other Comprehensive Income &amp; Expenditure</b>	-	-	-
			<b>447</b>

Adur District Council is also part of the CenSus Joint Committee partnership, a collaborative arrangement with Mid Sussex District Council and Horsham District Council for the delivery of Revenues and Benefits services.

Adur District Council and Worthing Borough Council are part of the CenSus Joint Committee partnership with Horsham District Council and Mid Sussex District Council for the delivery of ICT Services.



## NOTES TO THE ACCOUNTS

### **NOTE 34: JOINT BUDGETS**

Memorandum Accounts for Census year ending 31<sup>st</sup> March 2012

Census Revenues & Benefits	Mid Sussex District Council	Horsham District Council	Adur District Council	TOTAL
	£'000	£'000	£'000	£'000
<b>Expenditure</b>				
Salary costs	3,623	4	-	3,627
Transport costs	95	8	-	103
Supplies and Services	651	117	30	798
<b>Total Expenditure</b>	<b>4,369</b>	<b>129</b>	<b>30</b>	<b>4,528</b>
<b>Income</b>				
Grant Income	(14)	(12)	(9)	(35)
Fees and charges	(248)	(221)	(129)	(598)
Miscellaneous Income	1	(6)	(3)	(8)
<b>Total Income</b>	<b>(261)</b>	<b>(239)</b>	<b>(141)</b>	<b>(641)</b>
Net Expenditure incurred by each council	4,108	(110)	(111)	3,887
<b>Proportional Share of Costs</b>	<b>1,421</b>	<b>1,360</b>	<b>1,106</b>	<b>3,887</b>

Census ICT	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	£'000	£'000
<b>Net Expenditure for CenSus ICT Services</b>					<b>2,297</b>
<b>Proportional Share of Costs</b>	<b>722</b>	<b>597</b>	<b>391</b>	<b>587</b>	<b>2,297</b>

### **NOTE 35: MEMBERS' ALLOWANCES**

Total Allowances paid to Members was £138,317 and (£146,471 in 2010/11)

### **NOTE 36 OFFICERS' REMUNERATION**

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. Below is the remuneration note that appears in the accounts of the Joint Committee. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

## NOTES TO THE ACCOUNTS

### **NOTE 36 OFFICERS' REMUNERATION**

The numbers of employees (including the Senior Officers who are also listed individually in the later tables) whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:-

Remuneration Bands	Number of Employees	
	2011/12	2010/11
£50,000 to £54,999** and ***	6	5
£55,000 to £59,999**	6	3
£60,000 to £64,999* and ***	4	2
£65,000 to £69,999* and **	1	3
£70,000 to £74,999	7	9
£75,000 to £79,999***	1	-
£80,000 to £84,999	-	-
£85,000 to £89,999	1	-
£90,000 to £94,999	1	2
£95,000 to £99,999	-	-
£100,000 to £104,999	1	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999**	1	-
£125,000 to £129,999	-	-
£130,000 to £134,999	-	-
£135,000 to £139,999	-	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
	<b>29</b>	<b>25</b>

\* These figures include redundancy payments of £155,159 for 4 employees in 2010/11.  
 \*\* These figures include redundancy payments of £168,999 for 5 employees in 2011/12.  
 \*\*\* These figures include backpay payments of £37,452 relating to previous years.

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

#### **Remuneration Disclosures for Senior Officers whose salary is £150,000 or more per year**

##### Note 1:

There were no members of staff whose salary was more than £150,000 in either 2011/12 or 2010/11.

#### **Remuneration Disclosures for Senior Officers whose salary is less than £150,000 but equal to more than £50,000 per year**

##### Note 2:

The Chief Executive, Strategic Directors and Executive Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing Borough Council as part of a formally agreed partnership arrangement where costs are shared and included in the support service allocations to the authorities.

There were no bonuses paid to these staff in either 2011/12 or 2010/11.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above								
Postholder (Title)	Salary (including Fees and Allowance)	Expense Allowance	Benefit in Kind e.g. Car Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Chief Executive</b>								
2011/12	101,185	968	-	102,153	17,032	119,185	59,593	59,593
2010/11	115,510	-	1,433	116,943	18,713	135,656	67,828	67,828
<b>Strategic Director 1</b>								
2011/12	87,489	288	-	87,777	15,485	103,262	51,631	51,631
2010/11	90,813	159	1,687	92,659	14,712	107,371	53,686	53,686
<b>Strategic Director 2</b>								
2011/12	90,813	1,099	-	91,912	16,074	107,986	53,993	53,993
2010/11	90,863	-	977	91,840	14,720	106,559	53,280	53,280

Postholder (Title)	Salary (including Fees and Allowance)	Expense Allowance	Benefit in Kind e.g. Car Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Executive Head of Corporate Strategy*</b> 2011/12 2010/11	n/a 70,866	n/a 61	n/a -	- -	n/a 70,927	n/a 11,480	n/a 82,407	n/a 49,444	n/a 32,963
<b>Executive Head of Financial Services</b> 2011/12 2010/11	70,866 70,866	850 -	- -	- -	71,716 70,866	12,543 11,480	84,259 82,346	50,556 49,408	33,704 32,939
<b>Executive Head of Planning, Regeneration &amp; Wellbeing</b> 2011/12 2010/11	70,866 70,866	417 257	- 226	- -	71,283 71,349	12,543 11,480	83,826 82,829	50,296 49,698	33,531 33,132
<b>Executive Head of Legal &amp; Democratic Services</b> 2011/12 2010/11	70,891 73,609	129 -	- 168	- -	71,020 73,777	12,548 11,484	83,568 85,261	50,141 51,157	33,427 34,104
<b>Executive Head of Leisure &amp; Cultural Services**</b> 2011/12 2010/11	43,869 70,891	600 -	374 1,668	75,722 -	120,565 72,559	5,294 11,606	125,859 84,164	113,273 75,748	12,587 8,417
<p>* This post became vacant and was subsequently deleted from the establishment</p> <p>** This post became vacant during the year and was subsequently deleted from the establishment</p>									

**NOTES TO THE ACCOUNTS**

**NOTE 36 OFFICERS' REMUNERATION**

Postholder (Title)	Salary (including Fees and Allowance)	Expense Allowance	Benefit in Kind e.g. Car Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C.	Net Cost borne by Adur D.C. Employing Authority
<b>Executive Head of Customer Services, Waste and Recycling</b>								
2011/12	70,916	320	1,310	72,546	12,784	85,330	51,197	34,133
2010/11	70,916	-	1,430	72,346	11,610	83,956	50,373	33,583
<b>Executive Head of Housing, Health and Community Safety</b>								
2011/12	70,669	746	-	71,415	12,508	83,923	50,353	33,568
2010/11	70,941	168	793	71,902	11,492	83,395	50,036	33,357
<b>Executive Head of Adur Homes</b>								
2011/12	70,916	432	0	71,348	12,552	83,900	8,390	75,510
2010/11	70,916	168	395	71,478	11,488	82,967	8,297	74,670
<b>Executive Head of Technical Services</b>								
2011/12	72,275	389	678	73,342	12,672	86,014	51,609	34,406
2010/11	72,275	182	459	72,916	11,563	84,479	50,688	33,792

## NOTES TO THE ACCOUNTS

### **NOTE 36 OFFICERS' REMUNERATION**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out below:

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£'000	£'000
£0 - £20,000	-	1	6	7	6	8	66,870	96,670
£20,000 - £40,000	-	-	5	8	5	8	145,780	213,510
£40,000 - £60,000	-	-	2	-	2	-	92,640	-
£60,000 - £80,000	-	-	-	2	-	2	-	141,980
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	0	1	13	17	13	18	305,290	452,160

\* These redundancy costs are shared between the Authorities in proportion to the service allocation.  
The total cost of exit packages for Adur in 2011/12 are £160,130

### **NOTE 37: EXTERNAL AUDIT COSTS**

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

	2011/12	2010/11
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	97	111
Fees payable to external auditors for the certification of grant claims and returns for the year	27	35
<b>Adur and Worthing Joint Committee</b>	19	20
<b>TOTAL</b>	<b>143</b>	<b>166</b>

### **NOTE 38: SCHOOLS**

This note is not applicable to Adur District Council.

## NOTES TO THE ACCOUNTS

### **NOTE 39: GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

	2011/12	2010/11
	£'000s	£'000s
<b>Credited to Taxation and Non specific Grant Income</b>		
Non Domestic Rates	2,651	4,388
Revenue Support	819	637
Council Tax Freeze Grant	154	-
New Homes Bonus Scheme	63	-
Area Based Grant	-	39
	<b>3,687</b>	<b>5,064</b>
<b>Credited to Services - General Fund Grants</b>		
Big Lottery - Fishersgate Healthy Living Centre	2	-
DCLG - Planning Delivery Grant & other smaller grants	159	280
DCLG - Gypsy Travellers assistance	8	-
DCLG - Homelessness Act Grant Funding	110	-
Food Standards Agency - Food Hygiene Rating Scheme	3	-
Local Strategic Partnership - various grants	67	-
Progress Through Partnership - LSP projects	20	-
SEEDA - Development funding & Employment studies	-	100
Shoreham Harbour - Growth Point & Contributions	600	535
Tesco - Public Art contribution	15	-
WSCC - LAA Outcome 22	11	-
WSCC - Homes & Communities Agency	18	-
WSCC - Supporting People	17	-
Other Grants and Contributions	-	630
	<b>1,030</b>	<b>1,545</b>
<b>Credited to Services - Capital Grants</b>		
Adur Homes - Leaseholders Contributions	41	51
BIG Lottery - Children's Play Initiative Grant	-	7
BIG Lottery - Changing Spaces	-	50
CLG Shoreham Harbour Growth Point Grant	-	1,103
Coast Protection Grants and Contributions	-	13
DCSF Playbuilder Grant	-	23
DEFRA - Environment Agency - Coast Protection	15	-
Homes and Communities Agency	-	248
Horsham District Council	6	-
Lancing Parish Council	1	-
Mid Sussex District Council	7	-
New Forest District Council	5	-
S106 Other Contributions	67	-

## NOTES TO THE ACCOUNTS

### **NOTE 39: GRANT INCOME**

	2011/12	2010/11
	£'000s	£'000s
South East Housing Board	12	54
Shoreham Community Centre Contribution	-	23
Southwick Play Group Contribution	1	-
Specified Capital Grant - Disabled Facilities	261	214
Viridor Credits Landfill Communities Fund	7	65
West Sussex County Council	3	2
Worthing Borough Council	3	11
	<b>429</b>	<b>1,864</b>
<b>TOTAL</b>	<b>5,146</b>	<b>8,473</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the end of the year are as follows:

	2011/12	2010/11
	£'000s	£'000s
<b>Revenue Grants Receipts in Advance</b>		
CLG Efficiency Grant	5	5
DCLG - Eco-Town Shoreham Harbour	290	-
Shoreham Harbour - Growth Point & Contributions	59	-
Tesco - Public Art contribution	35	-
Grants recognised in the Joint Committee	280	
<b>TOTAL</b>	<b>669</b>	<b>5</b>

### **NOTE 40: RELATED PARTIES**

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**

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. council tax bills, housing benefits). Grants received from government departments are set out in Note 39.



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## NOTES TO THE ACCOUNTS

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### **NOTE 40: RELATED PARTIES**

#### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 35. During 2011/12, there was one service commissioned from a company in which a member has an interest. At £1,900, the sums involved reach the minimum materiality limit. In 2011/12 all contracts were entered into in full compliance with the council's standing orders. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

#### **Officers**

There were no related party transaction declared by officers in 2011/12

#### **Other Public Bodies**

The Council has a partnership arrangement with Worthing Borough Council for the sharing of a joint officer structure.

Adur also has a partnership arrangement with Horsham District Council and Mid Sussex District Council/Worthing (ICT) the delivery of ICT services and Revenues and Benefits services.

Transactions and balances relating to these partnerships are summarised in Note 34.

#### **Entities Controlled or Significantly Influenced by the Council**

Payment of subsidy of £210,000 was made to Impulse Leisure Trust in 2011/12. The value of this receipt is material to the Leisure Centre Trust.

### **NOTE 41: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

## NOTES TO THE ACCOUNTS

### **NOTE 41: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2011/12	2010/11
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	29,072	28,547
<b>Capital Investment</b>		
Property, Plant and Equipment	1,996	4,223
Investment Properties	21	43
Intangible Assets	26	-
Revenue Expenditure Funded from Capital Under Statute	526	1,255
HRA Settlement Payment	51,185	-
<b>Sources of Finance</b>		
Capital receipts	(488)	(732)
Government grants and other contributions	(1,718)	(3,314)
Sums set aside from revenue:		
Direct revenue contributions	(16)	(220)
MRP/loans fund principal	(710)	(641)
Revenue funding	(57)	(89)
<b>Closing Capital Financing Requirement</b>	<b>79,837</b>	<b>29,072</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	-	326
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	50,765	199
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>50,765</b>	<b>525</b>

This includes the sum of £51.185m new borrowing in respect of Housing Self-Financing, offset by minimum revenue provisions for repayment of debt.

### **NOTE 42: LEASES**

#### **Finance Leases – Lessee**

At 31<sup>st</sup> March, 2011 the Council had a number of operating leases which were reclassified in that year as finance leases under IAS17. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31-Mar-12	31-Mar-11
	£'000	£'000
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	-	40
	-	40

At 31<sup>st</sup> March, 2012 all commitments to make lease payments under finance leases had ceased as the lease contracts had expired.

## NOTES TO THE ACCOUNTS

### **NOTE 42: LEASES**

#### **Operating Leases – Lessee**

The future minimum lease payments due under non-cancellable leases in future years are:

	31-Mar-12	31-Mar-11
	£'000	£'000
Not later than one year	8	5
Later than one year and not later than five years	11	7
Later than five years	4	-
	23	12

#### **Operating Leases - Lessor**

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-12	31-Mar-11
	£'000	£'000
Not later than one year	428	429
Later than one year and not later than five years	1,194	1,205
Later than five years	2,022	1,886
	3,644	3,520

### **NOTE 43: PFI AND SIMILAR CONTRACTS**

This is not applicable for Adur District Council.

### **NOTE 44: IMPAIRMENT LOSSES**

During 2011/12 the Council has recognised an impairment loss of £8,333 in relation to one grounds maintenance mower; the vehicle was destroyed by fire and the impairment loss was charged to the Environmental and Regulatory Services line in the Comprehensive Income and Expenditure Statement.

### **NOTE 45: CAPITALISATION OF BORROWING COSTS**

This note is not applicable to Adur District Council.

## NOTES TO THE ACCOUNTS

### **NOTE 46: TERMINATION BENEFITS**

	Adur
Redundancy costs	160,130
Enhanced Pension Benefits	114,330
<b>Total termination benefit 2011/12</b>	<b>274,460</b>
<b>Termination benefits 2010/11</b>	<b>352,970</b>

Of this total £160,130 is payable in the form of compensation for loss of office and £114,332 is the 2011/12 cost of enhanced pension benefits which normally spread over 5 years. This cost also relates to enhanced pensions from previous year terminations.

### **NOTE 47: OTHER LONG TERM LIABILITIES**

Other Long Term Liabilities		31-Mar-12	31-Mar-2011
	See Note No.	£'000s	£'000s
Finance Lease Liabilities	42	-	-
Pension Reserve Liability	48	(25,060)	(20,380)
<b>TOTAL</b>		<b>(25,060)</b>	<b>(20,380)</b>

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Participation in Pension Plans**

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

The Council participates in the Local Government Pension Scheme, administered locally by West Sussex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income & Expenditure statement to March 2012 is a loss of £4,990,000.

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Cost of services</b>		
Current service cost	(2,630)	(2,880)
Settlements and Curtailments	(300)	(290)
Past service cost	(130)	6,880
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
Interest cost	(5,110)	(5,150)
Expected return on scheme assets	5,020	4,160
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>(3,150)</b>	<b>2,720</b>
<b>Other post employment benefit charged to the CI&amp;E Statement</b>		
Actuarial (gains) and losses	4,990	(12,060)
<b>Total post employment benefit charged to the CI&amp;E statement</b>	<b>1,840</b>	<b>(9,340)</b>

<b>Movement in Reserves Statement</b>	<b>2011/12</b>	<b>2010/11</b>
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(310)	(6,240)
<b>Actual amounts charged against the General Fund balance for pensions in the year</b>		
Employers contribution payable to the scheme	<b>(3,460)</b>	<b>(3,520)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Assets and Liabilities in relationship to Post-employment Benefits**

<b>Reconciliation of present value of the scheme liabilities (defined benefit obligation)</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000s</b>	<b>£'000s</b>
Opening Balance	92,890	83,800
Current service cost	2,630	2,880
Interest cost	5,110	5,150
Contribution by members	870	880
Actuarial Losses/(Gains)	2,430	(2,280)
Past service costs/(Gains)	130	(10,550)
Losses/(Gains) on curtailment	300	290
Liabilities extinguished on settlements	-	-
Liabilities assumed on a business combination	-	15,850
Estimates unfunded benefits paid	(160)	(150)
Estimated benefits paid	(3,610)	(2,980)
	<b>100,590</b>	<b>92,890</b>

<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000s</b>	<b>£'000s</b>
Opening Balance	72,510	45,120
Expected Return on Assets	5,020	4,160
Contribution by Members	870	880
Contribution by the Employer	3,300	3,370
Contribution in respect of unfunded benefits	160	150
Actuarial Gain/(Losses)	(2,560)	9,780
Assets distributed on settlements	-	-
Assets acquired in business combination	-	12,180
Unfunded benefits paid	(160)	(150)
Benefits paid	(3,610)	(2,980)
	<b>75,530</b>	<b>72,510</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date.

Expected returns on equity investments reflect long term real rates of return experienced in the respective market.

The actual return on scheme assets in the year was -2.5% from 1<sup>st</sup> April 2011 to 31<sup>st</sup> December 2011 and the estimated return from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012 is 3.4%.

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Scheme History**

	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
	£'000	£'000	£'000	£'000	£'000
<b>Adur District Council Share</b>					
Estimated Fair Value Employer Assets (A)	75,530	72,510	45,120	31,990	39,610
Present value of scheme liabilities (B)	100,590	92,890	83,800	53,190	53,770
<b>Net Pension Assets/(Liabilities) (A)-(B)</b>	<b>(25,060)</b>	<b>(20,380)</b>	<b>(38,680)</b>	<b>(21,200)</b>	<b>(14,160)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £25m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£57.6m**. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £3,133,000.

#### **History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2012.

	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
	%	%	%	%	%
Differences between actual and expected return on assets	(3)	13	24	(35)	(9.0)
Experience Gains/(Losses) on liabilities	(1)	(9)	-	0.1	(760)

## NOTES TO THE ACCOUNTS

### **NOTE 48: DEFINED BENEFIT PENSION PLANS**

#### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The West Sussex County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates for the fund being based on the latest full valuation of the scheme as at 31st March 2011.

	31-Mar-12 per annum	31-Mar-11 per annum
	%	%
Equities	6.2	7.5
Bonds	4.3	4.9
Property	4.4	5.5
Cash	3.5	4.6
Pension increases (Consumer Price Index)	2.5	2.8
Salary increases	4.8	5.1
Expected return on assets	5.8	6.9
Discount rate	4.8	5.5
<b>Longevity at 65 for current pensioners</b>		
Male	22.7 yrs	22.7 yrs
Female	24.2 yrs	24.2 yrs
<b>Longevity at 65 for future pensioners</b>		
Male	24.3 yrs	24.3 yrs
Female	26.4 yrs	26.4 yrs
Take up option to convert annual pension into retirement lump sum (pre 2008)	50%	50%

Scheme assets consist of the following categories by proportion of the total assets held:-

	31-Mar-12 per annum	31-Mar-11 per annum
	%	%
Equities	76	77
Bonds	14	14
Property	9	7
Cash	1	2

### **NOTE 49: CONTINGENT LIABILITIES**

Personal Search Companies who have requested Environmental Information Regulations and have paid fees according to the charges set by Adur Council are now seeking a financial compensation for the return, in full, of all fees levied for access to such information. Claims could be made for as far back as 31st December 1992 when the Regulations came into force. At present it has not been proven that such compensation can be claimed.



## NOTES TO THE ACCOUNTS

### **NOTE 50: CONTINGENT ASSETS**

There are no contingent assets for 2010/11 and 2011/12.

### **NOTE 51: NATURE & EXTENT OF RISK**

Please refer to Note 16 for an explanation of the nature and extent of risks arising from financial instruments.

### **NOTE 52: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET**

The following assets are not reported in the balance sheets because information on the cost or value of these assets is not available due to the lack of comparative information and the unique nature of these assets; the cost of obtaining a valuation would not be commensurate with the benefits to the users of the financial statements.

**Buckingham Park House Ruin:** Comprises the remains of an old listed building situated in Buckingham Park valuation has not been obtained due to the unique nature of this asset.

**Buckingham Farm Dovecote:** This is a listed building situated on an open space which old records indicate was transferred to the Council in about 1974. No valuation is available due to the unique nature of the asset.

**War Memorial, adjacent to St. Mary's Church, Shoreham:** The Council does not hold cost information on this monument and the cultural significance of this monument cannot be valued.

### **NOTE 53: HERITAGE ASSETS CHANGE IN ACCOUNTING POLICY**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council normally requires heritage assets to be carried in the balance sheet at valuation. Where it is not practicable to obtain a valuation for an asset at a cost which is commensurate with the benefits to users of the financial statements and cost information is available the asset is carried at historical cost less accumulated depreciation, amortisation and impairment losses.

#### **Heritage Assets**

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognises them at valuation or historical cost. Previously, heritage assets were either recognised as community assets (at cost or at a proxy for cost) in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £192,934 should now be recognised as heritage assets and measured at £194,935 with a corresponding increase in the Revaluation Reserve. These assets relate to the Council's Civic Regalia and the war memorial in Adur Recreation Ground which were previously recognised in the community assets classification of property, plant and equipment. The Council has also recognised an additional £23,000 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and the 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

## NOTES TO THE ACCOUNTS

### **NOTE 53: HERITAGE ASSETS CHANGE IN ACCOUNTING POLICY**

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its historical cost or valuation at £215,934. The element that was previously recognised in property, plant and equipment has been reclassified and the revaluation reserve has increased by £23,000.
- The full restated 1 April 2010 Balance Sheet is provided on page 14. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010:

#### **Comprehensive Income and Expenditure Statement**

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

#### **Movement in Reserves Statement - Unusable Reserves 2010/11**

There has been no restatement of any of the lines of the Movement in Reserves Statement.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 14. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As Previously Stated 1st April 2010	As Restated 1st April 2010	Restatement 2010
	£000	£000	£000
Property Plant and Equipment:	195,639	195,446	(193)
Heritage Assets	-	216	216
<b>Unusable Reserves</b>	<b>195,639</b>	<b>195,662</b>	<b>23</b>

The full restated 1 April 2011 Balance Sheet is provided on page 14. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As Previously Stated 31st March 2011	As Restated 31st March 2011	Restatement 2011
	£000	£000	£000
Property Plant and Equipment:	148,053	147,860	(193)
Heritage Assets	-	217	217
<b>Unusable Reserves</b>	<b>148,053</b>	<b>148,077</b>	<b>24</b>

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## NOTES TO THE ACCOUNTS

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### ***NOTE 53: HERITAGE ASSETS CHANGE IN ACCOUNTING POLICY***

#### **Comprehensive Income and Expenditure Statement**

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £216,555 on the Balance Sheet resulting in an increase to the Revaluation Reserve of £23,620 and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £192,935.

### ***NOTE 54: TRUST FUNDS***

The Council acts as a trustee for two Charities; Adur Recreational Ground (271495) and The Green (290683). In both cases the land was gifted to the Council to maintain, and any income generated is offset against this maintenance.

## HOUSING REVENUE ACCOUNT (HRA) COMPREHENSIVE INCOME AND EXPENDITURE

	2011/12		2010/11	
	Net Expenditure		Net Expenditure	
INCOME	£'000	£'000	£'000	£'000
Dwelling rents	(10,536)		(9,889)	
Non-dwelling rents	(464)		(441)	
Charges for services and facilities	(710)		(793)	
Contributions towards expenditure	(12)		(12)	
Sums directed by the Secretary of State that are income in accordance with proper practices	-		-	
		(11,722)		(11,135)
<b>EXPENDITURE</b>				
Repairs and maintenance	2,072		2,169	
Supervision and management	2,529		2,707	
Rents, rates, taxes and other charges	27		23	
Negative HRA subsidy payable (incl. the MRA element)	2,889		2,491	
Sums directed by the Secretary of State that are expenditure in accordance with the code - Exceptional item	51,185		-	
Depreciation, Revaluation and impairment of non current fixed assets	5,135		52,522	
Movement in the allowance for bad debts (not specified by the code)	35		95	
Debt management costs	18		-	
<b>Total Expenditure</b>		<b>63,890</b>		<b>60,007</b>
<b>Net cost of HRA Services as included in the whole authority CI&amp;E Statement</b>		<b>52,168</b>		<b>48,872</b>
HRA services share of Corporate and Democratic Core	266			228
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	-	-		-
<b>Net Cost/(Surplus) of HRA Services</b>		<b>52,434</b>		<b>49,100</b>
HRA share of the operating income and exp'ture included in the CI&E Statement (Gain) or loss on sale of HRA non-current assets	(269)		(48)	
Interest payable and similar charges	1,051		1,045	
HRA Interest and Investment income	(46)		(24)	
Pensions interest cost and expected return on pensions assets	(12)			
Capital grants and contributions receivable	(41)		-	
		683		973
<b>(Deficit) or surplus for the year on HRA Services</b>		<b>53,117</b>		<b>50,073</b>

**HOUSING REVENUE ACCOUNT (HRA)  
STATEMENT OF MOVEMENT ON THE HRA BALANCE**

	2011/12	2010/11
	£'000s	£'000s
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	53,117	50,073
Adjustments between accounting basis and funding basis under the legislative framework	(53,258)	(50,262)
(Increase) or decrease in the Housing Revenue Account for the year	(141)	(189)
Housing Revenue Account balance brought forward	(1,708)	(1,519)
Housing Revenue Account balance carried forward	<b>(1,849)</b>	<b>(1,708)</b>
Housing Repairs Account balance brought forward	(229)	(303)
(Increase) or decrease in the Housing Repairs Account for the year	-	74
Housing repairs account balance carried forward	<b>(229)</b>	<b>(229)</b>
<b>Housing Revenue account and Housing Repairs balance Carried forward at the end of the current year</b>	<b>(2,078)</b>	<b>(1,937)</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 1: STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT**

	2011/12	2010/11
	£'000s	£'000s
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA statement for the year.</b>		
Gain or loss on sale of HRA non-current assets	269	48
HRA share of contributions to or from the Pensions Reserve	12	(124)
Transfer to/(from) Capital Adjustment Account	(54,257)	(50,540)
Sums directed by the Secretary of state to be debited or credited to the HRA that are not income or expenditure in accordance with the code.	-	-
	<b>(53,976)</b>	<b>(50,616)</b>
<b>Amounts not included in the Income and Expenditure Account, but required by statute to be included when determining the Movement on the Housing Revenue Account for the year</b>		
Amortisation of Premiums	234	244
Transfer to/(from) Housing Repairs Account	-	(74)
Contribution to/(from) reserves	110	-
Transfer to/from Major Repairs Reserve	-	(16)
Capital expenditure funded by the HRA	374	200
<b>Net additional amount required to be debited or credited to the Housing Revenue Account balance for the year.</b>	<b>(53,258)</b>	<b>(50,262)</b>

### **NOTE 2: NUMBER OF TYPES OF DWELLING IN THE HOUSING STOCK**

	31st March	31st March
	2012	2011
Houses	1,045	1,047
Bungalows	171	171
Flats	1,436	1,440
<b>TOTAL DWELLINGS</b>	<b>2,652</b>	<b>2,658</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

**NOTE 3: TOTAL BALANCE SHEET VALUE OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HRA**

	31st March 2012	31st March 2011
	£'000s	£'000s
Council Dwellings	115,689	119,363
Other Land and Buildings	6,118	5,903
Investment Properties	396	773
Assets held for Sale	-	-
<b>TOTAL BALANCE SHEET VALUE OF LAND, HOUSES AND OTHER PROPERTY</b>	<b>122,203</b>	<b>126,039</b>

**NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA AT 1<sup>ST</sup> APRIL**

	2011/12	2010/11
	£'000s	£'000s
<b>VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA AT 1<sup>ST</sup> APRIL</b>	<b>364,038</b>	<b>370,759</b>

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

**NOTE 5: MOVEMENTS ON THE MAJOR REPAIRS RESERVE (EQUIVALENT TO COUNCIL DWELLINGS DEPRECIATION).**

	2011/12	2010/11
	£'000s	£'000s
Balance at 1st April	-	-
Amount transferred to Major Repairs Reserve	2,028	1,972
Debits to Major Repairs Reserve in respect of capital expenditure	(1,293)	(1,972)
Debits in respect of any repayment, made in the year, of the principal of any amount borrowed	-	-
Any amount transferred from the Major Repairs Reserve to the HRA during the year	-	-
<b>Balance of Major Repairs Reserve at 31 March</b>	<b>735</b>	<b>-</b>

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 6: MOVEMENTS ON THE HOUSING REPAIRS ACCOUNT**

	2011/12	2010/11
	£'000s	£'000s
Balance at 1st April	229	303
Transfer from HRA to Housing Repairs Account	2,072	2,095
Debits to Housing Repairs Account for expenditure	(2,072)	(2,169)
<b>BALANCE AT 31ST MARCH</b>	<b>229</b>	<b>229</b>

### **NOTE 7: CAPITAL EXPENDITURE AND FINANCING WITHIN THE HRA**

	2011/12	2010/11
	£'000s	£'000s
<b>EXPENDITURE</b>		
Land	-	-
Housing	1,473	2,764
Garages	-	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,473</b>	<b>2,764</b>
<b>FINANCING</b>		
Borrowing	-	248
HRA usable Capital Receipts	139	108
HRA supported borrowing	-	236
HRA grants received	-	-
Leaseholder Contributions	41	-
HRA Revenue Contributions to capital	-	200
Major Repairs Reserve	1,293	1,972
<b>TOTAL CAPITAL EXPENDITURE FINANCED</b>	<b>1,473</b>	<b>2,764</b>

### **NOTE 8: CAPITAL RECEIPTS**

	2011/12	2010/11
	£'000s	£'000s
<b>Capital Receipts from the disposal of HRA property</b>		
Sale of Council Dwellings	539	122
Mortgage Receipts received from previous years sale of Council Dwellings	1	3
Sale of Land	-	-
	<b>540</b>	<b>125</b>
Retained for capital investment	139	32
Paid to central government	401	93
	<b>540</b>	<b>125</b>



## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 9: COST OF CAPITAL CHARGE AND CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT**

There is no cost of capital charge to the HRA for 2011/12.

### **NOTE 10: DEPRECIATION FOR THE LAND, HOUSES AND OTHER PROPERTY WITHIN THE HRA IN YEAR**

	2011/12	2010/11
	£'000s	£'000s
Council Dwellings	2,028	1,972
Other Land and Buildings	185	167
Investment Properties	-	-
<b>TOTAL DEPRECIATION IN YEAR</b>	<b>2,213</b>	<b>2,139</b>

### **NOTE 11: IMPAIRMENT CHARGES AND REVALUATIONS**

In 2011/12 the revaluation of the Housing Revenue Account dwellings by the District Valuation Office led to a revaluation loss. This totalled £2,926,276, of which £2,922,382 was charged to Income and Expenditure via the Capital Adjustment Account and £3,894 to the HRA revaluation Reserve in relation to the balance available for Prince Charles Close..

### **NOTE 12: HRA SUBSIDY IN FINANCE YEAR**

	2011/12	2010/11
	£'000s	£'000s
Allowance for management	1,453	1,366
Allowance for maintenance	3,093	2,975
Allowance for major repairs	2,028	1,972
Charges for capital	1,036	1,031
Rent rebates	-	-
Rent income	(10,507)	(9,855)
Interest on receipts	-	(1)
Rental constraint allowance	-	-
Prior year adjustment	8	20
	<b>(2,889)</b>	<b>(2,492)</b>

### **NOTE 12: HRA SUBSIDY IN FINANCE YEAR**

The figures stated in the HRA subsidy payable for the financial year are based on the actual amount payable as per the mid year subsidy claim. Any changes to these workings will be dealt with at the final subsidy claim stage at the end of September 2012.

## NOTES TO HOUSING REVENUE ACCOUNT (HRA)

### **NOTE 13: HRA SUBSIDY RECEIVABLE/(REPAYABLE) FOR THE FINANCIAL YEAR**

#### **HRA Share of contributions to or from the Pension Reserve**

Under the provisions of IAS19, £12,000 has been debited to the Housing Revenue Account in respect of the portion/share of contributions allocated to the Pension Reserve.

### **NOTE 14: RENT ARREARS**

	2012 31st March	2011 31st March
	£'000s	£'000s
Net arrears as at 31st March	262	270
Bad Debt provision for uncollectable debts	213	220

### **NOTE 15: SUMS DIRECTED BY THE SECRETARY OF STATE TO BE DEBITED OR CREDITED TO THE HRA**

No sums are to be debited or credited to the HRA – see Note 17.

### **NOTE 16: EXCEPTIONAL OR PRIOR YEAR ITEMS NOT DISCLOSED IN THE STATEMENT**

Revaluation losses for council dwellings are material but do not impact on the financial performance of the Housing Revenue Account. Please see Note 11 for details.

### **NOTE 17: EXCEPTIONAL ITEM SELF FINANCING PAYMENT**

On 27th June 2011 the Joint Strategic Committee received a report outlining central government proposals whereby Adur Council from 2012-13 would be responsible for self-financing the Housing Revenue Account. This entails an end to the existing 'negative' subsidy arrangements, whereby the Council paid money over to the Government, and required the Council to borrow £51.185m in order to pay the Government's "settlement amount". This transaction took place on the 28th March 2012 and is included in the accounts as an exceptional item.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

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

	2011/12	2010/11
	£'000s	£'000s
<b>INCOME</b>		
Council Tax receivable (net of benefits)	30,469	30,626
Transfer from General Fund - re benefits	5,245	5,195
Contribution from precepting authorities - re previous year's deficit	438	65
Bad debt provision decrease	-	37
Income collectable from business ratepayers	14,786	13,902
	<b>50,938</b>	<b>49,825</b>
<b>LESS EXPENDITURE</b>		
Precepts and demands		
-West Sussex County Council	26,149	25,936
-Sussex Police	3,115	3,090
- Adur District Council	6,470	6,405
<b>Business Rate:</b>		
Payments to National Pool	14,697	13,804
Costs of Collection Allowance	88	89
Interest on Refunds	1	9
Council Tax - write-offs and bad debt provision	106	22
Contribution to precepting authorities from previous year's surplus	-	-
	50,625	49,354
<b>Surplus/(Deficit) for the year</b>	<b>313</b>	<b>471</b>
<b>Surplus/(Deficit) at 1st April Bought Forward</b>	<b>(109)</b>	<b>(580)</b>
<b>Surplus/(Deficit) at 31st March Carried Forward</b>	<b>204</b>	<b>(109)</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 1: COUNCIL TAX**

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

	No. of Chargeable Dwellings	Less Discounts	2nd & New Homes Discount	Net Dwellings	Ratio to Band D	No. of Band D Equivalents
Band A-	4	0.50	0.00	4	5/9ths	1.9
Band A	2,540	439.50	9.80	2,110	6/9ths	1,406.9
Band B	4,729	576.75	26.60	4,179	7/9ths	3,250.2
Band C	10,967	940.50	63.60	10,090	8/9ths	8,969.0
Band D	5,917	433.25	36.80	5,521	9/9ths	5,520.6
Band E	1,861	98.00	8.30	1,771	11/9ths	2,164.9
Band F	690	36.50	4.40	658	13/9ths	950.3
Band G	297	15.25	3.10	285	15/9ths	474.8
Band H	3	0.25	0.00	3	18/9ths	5.5
	27,008	2,540.50	152.60	24,620		22,744.1
Less allowance for loss on collection and void properties						240.7
						22,503.4

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

	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	26,148,726	÷	22,503.4	=	1,161.99
Sussex Police Authority	3,114,921	÷	22,503.4	=	138.42
Adur District Council	6,172,080	÷	22,503.4	=	274.27

### **NOTE 2: NON-DOMESTIC RATES (NDR)**

Non-domestic rates (NDR) are collected by the Council from local businesses using a uniform rate supplied by the Government for the Country as a whole (43.3p in 2011/12) (41.4p in 2010/11) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £42.9m (£42.51m in 2010/11). The total rates collected are paid to the NDR pool which is administered to the government and redistributed to each Council on a per capita basis.

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### **NOTE 3: BAD AND DOUBTFUL DEBTS**

A requirement of £782k and £605k for bad and doubtful debts for Council Tax and National Non Domestic Rates has been provided for in 2011/12 in line with Adur District Council's accounting policy for maintaining the provision.

### **NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS**

This note shows the apportionment of balances into the parts attributable to the major precepting authorities.

Apportionment of Balances to Major Preceptors				
	West Sussex County Council	Sussex Police Authority	Adur District Council	TOTAL
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Demand on Collection Fund 2012/13</b>	26,198	3,121	6,184	<b>35,503</b>
Apportionment based on 2012/13 demand	73.79%	8.79%	17.42%	<b>100%</b>
Council Tax Arrears	1,347	161	318	<b>1,826</b>
Provision for Bad Debts	(577)	(69)	(136)	<b>(782)</b>
Receipt in Advance	(376)	(45)	(89)	<b>(510)</b>
(Surplus)/Deficit	(150)	(18)	(36)	<b>(204)</b>
<b>Balance as at 31/03/2012</b>	<b>244</b>	<b>29</b>	<b>57</b>	<b>330</b>

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# ANNUAL GOVERNANCE STATEMENT

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## **SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.adur.gov.uk](http://www.adur.gov.uk) or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

## **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the Council for the financial year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

- identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- reviewing the Council's vision and its implications for the Council's governance arrangements
- measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

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# ANNUAL GOVERNANCE STATEMENT

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## ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating standing orders, financial regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle-blowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements.

## ***REVIEW OF EFFECTIVENESS***

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Cabinets, the Joint Governance and Audit Committee, the Joint Overview and Scrutiny Committee, the Standards Committee
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance and Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

# ANNUAL GOVERNANCE STATEMENT

## **SIGNIFICANT GOVERNANCE ISSUES**

There are two significant governance issues relating to the following:

- (i) the development of protocols for Leader/Chief Executive roles as identified by red status on the Governance Action Plan.
- (ii) the lack of joint disaster recovery arrangements has been flagged up by Internal Audit in its Annual Report for 2011/12.

## **OTHER ISSUES**

The Governance Action Plan has been updated to deal with any issues brought forward from the 2011 review together with any issues which have been identified during the current review.

The Council identified the need to improve its future procurement and contract management arrangements following the failure of a contractor to deliver a major housing repairs scheme to timetable. Actions are being taken to remedy the situation.

The governance requirements in the Statement on the Role of the Chief Financial Officer in Public Services are that the Chief Financial Officer should be professionally qualified, report directly to the chief executive and be a member of the leadership team, with a status at least equivalent to other members. The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 does not report directly to the Chief Executive but reports to one of the Strategic Directors in line with the reporting requirements for all Heads of Service. However, the Section 151 Officer is a full member of the Council's Management Team and has full access to the Chief Executive where necessary.

## **PROPOSED ACTION**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

Councillor Neil Parkin  
Leader of the Council  
Adur District Council



Peter Latham  
Chief Executive of  
Adur & Worthing Councils



Dated: \_\_\_\_\_

Dated: \_\_\_\_\_



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL**

## ***OPINION ON THE AUTHORITY FINANCIAL STATEMENTS***

I have audited the financial statements of Adur District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Adur District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## ***RESPECTIVE RESPONSIBILITIES OF THE EXECUTIVE HEAD OF FINANCIAL SERVICES AND AUDITOR***

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Executive head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## ***SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Head of Financial Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## ***OPINION ON FINANCIAL STATEMENTS***

In my opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

## ***OPINION ON FINANCIAL STATEMENTS***

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## ***OPINION ON OTHER MATTERS***

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## ***MATTERS ON WHICH I REPORT BY EXCEPTION***

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

## ***CONCLUSION ON AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES***

### ***Respective Responsibilities Of The Authority And The Auditor***

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL**

### ***SCOPE OF THE REVIEW OF ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES***

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### ***CONCLUSION***

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### ***DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT***

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Helen Thompson  
Officer of the Audit Commission,  
Audit Practice,  
Audit Commission,  
Suite 2 - Ground Floor,  
Bicentennial Building,  
Chichester,  
West Sussex PO19 8EZ  
28 September 2012

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

## **ISSUE OF AUDIT OPINION ON THE FINANCIAL STATEMENTS**

In my audit report for the year ended 31 March 2012 issued on 28 September 2012 I reported that, in my opinion, the financial statements:

- gave a true and fair view of the financial position of Adur District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **OTHER MATTERS ON WHICH I AM REQUIRED TO CONCLUDE**

In my audit report for the year ended 31 March 2012 issued on 28 September 2012 I reported that I had concluded that there were no matters to report that prevent me being satisfied that the audited body had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **CERTIFICATE**

In my report dated 28 September 2012, I explained that I could not formally conclude the audit on that date until I had completed the work necessary to issue my assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. I have now completed this work. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

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

Helen Thompson  
Officer of the Audit Commission,  
Audit Practice,  
Audit Commission,  
Suite 2 - Ground Floor,  
Bicentennial Building,  
Chichester,  
West Sussex  
PO19 8EZ  
1 October 2012

## GLOSSARY OF ACCOUNTING TERMS

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

<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts. The current year is 2011/12 which means the year commencing 1st April 2011 and ending 31st March 2012. The end of the accounting period is the date at which the balance sheet is drawn up.
<b>ACCRUAL</b>	An amount included in the accounts in respect of income or expenditure for which payment has not been received or made by the end of the accounting period. This is based on the concept that income or expenditure is recognised as it is earned or incurred, not simply when money is received or paid out.
<b>ACTUARIAL ASSUMPTION</b>	An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits. Actuarial gains and losses which may result from:
<b>ACTUARIAL GAINS AND LOSSES</b>	(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
<b>ASSET</b>	A resource that, as a result of a past event, is controlled and expected to give future benefits. It is not necessary to own an asset in order to control it, as assets may be acquired from other providers via credit arrangements such as leasing.
<b>AMORTISED COST</b>	The amount at which the financial asset or financial liability is measured. The measurement reflects the cost or transaction price at initial recognition, adjusted for principal payments and accrued interest at the balance sheet date. The measurement may also be adjusted by any difference between the initial amount and the maturity amount resulting from impairment or uncollectibility by applying the effective interest rate inherent over the term of the financial asset or liability.
<b>BALANCE SHEET</b>	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
<b>CAPITAL CHARGE</b>	A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b>CAPITAL RECEIPTS</b>	The proceeds from the sale of fixed assets.

## GLOSSARY OF ACCOUNTING TERMS

<b>CASH EQUIVALENTS</b>	Short-term investments that are readily convertible, without penalty, to known amounts of cash and which are subject to an insignificant risk of changes in value.
<b>COMMUNITY ASSETS</b>	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
<b>CONSISTENCY</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENT LIABILITY</b>	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
<b>CREDITORS</b>	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
<b>CURRENT ASSETS/LIABILITIES</b>	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
<b>DEBTORS</b>	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
<b>DEPRECIATION</b>	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
<b>EXPENDITURE</b>	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.
<b>FAIR PRESENTATION</b>	International Accounting Standard IAS 1 requirement that financial statements should not be misleading. To a large extent this means obeying the prevalent accounting standards, but the concept of fairness may transcend that, to include an assessment of the overall picture given by the financial statements.
<b>FAIR VALUE</b>	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
<b>FINANCE LEASE</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset from the provider (lessor) to the user (lessee). Although, strictly, the leased asset remains the property of the lessor, in substance the lessee may be considered to have acquired the asset and to have financed the acquisition by obtaining a loan from the lessor.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

## GLOSSARY OF ACCOUNTING TERMS

<b>IMPAIRMENT OF ASSETS</b>	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
<b>INFRASTRUCTURE ASSETS</b>	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
<b>INTANGIBLE ASSETS</b>	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</b>	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
<b>INVESTMENTS</b>	Current asset investments that are readily disposable by the Council without disrupting its business.
<b>INVESTMENT PROPERTIES</b>	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
<b>LIQUID RESOURCES</b>	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
<b>NET BOOK VALUE</b>	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
<b>OPERATING LEASE</b>	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.
<b>POST BALANCE SHEET EVENTS</b>	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
<b>PROVISION</b>	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or to the dates on which they will arise are not determined.
<b>PRIOR YEAR ADJUSTMENT</b>	This is an event whereby figures quoted in previous year's statements have been changed due to a change in accounting policy.
<b>PRUDENCE</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

## GLOSSARY OF ACCOUNTING TERMS

<b>PUBLIC WORKS LOAN BOARD (PWLB)</b>	The Public Works Loan Board (PWLB) is a statutory body operating within the Debt management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.
<b>REMUNERATION</b>	Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.
<b>RESERVES</b>	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
<b>TO DEBIT</b>	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
<b>TO CREDIT</b>	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
<b>TRUE AND FAIR VIEW</b>	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of an Council.
<b>VIREMENT</b>	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

### MAIN CHANGES IN TERMINOLOGY

<b>UK GAAP (Old Terminology)</b>	<b>IFRS (Revised Terminology)</b>
<b>I &amp; E Account and STRGL</b>	<b>Statement of Comprehensive Income</b>
<b>Fixed (e.g. Fixed Assets)</b>	<b>Non current (e.g. Non Current Assets)</b>
<b>Stocks</b>	<b>Inventories</b>
<b>Tangible fixed assets</b>	<b>Property plant and equipment</b>



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