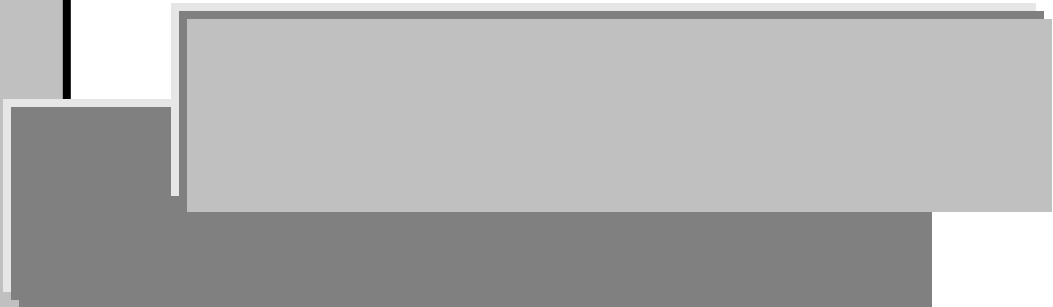




*Worthing*  
BOROUGH COUNCIL



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



**WORTHING BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS**

**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 has 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 this document.

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

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

The Statement of Accounts consists of:

	<b>Page No:</b>
<b>Statement of Responsibilities</b>	<b>10</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>Movement in Reserves Statement</b>	<b>11</b>
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and other reserves.	
<b>Comprehensive Income and Expenditure Statement</b>	<b>12</b>
This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed by Worthing Borough Council.	
<b>The Balance Sheet</b>	<b>13</b>
This sets out the financial position of the Council on 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 long term assets held.	
<b>The Cash Flow Statement</b>	<b>14</b>
This summarises the Council's cash transactions for the year.	
<b>Notes to the Accounts</b>	<b>15 – 90</b>

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## **EXPLANATORY FOREWORD**

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

**Page No:**

#### **Collection Fund**

**91 - 93**

The Council is required to maintain a separate Collection Fund to receive monies as a billing Council 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 shared Adur & Worthing services with a net cost of services of £19.3m. The shared services are managed via 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 pooled joint budgets/expenditure is 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 high level corporate priorities for Adur and Worthing Councils, which apply to the Joint Strategic Committee were updated in 2011.

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

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## **EXPLANATORY FOREWORD**

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### ***COUNCIL PRIORITIES***

- 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 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 Worthing Borough 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 21st 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 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. Worthing Borough Council reported an underspend of £1,048,640 against a budget of £14,302,340.

The headline budget variations across the Council were:-

- vacancy savings target exceeded

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## **EXPLANATORY FOREWORD**

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

- Increased efficiencies arising from joint working in unanticipated areas such as equipment, furniture and materials
- Utilities expenditure underspent
- Additional income from refuse and recycling and Worthing Leisure
- Worthing shortfall on investment income net of reduced borrowing cost
- 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 (£418,787).
- A number of redundancies have been financed from reserves (£358,260)
- Concessionary fares legal challenge outcome partly funded from reserves (£342,190)

Overall therefore the Council has had a generally successful year from a financial perspective, maintaining and improving services and delivering on major capital investments whilst being able to maintain reserves.

## EXPLANATORY FOREWORD

### **SUMMARY OF REVENUE SPEND**

#### Final Revenue Outturn

CABINET MEMBER PORTFOLIOS	CURRENT ESTIMATE 2011/12	OUTTURN 2011/12	UNDER/ OVERSPEND
	£000s	£000s	£000s
Leader	881	767	(114)
CM for Environment	3,781	2,991	(790)
CM for Health & Wellbeing	1,545	1,640	95
CM for Customer Services	5,216	5,076	(140)
CM for Regeneration	2,752	2,663	(89)
CM for Resources	2,289	2,911	622
Net Support Services including Joint	170	(2)	(172)
<b>Total Cabinet Members</b>	<b>16,634</b>	<b>16,046</b>	<b>(588)</b>
Credit Back Depreciation	(2,187)	(2,690)	(503)
Minimum Revenue Provision	366	369	3
Other grants	-	(271)	(271)
	<b>14,813</b>	<b>13,454</b>	<b>(1,359)</b>
<b>Transfer to/from reserves:</b>			
Contribution to reserves	27	956	929
Transfer from reserves to fund specific expenditure	(537)	(1,156)	(619)
<b>Net Underspend Recommended For Transfer To Reserves</b>	<b>-</b>		<b>1,049</b>
<b>Total Budget requirement before External Support from Government</b>	<b>14,303</b>	<b>13,254</b>	<b>-</b>

<b>Approved Use of Underspends</b>	
Unspent 2011/12 budget approved for use in 2012/13	131
Recommended transfer to Special & Other Emergency Reserve	500
Balance of Net Underspend available to be transferred to Capacity Issues Reserve	418
	<b>1,049</b>

# EXPLANATORY FOREWORD

## SUMMARY OF REVENUE SPEND

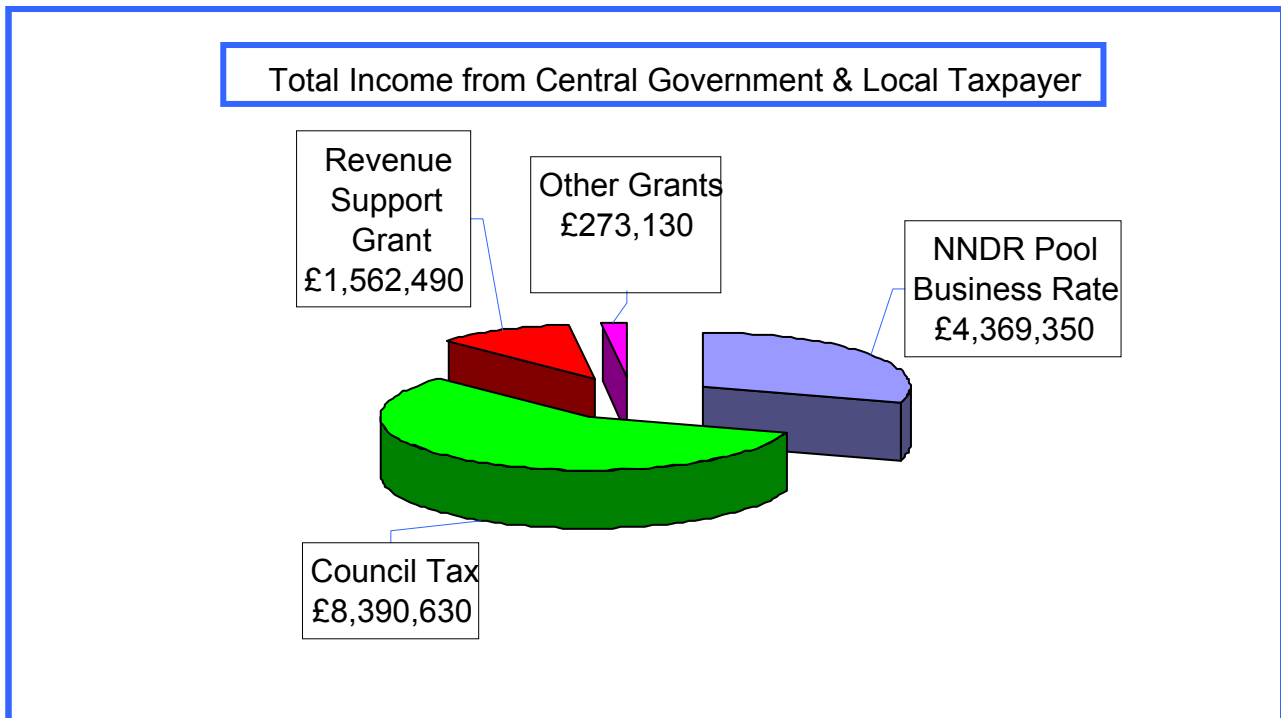
### Central Government Support

The Councils share of Business Rates and Revenue Support Grant has reduced by £2.018m compared to 2010/11, a reduction of 25.4%.

### Local Taxpayers

The Council collected £51m of Council Tax relating to 2011/12, this represented 97.9% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £7.417m. Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.6%, Sussex Police Authority 9.1% and Worthing Borough Council 14.3%.

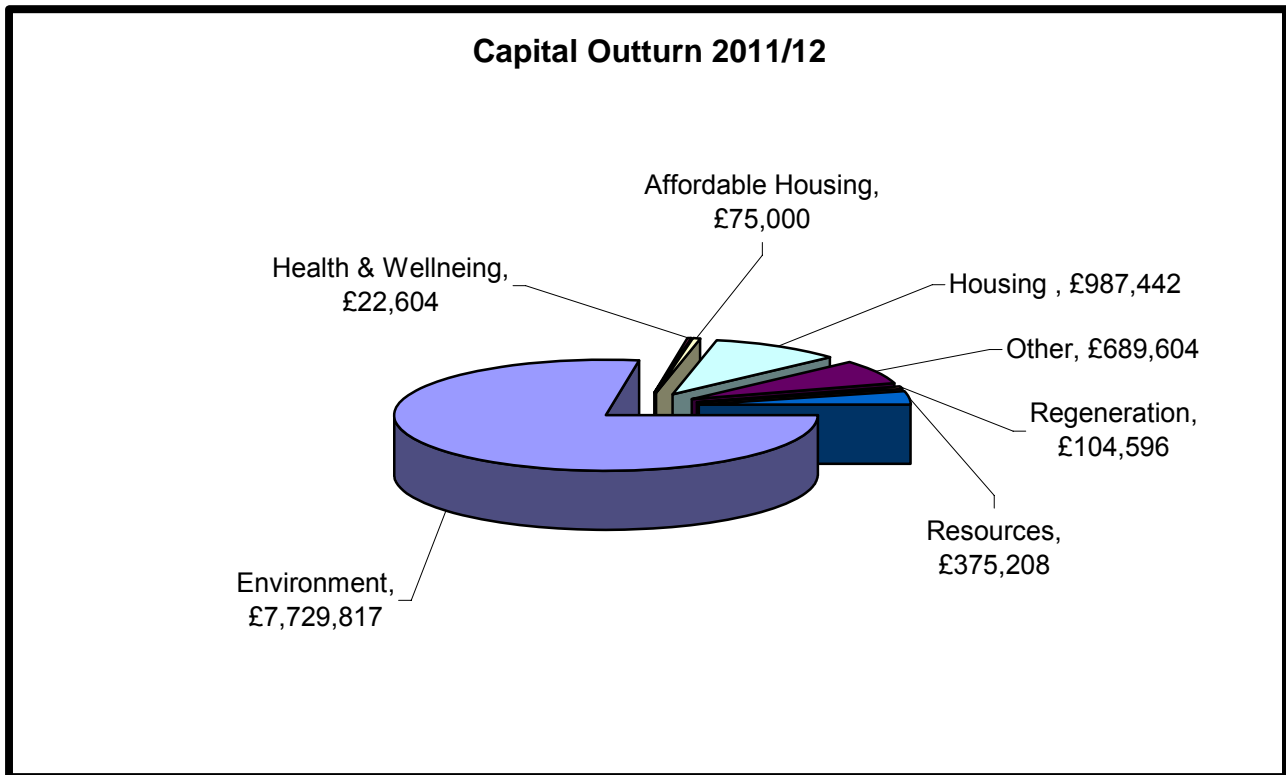
The Council also collects non-domestic rates from local businesses, which are paid over to the government's national pool. The pool is then re-distributed back to Councils on a per capita basis. £29.4m was billed during the year on behalf of the national pool and £4.37m was re-distributed from the pool to Worthing.





## EXPLANATORY FOREWORD

### SUMMARY OF CAPITAL SPEND



The total approved Worthing Capital scheme investment programme for all portfolios was set at £11,260,410. Actual expenditure in the year totalled £9,984,272, a reduction of £1,276,138 on the approved estimate, comprising of net slippage of £1,239,260 and a net underspend of £36,878. This was financed as follows:-

	2011/12
	£'000
<b>Capital Receipts</b>	5,905
<b>Other Grants and Contributions</b>	1,716
<b>Revenue Contributions</b>	371
<b>Borrowing</b>	1,992
<b>TOTAL</b>	<b>9,984</b>

### **IMPAIRMENT**

As Note 44 on impairment explains, the Council has reviewed its capital assets as at 31<sup>st</sup> March 2012 and no assets have been impaired.

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## **EXPLANATORY FOREWORD**

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### ***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 Councils have faced a considerable reduction in central Government funding and have a strong desire to limit the increases to Council Tax.

The overall under spend is most welcome at this time to help the Councils manage the financial climate which they are currently grappling with to build 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 under spends into the 2013/14 budget where possible and so avoid the need for unnecessary service reductions.

### ***FURTHER INFORMATION***

Further information on the Worthing Borough Council accounts is available from the Executive Head of Financial Services based at the Town Hall, Chapel Road, Worthing, or by accessing the Worthing Borough Council website, [www.worthing.gov.uk](http://www.worthing.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 a "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 2011 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.

**Vice Chairman, Joint Governance and Audit Committee**

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

## MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "unusable", which are kept to manage accounting processes (such as the revaluation of non-current assets) reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority'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 for Council Tax setting. The 'Net increase /decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Single Entity (England and Wales)	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Reserve	Capital Grants Receipts	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31.03.10</b>	1,143	5,015	16,081	2,259	-	24,498	24,537	49,035
<b>Movement in Reserves during 2010/11</b>								
Surplus or (deficit) on provision of services	5,721		-			5,721		5,721
Other Comprehensive Expenditure & Income	13					13	24,505	24,518
<b>Total Comprehensive Expenditure and Income</b>	5,734	-	-	-	-	5,734	24,505	30,239
Adjustments between accounting and funding basis under Regs. (Note 7)	(5,476)		(2,579)	(832)		(8,887)	8,887	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	258	-	(2,579)	(832)	-	(3,153)	33,392	30,239
Transfers to/from Earmarked Res. (Note 8)	(259)	259				-	-	-
<b>Incr'se/Decr'se (movement) in Year</b>	(1)	259	(2,579)	(832)	-	(3,153)	33,392	30,239
<b>Balance at 31.03.11 c/fwd</b>	1,142	5,274	13,502	1,427	-	21,345	57,929	79,274
<b>Movement in Reserves during 2011/12</b>								
Surplus or (deficit) on provision of services	(13,763)		-			(13,763)		(13,763)
Other Comprehensive Expenditure and Income	(34)					(34)	2,852	2,818
<b>Total Comprehensive Expenditure and Income</b>	(13,797)	-	-	-	-	(13,797)	2,852	(10,945)
Adjustments between accounting basis and funding basis under req's (Note 7)	14,461		(5,687)	79		8,853	(8,853)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	664	-	(5,687)	79	-	(4,944)	(6,001)	(10,945)
Transfers to/from Earmarked Res. (Note 8)	(664)	664				-		-
<b>Increase/Decrease in Year</b>	-	664	(5,687)	79	-	(4,944)	(6,001)	(10,945)
<b>Balance at 31.03.12 c/ fwd</b>	1,142	5,938	7,815	1,506	-	16,401	51,928	68,329

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2011/12	2011/12	2011/12	2010/11	2010/11	2010/11	note
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Restated Net Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>NET EXPENDITURE ON SERVICES</b>							
Central Services to the Public	9,481	(8,372)	1,109	9,596	(8,336)	1,260	
Cultural Services	21,612	(6,745)	14,867	25,749	(6,558)	19,191	
Env'nmental & Regulatory Services	8,383	(2,402)	5,981	6,389	(2,873)	3,516	
Planning Services	2,457	(619)	1,838	2,426	(566)	1,860	
Highways and Transport Services	821	(1,081)	(260)	2,945	(2,004)	941	
Other Housing Services	37,769	(36,188)	1,581	37,239	(34,410)	2,829	
Adult Social Care	-	-	-	-	-	-	
Corporate & Democratic Core	1,933	-	1,933	2,080	(65)	2,015	
Non-Distributed Costs	(464)	-	(464)	(2,729)	(80)	(2,809)	
Exceptional Item - Reduction in Future Pension costs due to change in indexation from RPI to CPI			-	(7,200)	-	(7,200)	
<b>Net Cost of Services</b>	<b>81,992</b>	<b>(55,407)</b>	<b>26,585</b>	<b>76,495</b>	<b>(54,892)</b>	<b>21,603</b>	
(Gains)/losses on the disposal of non-current assets			949			123	9
Financing and Investment Income and Expenditure			2,671			(9,762)	10
Taxation and non-specific grant income			(16,442)			(17,685)	11
<b>(Surplus) or Deficit on Provision of Services</b>			<b>13,763</b>			<b>(5,721)</b>	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(8,312)			(3,694)	25
Actuarial (Gains)/Losses on pension fund assets and liabilities			5,460			(20,810)	25
Other			34			(13)	
<b>Other Comprehensive Income and Expenditure</b>			<b>(2,818)</b>			<b>(24,517)</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>10,945</b>			<b>(30,238)</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	69,614	71,943
Heritage Assets	13	10,491	6,641
Investment Property	14	18,290	18,577
Intangible Assets	15	65	94
Assets Held for Sale	21		760
Long Term Investments	16		-
Long Term Debtors	19	26	32
<b>Total Long Term Assets</b>		<b>98,486</b>	<b>98,047</b>
<b>Current Assets:</b>			
Short Term Investments	16	10,608	17,148
Assets Held For Sale	21		-
Inventories	17	154	121
Short Term Debtors	19	7,874	5,669
Cash & Cash Equivalents	20	3,832	825
<b>Total Current Assets</b>		<b>22,468</b>	<b>23,763</b>
<b>Current Liabilities:</b>			
Cash & Cash Equivalents			
Short Term Borrowing	16	(2,130)	(64)
Short Term Creditors	22	(8,328)	(5,282)
Provisions	23	(311)	(633)
Liabilities in Disposal Groups			
Grants Receipts In Advance - Revenue	39	(327)	
Grants Receipts In Advance - Capital	39	(5)	
<b>Total Current Liabilities</b>		<b>(11,101)</b>	<b>(5,979)</b>
<b>Long Term Liabilities:</b>			
Long Term Creditors		-	-
Provisions		-	-
Long Term Borrowing	16	(2,690)	(2,596)
Other Long Term Liabilities	47	(38,834)	(33,949)
Donated Assets Account	39		
Capital Grants Receipts in Advance	39		(12)
<b>Total Long Term Liabilities</b>		<b>(41,524)</b>	<b>(36,557)</b>
<b>Net Assets</b>		<b>68,329</b>	<b>79,274</b>
<b>Financed By Reserves:</b>			
Usable Reserves	24&8	(16,401)	(21,345)
Unusable Reserve	25	(51,928)	(57,929)
<b>Total Reserves</b>		<b>(68,329)</b>	<b>(79,274)</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	2010/11	
	£'000	£'000	
Net (surplus) or deficit on provision of services	26	(13,764)	5,721
Adjustments to net surplus or deficit on the provision of services for non cash movements	26	15,090	(2,650)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	6,266	(1,842)
Net cash flows from Operating Activities	26	7,592	1,229
Investing Activities	27	(8,239)	(421)
Financing Activities	28	3,654	(759)
Net increase or decrease in cash and cash equivalents		3,007	49
Cash and cash equivalents at the beginning of the reporting period		825	776
<b>Cash and cash equivalents at the end of the reporting period</b>	20	3,832	825

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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 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 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.

#### **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**

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 Council 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 re-stating 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 of Practice (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:

<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

## NOTES TO THE ACCOUNTS

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

#### **COSTS OF SUPPORT SERVICES**

<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 its 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.

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## NOTES TO THE ACCOUNTS

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

#### **COSTS OF SUPPORT SERVICES**

##### 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 its 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 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.

#### **LEASES**

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

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.

##### 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.

##### 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.

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## NOTES TO THE ACCOUNTS

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### **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**

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.

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## **NOTES TO THE ACCOUNTS**

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### **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 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

##### **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.

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## NOTES TO THE ACCOUNTS

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### **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:

(i) **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 is 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**

<b>LIABILITIES</b>	<b>ASSETS</b>
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:

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.

The council issues soft loans to employees in respect of car loans, and is in receipt of three 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.



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## NOTES TO THE ACCOUNTS

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

#### **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 the 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.

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## NOTES TO THE ACCOUNTS

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### **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.

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## NOTES TO THE ACCOUNTS

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

#### **PENSION COSTS**

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

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;

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## **NOTES TO THE ACCOUNTS**

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

#### **PENSION COSTS**

- 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.

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.

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## NOTES TO THE ACCOUNTS

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

#### **HERITAGE ASSETS**

##### **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.

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 52.

##### **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.

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## **NOTES TO THE ACCOUNTS**

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

#### **HERITAGE ASSETS**

##### **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.

### ***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.

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>	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>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>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>	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>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 changes in assumptions have resulted in reduction in liabilities of £2,700,000, recognised in the year in the Actuary's Statement of Recognised Income and Expense.</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>	At March 2012 the Council had a balance of debtors due (excluding government department) <b>£6.5m</b> . A review of significant balances suggested that an impairment of doubtful debt of <b>£0.9m</b> was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.

## 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 and to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
<b>2011/12 USABLE RESERVES</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>	£000	£000	£000	£000
Charges for depreciation and impairment of non current assets (note 25)	(2,652)			2,652
Revaluation losses on Property Plant and Equipment (note 25)	(11,093)			11,093
Movements in the market value of investment Properties (note 25)	(1,920)			1,920
Amortisation of intangible assets (note 25)	(39)			39
Capital grants and contributions applied (note 25)	1,124			(1,124)
Movement in the Donated Assets Account	-			-
Revenue Expenditure funded from capital under statute (note 25)	(1,197)			1,197
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	(951)			951



## NOTES TO THE ACCOUNTS

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

2011/12 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<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)	369			(369)
Capital expenditure charged against the General Fund (note 25)	371			(371)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	670		(670)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 25)			591	(591)
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	234	(234)		-
Use of the Capital Receipts Reserve to finance new capital expenditure (note 41)	(22)	5,927		(5,905)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 25)		(6)		6
<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		-		-
<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)	(1,860)			1,860
Employers Pension Contributions and direct payments to pensioners payable in the year	2,430			(2,430)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements (note 25)	75			(75)

## NOTES TO THE ACCOUNTS

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

2011/12 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b> Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-			-
<b>Adjustment involving the Accumulated Absences Account</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-			-
<b>TOTAL ADJUSTMENTS 2011/12</b>	<b>(14,461)</b>	<b>5,687</b>	<b>(79)</b>	<b>8,853</b>

2010/11 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment of non current assets (note 25)	(2,261)			2,261
Revaluation losses on Property Plant and Equipment (note 25)	(12,571)			12,571
Movements in the market value of investment Properties (note 25)	11,160			(11,160)
Amortisation of intangible assets (note 25)	(37)			37
Capital grants and contributions applied (note 25)	1,286		121	(1,407)
Movement in the Donated Assets Account				
Revenue Expenditure funded from capital under statute (note 25)	(1,900)			1,900
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)	(1,557)			1,557

## NOTES TO THE ACCOUNTS

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

2010/11 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment (note 25)	452			(452)
Capital expenditure charged against the General Fund (note 25)	186			(186)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Account				-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 25)			711	(711)
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	292	(292)		-
Use of the Capital Receipts Reserve to finance new capital expenditure (note 41)		2,875		(2,875)
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				-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 25)		(4)		4
<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement				-

## NOTES TO THE ACCOUNTS

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

2010/11 USABLE RESERVES COMPARATIVE FIGURES RESTATED	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000
<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				-
<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)	7,920			(7,920)
Employers Pension Contributions and direct payments to pensioners payable in the year (note 48)	2,550			(2,550)
<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 (note 25)	(44)			44
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b>				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements				-
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				-
<b>TOTAL ADJUSTMENTS 2010/11</b>	<b>5,476</b>	<b>2,579</b>	<b>832</b>	<b>(8,887)</b>

## NOTES TO THE ACCOUNTS

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

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

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

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	2,784	(534)	593	2,843	(458)	549	2,934
Community Initiatives	10	(10)	-	-			-
Cremator Abatement	309	(92)	82	299	(130)	133	302
Crematorium Improvement	-	(53)	53	-	(55)	55	-
Insurance	246	(6)	31	271	(33)	261	499
Joint Health Promotion	44			44			44
Leisure Lottery & Other Partnerships	101	(23)		78			78
Leisure Options	292			292			292
Grants & Contributions	-			-		606	606
Museum Reserve	110			110			110
Pensions Contribution	175	(175)		-			-
Planning Delivery Grant	248	(65)		183	(28)		155
Special & Other Emergency Expenditure	315	(153)	575	737	(701)	500	536
VAT Partial Exemption	247			247	(35)		212
Vehicle Repair and Renewal	61		36	97			97
<b>Total General Fund</b>	<b>4,942</b>	<b>(1,111)</b>	<b>1,370</b>	<b>5,201</b>	<b>(1,440)</b>	<b>2,104</b>	<b>5,865</b>
<b>Capital Expenditure Reserve</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>73</b>
<b>Total Earmarked Reserves</b>	<b>5,015</b>	<b>(1,111)</b>	<b>1,370</b>	<b>5,274</b>	<b>(1,440)</b>	<b>2,104</b>	<b>5,938</b>

- (i) The capacity issues reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.
- (ii) The Community Initiatives Reserve provides funding for partnership initiatives in support of community engagement.
- (iii) The Cremator Abatement Reserve and Crematorium Improvement Reserve were established in November 2005 and consist of funds set aside from increases in fees and charges. They are designed to provide funds towards the cost of mercury emission abatement measures and crematorium infrastructure improvements respectively.

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## NOTES TO THE ACCOUNTS

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

- (iv) The Insurance Reserve was established in 1993/94 to develop risk management, fund minor self-insurance and to achieve longer term revenue savings.
- (v) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (vi) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (vii) The Leisure Options Reserve has been established using the interest earned from the proceeds of the disposal of certain assets being sold to generate funds to re-provide swimming facilities and refurbishing the Leisure Centre. The reserve will be used for one-off initiatives or pump-priming projects in line with the Council's Corporate Plan priorities.
- (viii) The Grants and Contributions Reserve has been created 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.
- (ix) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (x) The Pension Contributions Reserve was established in 1997/98 to provide funding for the inevitable increases in the Council's contributions to the West Sussex Local Government Pension Fund beginning in 1999/2000 following the Government's withdrawal of Advance Tax Credits.
- (xi) The Planning Delivery Grant Reserve was set up in 2006/07 to carry forward grant received in previous years, which has been approved by Cabinet to be spent on specific planning initiatives
- (xii) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.
- (xiii) The VAT Partial Exemption Reserve was originally set up in 2000 to meet any additional costs associated with the transfer of the Council's Housing Stock. The purpose of the fund was revised in 2002 and surplus funds redistributed to other reserves leaving a balance of £212,000 to meet potential VAT liabilities.
- (xiv) The Vehicle Repairs and Renewal Fund was set up in 2008 to meet future maintenance costs of the Adur Worthing Council Services Fleet.
- (xv) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

## NOTES TO THE ACCOUNTS

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

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

##### **Revaluation Reserve**

Capital accounting regulations require the establishment of this account to represent the accumulated gains on the long term 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 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.

##### **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.

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

Other Operating Expenditure	31-Mar-12	31-Mar-11
	£'000s	£'000s
Gains/losses on the disposal of non-current assets	949	123
<b>TOTAL</b>	<b>949</b>	<b>123</b>

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

Financing and Investment Income and Expenditure	2011/12	2010/11
	£000	£000
Interest Payable & Similar Charges	114	119
Pensions interest cost & expected return on pensions assets	1,310	2,090
Interest Receivable & similar Income	(266)	(396)
Income and expenditure in relation to investment properties and changes in fair value	1,722	(11,429)
Other Investment Income	(209)	(146)
<b>TOTAL</b>	<b>2,671</b>	<b>(9,762)</b>

## NOTES TO THE ACCOUNTS

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

<b>Taxation and Non-Specific Grant Income</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000s</b>	<b>£'000s</b>
Council Tax Income	(8,446)	(8,350)
Non Domestic Rates	(4,369)	(6,942)
Non-ringfenced Government Grants	(1,833)	(1,101)
Capital Grants and Contributions	(1,794)	(1,292)
<b>TOTAL</b>	<b>(16,442)</b>	<b>(17,685)</b>



## NOTES TO THE ACCOUNTS

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

#### **OPERATIONAL ASSETS**

Movements in 2011/2012	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
<b>Cost or Valuation</b>							
At 1 April 2011 (Restated)	55,583	9,137	3,438	4,963	2,286	1,779	77,186
Additions	1,382	533	170	-	-	5,085	7,170
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,380	-	-	-	(25)	-	4,355
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,755)	-	-	-	-	-	(11,755)
Derecognition - Disposals	-	(19)	-	-	-	-	(19)
Derecognition - Other	(924)	(687)	-	-	(45)	-	(1,656)
Assets reclassified (to)/from Held for Sale	-	-	-	-	760	-	760
Assets reclassified (to)/from Investment Properties	60	-	-	-	-	(77)	(17)
Reclassifications between asset classes, including transfers to intangible assets	34	(61)	55	-	-	(89)	(61)
<b>At 31 March 2012</b>	<b>48,760</b>	<b>8,903</b>	<b>3,663</b>	<b>4,963</b>	<b>2,976</b>	<b>6,698</b>	<b>75,963</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2011	(432)	(4,349)	(462)	-	-	-	(5,243)
Depreciation charge	(1,557)	(962)	(131)	-	(2)	-	(2,652)
Depreciation written out to the Revaluation Reserve	108	-	-	-	1	-	109
Deprecation written out to the Surplus/Deficit on the Provision of Services	662	-	-	-	-	-	662
Derecognition - Disposals	-	12	-	-	1	-	13
Derecognition - Other	25	685	-	-	-	-	710
Reclassifications between asset classes, including transfers to Intangible Assets	-	52	-	-	-	-	52
<b>At 31 March 2012</b>	<b>(1,194)</b>	<b>(4,562)</b>	<b>(593)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,349)</b>
<b>Net Book Value at 31 March 2012</b>	<b>47,566</b>	<b>4,341</b>	<b>3,070</b>	<b>4,963</b>	<b>2,976</b>	<b>6,698</b>	<b>69,614</b>
<b>Net Book Value at 31 March 2011</b>	<b>55,151</b>	<b>4,788</b>	<b>2,976</b>	<b>4,963</b>	<b>2,286</b>	<b>1,779</b>	<b>71,943</b>

## NOTES TO THE ACCOUNTS

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

#### **OPERATIONAL ASSETS**

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

Movements in 2011/2012	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2011	6,995	-	6,995
Additions	426	6	432
Derecognition - Other	(301)	-	(301)
<b>At 31 March 2012</b>	<b>7,120</b>	<b>6</b>	<b>7,126</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2011	(2,975)	-	(2,975)
Depreciation charge	(828)	-	(828)
Derecognition - Other	300	-	300
<b>At 31 March 2012</b>	<b>(3,503)</b>	<b>-</b>	<b>(3,503)</b>
<b>Net Book Value at 31 March 2012</b>	<b>3,617</b>	<b>6</b>	<b>3,623</b>
<b>Net Book Value at 31 March 2011</b>	<b>4,020</b>	<b>-</b>	<b>4,020</b>

## NOTES TO THE ACCOUNTS

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

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

Restated Movements in 2010/2011	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
<b>Cost or Valuation</b>							
At 1 April 2010	67,910	8,562	2,234	4,941	886	1,326	85,859
Additions	325	786	1,100	-	-	1,170	3,381
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,004	-	-	-	1,350	-	3,354
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,826)	-	-	-	-	-	(14,826)
Derecognition - Disposals/Other	(126)	(397)	-	-	-	-	(523)
Assets reclassified (to)/from Investment Properties	(86)	-	-	-	50	-	(36)
Other reclassifications	382	186	104	22	-	(717)	(23)
<b>At 31 March 2011</b>	<b>55,583</b>	<b>9,137</b>	<b>3,438</b>	<b>4,963</b>	<b>2,286</b>	<b>1,779</b>	<b>77,186</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2010	(1,414)	(3,900)	(379)	-	-	-	(5,693)
Depreciation charge	(1,332)	(846)	(83)	-	-	-	(2,261)
Depreciation written out to the Revaluation Reserve	56	-	-	-	-	-	56
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,255	-	-	-	-	-	2,255
Derecognition - Other	3	397	-	-	-	-	400
<b>At 31 March 2011</b>	<b>(432)</b>	<b>(4,349)</b>	<b>(462)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,243)</b>
<b>Net Book Value at 31 March 2011</b>	<b>55,151</b>	<b>4,788</b>	<b>2,976</b>	<b>4,963</b>	<b>2,286</b>	<b>1,779</b>	<b>71,943</b>
<b>Net Book Value at 31 March 2010</b>	<b>66,496</b>	<b>4,662</b>	<b>1,855</b>	<b>4,941</b>	<b>886</b>	<b>1,326</b>	<b>80,166</b>

## NOTES TO THE ACCOUNTS

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

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

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

Movements in 2010/2011	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2010	6,151	209	6,360
Additions	658	-	658
Reclassifications between asset categories	186	(209)	(23)
<b>At 31 March 2011</b>	<b>6,995</b>	<b>-</b>	<b>6,995</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2010	(2,291)	-	(2,291)
Depreciation charge	(684)	-	(684)
<b>At 31 March 2011</b>	<b>(2,975)</b>	<b>-</b>	<b>(2,975)</b>
<b>Net Book Value at 31 March 2011</b>	<b>4,020</b>	<b>-</b>	<b>4,020</b>
<b>Net Book Value at 31 March 2010</b>	<b>3,860</b>	<b>209</b>	<b>4,069</b>

#### **Depreciation**

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

- **Other Land and Buildings:** 20 – 70 years
- **Vehicles, Plant, Furniture and Equipment:** 1 – 25 years
- **Infrastructure:** 25 years

#### **Capital Commitments**

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/2013 and future years budgeted to cost £15,523,480. The major commitments are:-

## NOTES TO THE ACCOUNTS

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

#### **Capital Commitments**

- Procurement of the new swimming pool - £12,936,920
- Crematorium replacement of cremators and mercury abatement plant - £2,141,560
- Beach House Park Grounds car parking, landscaping and other ancillary works - £445,000

#### **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. Valuations were either carried out by the District Valuation Office or by the Council's Estates 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.

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

#### **Revaluations**

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.

	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
<b>Carried at historical cost</b>	-	4,341	3,070	4,963	-	6,698	19,072
<b>Valued at fair value as at:</b>							
31st March 2012	19,185	-	-	-	20	-	19,205
31st March 2011	22,332	-	-	-	2,010	-	24,342
31st March 2010	6,048	-	-	-	-	-	6,048
31st March 2009	1	-	-	-	946	-	947
<b>Total Cost or Valuation</b>	<b>47,566</b>	<b>4,341</b>	<b>3,070</b>	<b>4,963</b>	<b>2,976</b>	<b>6,698</b>	<b>69,614</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.

## NOTES TO THE ACCOUNTS

### NOTE 13: HERITAGE ASSETS

Movements in 2011/2012	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2011	491	2,091	2,214	732	861	252	6,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,309	1,386	458	539	158	3,850
<b>At 31 March 2012</b>	<b>491</b>	<b>3,400</b>	<b>3,600</b>	<b>1,190</b>	<b>1,400</b>	<b>410</b>	<b>10,491</b>
<b>Net Book Value at 31 March 2012</b>	<b>491</b>	<b>3,400</b>	<b>3,600</b>	<b>1,190</b>	<b>1,400</b>	<b>410</b>	<b>10,491</b>
<b>Net Book Value at 31 March 2011</b>	<b>491</b>	<b>2,091</b>	<b>2,214</b>	<b>732</b>	<b>861</b>	<b>252</b>	<b>6,641</b>

### Comparative Movements 2010/11

Restated Movements in 2010/2011	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2010	357	2,040	2,160	714	840	246	6,357
Revaluation increases/(decreases) recognised in the Revaluation Reserve	134	51	54	18	21	6	284
<b>Net Book Value at 31 March 2011</b>	<b>491</b>	<b>2,091</b>	<b>2,214</b>	<b>732</b>	<b>861</b>	<b>252</b>	<b>6,641</b>
<b>Net Book Value at 31 March 2010</b>	<b>357</b>	<b>2,040</b>	<b>2,160</b>	<b>714</b>	<b>840</b>	<b>246</b>	<b>6,357</b>

#### Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at valuation by an external valuer.

#### Art and Sculpture

The Authorities collection of fine art, decorative art and sculpture is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated annually.

#### Costume and Jewellery

This collection includes textiles, costume, costume accessories and jewellery and is included in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated annually.

## NOTES TO THE ACCOUNTS

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

#### **Comparative Movements 2010/11**

##### **Toys**

The collection of toys is included in the Balance Sheet at insurance valuations which are based on market values and is also updated annually.

##### **Social History**

This collection includes books, non archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography. These assets are included in the Balance Sheet at insurance valuations based on market values which are updated annually.

##### **Archaeology and Geology**

These assets are included in the Balance Sheet at insurance valuations based on market values which are updated annually.

### **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.

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(782)	(470)
Direct operating expenses arising from investment property	584	152
Net (gain)/loss	<b>(198)</b>	<b>(318)</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 property or repairs, maintenance or enhancement.

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

## NOTES TO THE ACCOUNTS

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

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year 1st April</b>	18,577	7,351
<b>Additions:</b>		
Construction	1,602	28
Subsequent expenditure	14	24
<b>Disposals:</b>	-	(46)
<b>Net gains/(losses) from fair value adjustments:</b>	(1,920)	11,184
<b>Transfers:</b>		
To/from Property, Plant and Equipment	17	36
<b>Balance at end of the year</b>	<b>18,290</b>	<b>18,577</b>

### **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 £38,599 has been charged to the Income and Expenditure Statement.

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year 1st April</b>		
Gross carrying amounts	179	144
Accumulated amortisation	(85)	(49)
<b>Net carrying amount at start of year</b>	<b>94</b>	<b>95</b>
<b>Additions:</b>		
Purchases	1	12
Amortisation for the period	(39)	(36)
Transfers from property, plant and equipment	9	23
<b>Net carrying amount at end of year</b>	<b>65</b>	<b>94</b>
<b>Comprising</b>		
Gross carrying amounts	189	179
Accumulated amortisation	(124)	(85)
	<b>65</b>	<b>94</b>



## NOTES TO THE ACCOUNTS

### NOTE 15: INTANGIBLE ASSETS

Share of the above assets used in the provision of the Joint Service

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year 1st April</b>		
Gross carrying amounts	141	106
Accumulated amortisation	(58)	(27)
<b>Net carrying amount at start of year</b>	<b>83</b>	<b>79</b>
<b>Additions:</b>		
Purchases	1	12
Amortisation for the period	(32)	(31)
Transfers from property, plant and equipment	-	23
<b>Net carrying amount at end of year</b>	<b>52</b>	<b>83</b>
<b>Comprising</b>		
Gross carrying amounts	142	141
Accumulated amortisation	(90)	(58)
	<b>52</b>	<b>83</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 is 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)	(2,690)	(2,596)	(2,130)	(64)	(4,820)	(2,660)
Total Liabilities	(2,690)	(2,596)	(2,130)	(64)	(4,820)	(2,660)
Loans and Receivables - Investments	-	-	10,608	17,148	10,608	17,148
Total Assets	-	-	10,608	17,148	10,608	17,148
<b>NET TOTAL ASSETS / (LIABILITIES)</b>	<b>(2,690)</b>	<b>(2,596)</b>	<b>8,478</b>	<b>17,084</b>	<b>5,788</b>	<b>14,488</b>

## NOTES TO THE ACCOUNTS

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

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

<b>An analysis of loan debt by maturity is:</b>	<b>31-Mar-12</b>	<b>31-Mar-11</b>
	<b>£'000s</b>	<b>£'000s</b>
Maturing within one year	2,130	64
	2,130	64
Maturing in 1-2 years	1,865	-
Maturing in 2-5 years	825	2,596
Maturing in 5-10 years	-	-
Maturing in more than 10 years	-	-
<b>TOTAL</b>	<b>4,820</b>	<b>2,660</b>

The composition of borrowings and investments at the Balance Sheet date are further analysed in the table on next page:

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

	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 Loan Board	(2,550)	(2,550)	(36)	(36)	(2,586)	(2,586)
<b>Public Works L'n Board</b>	<b>(2,550)</b>	<b>(2,550)</b>	<b>(36)</b>	<b>(36)</b>	<b>(2,586)</b>	<b>(2,586)</b>
Salix Finance	(140)	(46)	(65)	-	(205)	(46)
Highdown Trust	-	-	(28)	(28)	(28)	(28)
Thurrock Borough Council	-	-	(2,001)	-	(2,001)	-
<b>Other Commercial lenders</b>	<b>(140)</b>	<b>(46)</b>	<b>(2,094)</b>	<b>(28)</b>	<b>(2,234)</b>	<b>(74)</b>
<b>TOTAL BORROWING</b>	<b>(2,690)</b>	<b>(2,596)</b>	<b>(2,130)</b>	<b>(64)</b>	<b>(4,820)</b>	<b>(2,660)</b>
<b>INVESTMENTS:</b>						-
Barclays Bank Plc	-	-	4,050	3,032	4,050	3,032
Bank of Scotland	-	-	1,517	3,031	1,517	3,031
Co-operative Bank Plc	-	-	2,000	1,000	2,000	1,000
Lloyds TSB Bank Plc	-	-	2,036	2,028	2,036	2,028
Nationwide Building Society	-	-	-	3,023	-	3,023
Royal Bank of Scotland	-	-	1,005	3,023	1,005	3,023
Santander Bank	-	-	-	2,011	-	2,011
Cash Deposits						
<b>TOTAL INVESTMENTS</b>	<b>-</b>	<b>-</b>	<b>10,608</b>	<b>17,148</b>	<b>10,608</b>	<b>17,148</b>
<b>NET TOTAL INVESTMENTS/ (LIABILITIES)</b>	<b>(2,690)</b>	<b>(2,596)</b>	<b>8,478</b>	<b>17,084</b>	<b>5,788</b>	<b>14,488</b>

## NOTES TO THE ACCOUNTS

### NOTE 16: FINANCIAL INSTRUMENTS

	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	(113)	(112)	-	-	(113)	(112)
Impairment Losses	-	-	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>(113)</b>	<b>(112)</b>	<b>-</b>	<b>-</b>	<b>(113)</b>	<b>(112)</b>
Interest Income	-	-	261	386	261	386
Change in Impairment	-	-	(19)	76	(19)	76
<b>Interest Income and Similar Income</b>	<b>-</b>	<b>-</b>	<b>242</b>	<b>462</b>	<b>242</b>	<b>462</b>
<b>Net Gain/(Loss) in Year</b>	<b>(113)</b>	<b>(112)</b>	<b>242</b>	<b>462</b>	<b>129</b>	<b>350</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 trade debtors and creditors is taken to be the invoiced amount.

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	(2,586)	(2,705)	(2,586)	(2,693)
Other Loans	(2,234)	(2,190)	(74)	(106)
<b>Total Borrowing</b>	<b>(4,820)</b>	<b>(4,895)</b>	<b>(2,660)</b>	<b>(2,799)</b>
Finance Lease Liabilities	-	-	(3)	(3)
Trade and Other Payables	(7,096)	(7,096)	(4,836)	(4,836)
	<b>(11,916)</b>	<b>(11,991)</b>	<b>(7,499)</b>	<b>(7,638)</b>

## NOTES TO THE ACCOUNTS

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

The fair value of PWLB Borrowing is greater than the carrying amount because the Council's portfolio is at interest rates 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. The converse applies for other loans, for which the fair value is below the carrying amount

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

	31st March 2012		31st March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments	10,608	10,608	17,148	17,148
Trade Receivables	6,378	6,378	4,513	4,513
Cash & Cash Equivalents	3,832	3,832	825	825
<b>Loans and Receivables</b>	<b>20,818</b>	<b>20,818</b>	<b>22,486</b>	<b>22,486</b>

The fair value for investments is the same as the carrying amount because the portfolio of investments at the 31<sup>st</sup> March principally comprises of short term cash, deposits for which the fair value is deemed to approximate 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 increased by £3m year on year, reflecting an increase in Trade and Other Payables, principal among which was an item of £3.1m for inter-Council settlements with the Joint Strategic Committee.

#### **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.

#### **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 £3m, or 25% of total funds (whichever is higher).

## NOTES TO THE ACCOUNTS

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

#### **Credit Risk**

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 are shown in the table 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 0.67%, while the bad debt provision for 2011/12 as a percentage of total debtors was just 0.11%. Considering current market conditions and expectations for the future the Historical Default rate has been adjusted from 0.67% to 1.02% 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	10,608	0.00%	0.0009%	10	86
Customers	6,378	0.67%	1.02%	65	66
	<b>16,986</b>			<b>75</b>	<b>152</b>

#### **Liquidity Risk**

As the Council has ready access to borrowings from either directly the Public Works Loans Board or from the 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 may be forced to refinance a significant proportion of its borrowings at a time of rising (therefore unfavourable) interest rates. To offset this risk, the Council sets limits on its exposure to variable rate borrowings and retains flexibility within its Prudential Limits to redeem up to 100% of the value of outstanding debt in any year should opportunities arise to reschedule or redeem debt early. This may be the case in times of rising interest rates when discounts are available on early redemption of debt, and the cost of borrowing exceeds the interest receivable from the investment of the surplus funds that would be used to repay debt.

## 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 and to a lesser extent on its borrowings. The Council generally invests and borrows at fixed rates.

Movements in interest rates may have an 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 account. However if the Council retained variable rate borrowings some of the commercial lenders might wish to exercise their option to increase the interest charged on the Council's borrowings. This would require the Council to either accept the higher interest rate or replace its loans. 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:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(24)
Impact on Surplus or Deficit on the Provision of Services	(24)
Decrease in fair value of fixed rate investment assets	2
Impact on Other Comprehensive Income and Expenditure	2
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)	50

#### **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**

Worthing Borough Council holds £91,873 (£67,820 in 2010/11) 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 Worthing share of Inventories from the Joint Strategic Committee is £71,157 (£53,526 in 2010/11). This is a gross inventories holding for Worthing Borough Council of £163,030 (£121,347 in 2010/11).

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

The Council has not entered into any significant construction contracts to undertake construction on behalf of a third party.

### **NOTE 19: DEBTORS**

	31-Mar-12	31-Mar-11
	£'000s	£'000s
<b>Amounts falling due in one year:</b>		
Central Government Bodies	1,328	800
Other Local Authorities	3,242	1,216
NHS Bodies	1	-
Public Corporations & Trading Funds	1	
Other Entities and Individuals	3,302	3,653
<b>TOTAL</b>	<b>7,874</b>	<b>5,669</b>

The past due amounts for trade and rent debtors can be analysed as follows:

Overall Aged Debt Analysis	31-Mar-12	31-Mar-11
	£'000	£'000
Less than 1 Year	7,722	5,212
1-2 Years	65	93
2-3 years	70	203
Over 3 years	17	161
	<b>7,874</b>	<b>5,669</b>

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-12	31-Mar-11
	£'000s	£'000s
Private sector house purchase		
Council house purchase	24	30
Legal Charges	2	2
<b>TOTAL</b>	<b>26</b>	<b>32</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 held by the Authority	3,402	679
Bank Current Accounts	430	146
Short Term deposits, of up to 3 months duration, placed with other financial institutions	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>3,832</b>	<b>825</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</b>	-	-	760	2,160
<b>Revaluation losses</b>	-	-	-	(1,412)
<b>Assets declassified as Held for Sale:</b>	-	-		
Property, Plant and Equipment	-	-	(760)	-
<b>Other movements</b>	-	-	-	12
<b>Balance outstanding at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>760</b>

### **NOTE 22: CREDITORS**

	31-Mar-11	31-Mar-10
	£'000s	£'000s
Central Government Bodies	683	291
Other Local Authorities	267	1,661
Public Corporations and Trading Funds	16	-
Othe Entities and Individuals	7,362	3,330
<b>TOTAL</b>	<b>8,328</b>	<b>5,282</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	Unused Amounts Reversed in 2011/12	Unwinding of Discounting in 2011/12	Balance at 31-Mar-12
	£'000	£'000	£'000	£'000	£'000	£'000
Development Control - Land Searches	15	-	-	-	-	15
Car Parks - Disputed Income	262	-	-	-	-	262
Land Charges - Personal Search Fees	34	-	-	-	-	34
Concessionary Fares	322		(322)			-
	<b>633</b>	-	<b>(322)</b>			<b>311</b>

#### **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 has been accrued in 2011/12 and has been funded by both the amount of provision made by the Council and the use of the Special and Other Emergency Expenditure Reserve.

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

Movements in the Council's usable reserves are detailed in the Movement of Reserves Statement, which can be found on page 11.

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

#### **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.

## NOTES TO THE ACCOUNTS

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

31-Mar-11 Restated	UNUSABLE RESERVES	31-Mar-12
<b>£'000s</b>		<b>£'000s</b>
(13,184)	Revaluation Reserve	(21,281)
(78,549)	Available for Sale Financial Instruments Reserve	(69,272)
-	Capital Adjustment Account	-
(26)	Financial Instruments Adjustment Account	-
33,770	Deferred Capital Receipts Reserve	(20)
60	Pension Reserve	38,660
-	Collections Fund Adjustment Account	(15)
-	Unequal Pay Back Pay Account	-
-	Accumulated Absences Account	-
<b>(57,929)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(51,928)</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 as 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>	(13,184)	(9,558)
Upward revaluation of assets	(8,398)	(4,176)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	86	482
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(21,496)</b>	<b>(13,252)</b>
Difference between fair value depreciation and historical cost depreciation	181	68
Accumulated gains on assets sold or scrapped	34	-
<b>Balance at 31 March</b>	<b>(21,281)</b>	<b>(13,184)</b>

## NOTES TO THE ACCOUNTS

### **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 losses 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.

<b>Capital Adjustment Account</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Balance at 1 April</b>	<b>(78,549)</b>	<b>(80,016)</b>
Charges for depreciation and impairment of non-current assets	2,652	2,261
Revaluation losses on Property, Plant and Equipment	11,093	12,571
Amortisation of intangible assets	39	37
Revenue expenditure funded from capital under statute	1,197	1,900
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	951	1,557
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>15,932</b>	<b>18,326</b>
Adjusting amounts written out of the Revaluation Reserve	(214)	(68)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,905)	(2,875)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,124)	(1,407)
Application of grants to capital financing from the Capital Grants Unapplied Account	(592)	(711)
Statutory provision for the financing of capital investment charged against the General Fund	(369)	(452)
Capital expenditure charged against the General Fund	(371)	(186)
	<b>(8,575)</b>	<b>(5,699)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,920	(11,160)
<b>Balance at 31 March</b>	<b>(69,272)</b>	<b>(78,549)</b>

## NOTES TO THE ACCOUNTS

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

#### **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.

<b>Pension Reserve</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	33,770	65,050
Actuarial gains or losses on pension assets and liabilities	5,460	(20,810)
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	1,860	(7,920)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,430)	(2,550)
<b>Balance at 31 March</b>	<b>38,660</b>	<b>33,770</b>

#### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on 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.

<b>Deferred Capital Receipts Reserve</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(26)</b>	<b>(29)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	6	3
<b>Balance at 31 March</b>	<b>(20)</b>	<b>(26)</b>

## NOTES TO THE ACCOUNTS

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

#### **Unused 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.

Unused Collection Fund Adjustment Account	2011/12	2010/11
	£'000	£'000
<b>Balance at 1 April</b>	60	16
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	(75)	44
<b>Balance at 31 March</b>	<b>(15)</b>	<b>60</b>

#### **Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March.

There is a requirement under IFRS to accrue for compensated absences (mainly cost of carried forward holiday). A substantial review has been undertaken across the Council and Joint Strategic Committee. The value of this is not deemed material to justify restatement. For consistency this is not accounted for in the current year but will be reviewed each year.

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

	Net 2011/12	Net 2010/11
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	306	2,824
Interest paid	(114)	(120)
Dividends received	-	
<b>Total</b>	<b>192</b>	<b>2,704</b>

## NOTES TO THE ACCOUNTS

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

#### **Net Cash flows from operating activities**

	Net 2011/12	Net 2010/11
	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(13,749)</b>	<b>5,721</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	2,652	2,261
Impairment and downward valuations	11,093	12,571
Amortisation	39	37
Increase/Decrease in Interest Creditors	-	(1)
Increase/Decrease in Creditors	2,171	(338)
Increase/Decrease in Interest and Dividend Debtors	40	495
Increase/Decrease in Debtors	(2,853)	830
Increase/Decrease in Inventories	(33)	42
Pension Liability	(570)	(10,470)
Contributions to/(from) Provisions	(322)	97
Provision for Equal Pay		
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets	953	1,557
Carrying amount of short and long term investments sold		1,550
Movement in Investment Property Values	1,920	(11,281)
	<b>15,090</b>	<b>(2,650)</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	6,500	(1,550)
Premiums or Discounts on the repayment of financial liabilities		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(234)	(292)
	<b>6,266</b>	<b>(1,842)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>7,607</b>	<b>1,229</b>

## NOTES TO THE ACCOUNTS

### **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	(8,152)	(2,735)
Purchase of short-term and long-term investments	-	-
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(321)	640
Proceeds from short-term and long-term investments	-	1,550
Other receipts from investing activities	234	124
<b>Net cash flows from investing activities</b>	<b>(8,239)</b>	<b>(421)</b>

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

	Net 2011/12	Net 2010/11
	£'000	£'000
Cash receipts of short- and long-term borrowing	4,403	1,558
Other receipts from financing activities	1,495	1,194
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayments of short- and long-term borrowing	(2,244)	(3,511)
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>3,654</b>	<b>(759)</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 Code of Practice*. 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;

## NOTES TO THE ACCOUNTS

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

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

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
Member Portfolio	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leader	585	154	111	2	852	(85)	767
Environment	2,881	2,892	795	944	7,512	(4,522)	2,990
Health and Safety & Wellbeing	857	440	567	12	1,876	(236)	1,640
Improved Customer Services	3,595	47,169	3,493	1,001	55,258	(50,183)	5,075
Regeneration	1,628	897	958	112	3,595	(932)	2,663
Resources	2,684	625	839	29	4,177	(1,266)	2,911
Support Services	-						
<b>Net Portfolio Expenditure</b>	12,230	52,177	6,763	2,100	73,270	(57,224)	16,046
Credit back notional capital charges				(2,690)			(2,690)
Minimum Revenue Provision		369					369
Other Grants						(271)	(271)
<b>Spend 2011/12</b>	12,230	52,546	6,763	(590)	73,270	(57,495)	13,454

### **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 [directorate] income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £'000
Cost of Services in Service Analysis	13,454
Add services not included in main analysis	-
Add amounts not reported to management	679
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(370)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>13,763</b>



## NOTES TO THE ACCOUNTS

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

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2011/12**

This reconciliation shows how the figures in the analysis of [directorate] 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 manage- ment	Not included in Income & Expend- iture	Allocation of Recharges	Net Cost of Services	Total
Fees, charges & other service income	(13,127)	-	-	-	-	(13,127)	<b>(13,127)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	(266)	-	-	-	-	(266)	<b>(266)</b>
Income from council tax	-	-	(8,371)	-	-	(8,371)	<b>(8,371)</b>
Government grants and contributions	(44,102)	-	(8,268)	-	-	(52,370)	<b>(52,370)</b>
<b>Total Income</b>	<b>(57,495)</b>	<b>-</b>	<b>(16,639)</b>	<b>-</b>	<b>-</b>	<b>(74,134)</b>	<b>(74,134)</b>
Employee expenses	12,230	-	(570)	-	-	11,660	<b>11,660</b>
Other service expenses	52,432	-	-	(370)	-	52,062	<b>52,062</b>
Support Service recharges	6,763	-	-	-	(590)	6,173	<b>6,173</b>
Depreciation, amortisation and impairment	(590)	-	16,293	-	-	15,703	<b>15,703</b>
Interest Payments	114	-	-	-	-	114	<b>114</b>
Precepts & Levies	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-
Gain/Loss on Disposal or derognition of fixed asset	-	-	949	-	-	949	<b>949</b>
Other	-	-	1,236	-	-	1,236	<b>1,236</b>
<b>Total operating expenses</b>	<b>70,949</b>	<b>-</b>	<b>17,908</b>	<b>(370)</b>	<b>(590)</b>	<b>87,897</b>	<b>87,897</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,454</b>	<b>-</b>	<b>1,269</b>	<b>(370)</b>	<b>(590)</b>	<b>13,763</b>	<b>13,763</b>

## NOTES TO THE ACCOUNTS

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

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

	Employee Expenses	Other Expenses	Support Services including Joint Strategic Committee	Depreciation	Total Expenditure	Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Member Portfolio</b>							
Leader	210	382	304	3	899	(88)	811
Environment	341	6,179	922	895	8,337	(4,669)	3,668
Health and Safety & Wellbeing	2	650	1,062	13	1,727	(231)	1,496
Improved Customer Services	3,040	47,536	4,382	803	55,761	(49,358)	6,403
Regeneration	750	1,227	1,525	94	3,596	(924)	2,672
Resources	2,085	1,289	906	21	4,301	(1,523)	2,778
Support Services							
<b>Net Portfolio Expenditure</b>	6,428	57,263	9,101	1,829	74,621	(56,793)	17,828
Credit back notional capital charges				(2,298)			(2,298)
Minimum Revenue Provision		452					452
Other Grants						(93)	(93)
<b>Spend 2010/11</b>	6,428	57,715	9,101	(469)	74,621	(56,886)	15,889

### **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

	Net 2010/11
	£'000
Cost of Services in Service Analysis	15,889
Add services not included in main analysis	(31)
Add amounts not reported to management	(21,127)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(452)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>(5,721)</b>

## NOTES TO THE ACCOUNTS

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

#### **RECONCILIATION TO SUBJECTIVE ANALYSIS 2010/11**

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 2010/11	Service Analysis	Services not in Analysis	Not reported to manage- ment	Not included in Income & Expend- iture	Allocation of Recharges	Net Cost of Services	Total
Fees, charges & other service income	(12,015)	-	-	-	-	(12,015)	<b>(12,015)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	(396)	-	-	-	-	(396)	<b>(396)</b>
Income from council tax	-	-	(8,355)	-	-	(8,355)	<b>(8,355)</b>
	(44,475)	-	(9,467)	-	-	(53,942)	<b>(53,942)</b>
<b>Total Income</b>	<b>(56,886)</b>	<b>-</b>	<b>(17,822)</b>	<b>-</b>	<b>-</b>	<b>(74,708)</b>	<b>(74,708)</b>
Employee expenses	6,428	-	(10,470)	-	-	(4,042)	<b>(4,042)</b>
Other service expenses	57,597	(31)	-	(452)	-	57,114	<b>57,114</b>
Support Service recharges	9,101	-	-	-	(469)	8,632	<b>8,632</b>
Depreciation, amortisation and impairment	(469)	-	5,610	-	-	5,141	<b>5,141</b>
Interest Payments	119	-	-	-	-	119	<b>119</b>
Precepts & Levies	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	123	-	-	123	<b>123</b>
Other	-	-	1,900	-	-	1,900	<b>1,900</b>
<b>Total operating expenses</b>	<b>72,776</b>	<b>(31)</b>	<b>(2,837)</b>	<b>(452)</b>	<b>(469)</b>	<b>68,987</b>	<b>68,987</b>
<b>Surplus or deficit on the provision of services</b>	<b>15,890</b>	<b>(31)</b>	<b>(20,659)</b>	<b>(452)</b>	<b>(469)</b>	<b>(5,721)</b>	<b>(5,721)</b>

## NOTES TO THE ACCOUNTS

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

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

### **NOTE 31: TRADING OPERATION**

The former Direct Service Organisation is designated as a trading account and a summary of trading results is shown below.

	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure	2010/11 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	754	(963)	(209)	(146)
	<b>754</b>	<b>(963)</b>	<b>(209)</b>	<b>(146)</b>

The trading account has been consolidated within the Comprehensive Income and Expenditure Statement. The property management is within Financing and investment income and expenditure and the remainder of the trading accounts can be found within 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.

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

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough. In 2011/12 income collected as £3.582m (£2.243m 2010/11) and expenditure was £2.725m (£1.378m 2010/11). The surplus of £857,285 (£865,184 2010/11) is paid to West Sussex County 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 Worthing Borough Council to be immaterial.

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

This note is not applicable to Worthing Borough 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.

	Gross Expenditure 2011/12	Gross Income 2011/12	Net Expenditure 2011/12
	£'000	£'000	£'000
<b>EXPENDITURE</b>			
Central Services to the Public	301		301
Cultural & Related Services	234		234
Environmental & 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 and 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>DEFICIT/(SURPLUS) FOR YEAR</b>			<b>447</b>

### Census ICT

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.

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

## NOTES TO THE ACCOUNTS

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

Total Allowances paid to Members was £200,347 and (£204,078 in 2010/11).

### **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*	-	3
£55,000 to £59,999*	-	2
£60,000 to £64,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999**	1	-
	<b>1</b>	<b>5</b>

\* These include redundancy costs of £68,089 for 2 members of staff in 2010/11

\*\* This includes redundancy costs of £41,729 for this member of staff in 2011/12

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**

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	-	-
£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 who 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.

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 2010/11	101,185 115,510	968	1,433	102,153 116,943	17,032 18,713	119,185 135,656	59,593 67,828	59,593 67,828
<b>Strategic Director 1</b> 2011/12 2010/11	87,489 90,813	288 159	1,687	87,777 92,659	15,485 14,712	103,262 107,371	51,631 53,686	51,631 53,686
<b>Strategic Director 2</b> 2011/12 2010/11	90,813 90,863	1,099	977	91,912 91,840	16,074 14,720	107,986 106,559	53,993 53,280	53,993 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

\* This post became vacant and was subsequently deleted from the establishment

\*\* This post became vacant during the year and was subsequently deleted from the establishment

**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		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
							<b>£'000</b>	<b>£'000</b>
£0 - £20,000	-	1	6	8	6	9	66,870	102,270
£20,000 - £40,000	-	-	5	9	5	9	145,780	237,700
£40,000 - £60,000	-	-	2	1	2	1	92,640	41,730
£60,000 - £80,000	-	-	-	2	-	2	-	141,980
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	0	1	13	20	13	21	305,290	523,680

\* These redundancy costs are shared between the Authorities in proportion to the service allocation, except for those that relate to Worthing only. The total cost of exit packages in respect of Worthing is £363,550

### **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	96	109
Fees payable to external auditors for the certification of grant claims and returns for the year	30	27
<b>Adur and Worthing Joint Committee</b>	19	20
<b>TOTAL</b>	<b>145</b>	<b>156</b>

### **NOTE 38: SCHOOLS**

This note is not applicable to Worthing Borough 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	Restated 2010/11
	£'000s	£'000s
<b>Credited to Taxation and Non specific Grant Income</b>		
Non Domestic Rates	4,369	6,942
Revenue Support	1,350	1,008
Council Tax Freeze Grant	210	-
New Homes Bonus Scheme	273	-
Area Based Grant	-	93
	<b>6,202</b>	<b>8,043</b>
<b>Credited to Services - Revenue Grants</b>		
CDRP - Community Engagement	-	19
CLG Efficiency Grant	-	6
Coast Protection Grants and Contributions	-	17
DCLG - Business Rates Cost of Collection	136	137
DCLG - Business Rates New Burdens	4	9
DCLG - Homelessness Initiatives Grant	315	43
DCLG - Zimbabwe Resettlement grant	3	2
DCLG - Planning Delivery Grant	184	65
DCLG - Mortgage Rescue Programme	64	-
DEFRA - Air Quality Grant	14	1
DEFRA - Surface Water Management	28	10
DoH - Smokefree implementation	5	1
Department of Transport - Concessionary Fares	-	1,104
DWP - Grant for Housing system	-	10
DWP - Access to work	-	3
DWP - Addtl funding for LHA & Temp Accom	3	5
Districts & Boroughs in W. Sussex - ExOffenders Scheme	4	-
England Sports Council - National Benchmarking Survey	1	-
Esmee Fairbairn Grant	31	28
Food Standards Agency - FHRS early adopter grant	3	-
Ministry of Justice - European Elections Funding	-	86
NHS West Sussex - Green Team	7	-
Stronger Communities	1	-
The Leche Trust	3	-
Thomas Eggar - Dora Gordine Exhibition	1	-
Tooveys - Dora Gordine Exhibition	1	-

## NOTES TO THE ACCOUNTS

### NOTE 39: GRANT INCOME

	2011/12	Restated 2010/11
	£'000s	£'000s
Tooveys - Norwood Gallery / Art Collection	1	-
WBC - Domestic Violence Forum B-Safe Scheme	3	-
WSCC - Short breaks for Disabled Children	6	-
WSCC - 2 x disability training days	1	-
WSCC - Local Area Agreement	83	-
WSCC - Handy Man scheme grant	14	-
WSCC - Staying Put	-	25
WSCC/West Sx PCT	-	7
	<b>916</b>	<b>1,578</b>
<b>Credited to Services - Capital Grants</b>		
Commission for Architecture and the Built Environment	-	50
DCSF Playbuilder Grant	-	68
S106 Developer Contributions:	-	272
S106 Developer Contributions: Open Spaces	158	-
S106 Developer Contributions: Transport	339	-
S106 Developer Contributions: Affordable Housing	244	-
South East Housing Board	6	87
Specified Capital Grant - Disabled Facilities	493	424
Viridor Credits Landfill Communities Fund	25	39
Volleyball England	7	32
West Sussex County Council	-	179
Worthing Homes	-	22
DEFRA - Environment Agency	21	-
Amateur Swimming Association	30	-
Big Lottery - Play Areas	5	-
Football Foundation	453	-
Horsham District Council	10	-
Mid Sussex District Council	10	-
New Forest District Council	7	-
	<b>1,808</b>	<b>1,173</b>
<b>TOTAL</b>	<b>8,926</b>	<b>10,794</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 might require the monies or property to be returned to the giver. The balances at the end of the year were as follows:

## NOTES TO THE ACCOUNTS

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

	2011/12	2010/11
	£'000s	£'000s
<b>Capital Grants Receipts in Advance</b>		
CLG Efficiency Grant	5	5
Volleyball England	0	7
	5	12
<b>Revenue Grants Receipts in Advance</b>		
Grants recognised in Joint Committee	298	-
DEFRA - Surface Water Management	17	-
DoH - Smokefree implementation	12	-
	327	-
<b>TOTAL</b>	<b>332</b>	<b>12</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.

#### **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 no work and services commissioned from companies in which members have an interest. 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**

One officer declared a related party transaction in 2011/12, which is a Chief Officer acting as treasurer to a local Community Association. The sums involved are not material.

## NOTES TO THE ACCOUNTS

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

#### **Other Public Bodies**

The Council has a partnership arrangement with Adur District Council for the sharing of a joint officer structure.

Worthing also has a partnership arrangement with Horsham District council and Mid Sussex District Council for the delivery of ICT services.

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

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

The total amount of capital expenditure incurred in the year one shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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.

	2011/12	2010/11
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>6,283</b>	<b>6,462</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	7,170	3,381
Investment Properties	1,616	51
Intangible Assets	1	12
Revenue Expenditure Funded from Capital Under Statute	1,197	1,900
Assets Held For Sale	-	12
<b>Sources of Finance</b>		
Capital receipts	(5,905)	(2,875)
Government grants and other contributions	(1,715)	(2,118)
Sums set aside from revenue:		
Direct revenue contributions	(119)	(53)
MRP/loans fund principal	(369)	(357)
Revenue funding	(253)	(132)
<b>Closing Capital Financing Requirement</b>	<b>7,906</b>	<b>6,283</b>
<b>Explanation of movements in year</b>		
Increase (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	1,627	(179)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,627</b>	<b>(179)</b>

## NOTES TO THE ACCOUNTS

### **NOTE 42: LEASES**

#### **Finance Leases – Lessee**

The Council has a number of operating leases which qualify as finance leases under IAS 17. 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	2	67
	<b>2</b>	<b>67</b>

The Council is committed to making minimum payments under these leases comprising settlement of the principal and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31-Mar-12	31-Mar-11
	£'000	£'000
Finance lease liability (net present value of minimum lease payments):		
current	-	3
non-current	-	-
Finance costs payable in future years	-	-
<b>Minimum Lease Payments</b>	<b>-</b>	<b>3</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	£'000	£'000	£'000	£'000
Not later than one year	-	3	-	3
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>



## 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	41	-
Later than one year and not later than five years	137	-
Later than five years	-	-
	178	-

#### **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	695	841
Later than one year and not later than five years	1,953	2,514
Later than five years	28,306	28,612
	30,954	31,967

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

This is not applicable for Worthing Borough Council.

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

The Council has reviewed all of its capital assets at 31st March 2012 and no assets were identified as being impaired.

## NOTES TO THE ACCOUNTS

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

This note is not applicable to Worthing Borough Council.

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

	<b>Worthing</b>
	<b>£</b>
Redundancy costs	363,545
Enhanced Pension Benefits	168,488
Total termination benefit 2011/12	532,033
Termination benefits 2010/11	260,699

A total £363,545 is payable in the form of compensation for loss of office for joint working and £168,488 is the 2011/12 working 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	-	(3)
Commuted Sums		(174)	(176)
Pension Reserve Liability	48	(38,660)	(33,770)
<b>TOTAL</b>		<b>(38,834)</b>	<b>(33,949)</b>

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

#### **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 pensions liabilities with investment assets.

## NOTES TO THE ACCOUNTS

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

#### **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 and Expenditure statement to March 2012 is a loss of £17,470,000.

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>20011/12</b>	<b>2010/11</b>
<b>Cost of services</b>	<b>£'000s</b>	<b>£'000s</b>
Current service cost	(490)	(740)
Settlements and Curtailments	(40)	3,550
Past service cost	(20)	7,200
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
Interest cost	(3,760)	(5,640)
Expected return on scheme assets	2,450	3,550
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>(1,860)</b>	<b>7,920</b>
<b>Other post employment benefit charged to the CI&amp;E Statement</b>		
Actuarial gains and losses	5,460	(20,810)
<b>Total post employment benefit charged to the CI&amp;E statement</b>	<b>3,600</b>	<b>(12,890)</b>

<b>Movement in Reserves statement</b>	<b>20011/12</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	(570)	(10,470)
<b>Actual amounts charged against the General Fund balance for pensions in the year</b>		
Employers contribution payable to the scheme	(2,430)	(2,550)

## NOTES TO THE ACCOUNTS

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

#### **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	70,530	127,520
Current service cost	490	740
Interest cost	3,760	5,640
Contribution by members	150	220
Actuarial Losses/(Gains)	4,210	(36,020)
Past service costs/(Gains)	20	(7,200)
Losses/(Gains) on curtailment	40	120
Liabilities extinguished on settlements	-	(15,850)
Estimates unfunded benefits paid	(290)	(280)
Estimated benefits paid	(4,760)	(4,360)
	<b>74,150</b>	<b>70,530</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	36,760	62,470
Expected Return on Assets	2,450	3,550
Contribution by Members	150	220
Contribution by the Employer	2,140	2,270
Contribution in respect of unfunded benefits	290	280
Actuarial Gain/(Losses)	(1,250)	(15,210)
Assets distributed on settlements	-	(12,180)
Unfunded benefits paid	(290)	(280)
Benefits paid	(4,760)	(4,360)
	<b>35,490</b>	<b>36,760</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 PLAN**

#### **Scheme History**

	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
	£'000	£'000	£'000	£'000	£'000
<b>Worthing Borough Council Share</b>					
Estimated Fair Value Employer Assets (A)	35,490	36,760	62,470	45,600	58,120
Present value of scheme liabilities (B)	74,150	70,530	127,520	85,390	87,540
<b>Net Pension Assets/Liabilities (A)-(B)</b>	<b>(38,660)</b>	<b>(33,770)</b>	<b>(65,050)</b>	<b>(39,790)</b>	<b>(29,420)</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 £38.7m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£68.3m**. 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 (i.e. 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 £2,201,000.

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

The actuarial gains identified as movements on the Pension Reserve in 2010/12 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	(2.0)	(41.0)	4.2	(35.4)	(12.4)
Experience Gains/(Losses) on liabilities	(2.0)	46.0	-	0.0	3.4

## 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.

	<b>31-Mar-12 per annum</b>	<b>31-Mar-11 per annum</b>
	%	%
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%

#### **Termination Benefits**

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

	<b>31-Mar-11 per annum</b>	<b>31-Mar-10 per annum</b>
	%	%
Equities	76	77
Bonds	14	14
Property	9	7
Cash	1	2

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## **NOTES TO THE ACCOUNTS**

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

There is currently a dispute with the provider of car parking services over the terms of the contract. If agree, this would increase the cost of parking to the Council. There are no other contingent liabilities.

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

There are no contingent assets

### ***NOTE 51: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS***

See Note 16.

### ***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.

#### **Highdown Gardens**

This is a public garden on English Heritage's Register of Historic Parks and Gardens. Situated in 8.52 acres of stunningly beautiful gardens on Downland countryside overlooking the sea and offers a unique collection of rare plants and trees. Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection introduced by Sir Frederick Stern. The cultural significance of this asset cannot be valued.

#### **War Memorial Monument**

Situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

#### **Pigeon Memorial**

This is a monument situated in Steyne Gardens dedicated to the pigeons who took part in the First World War. The cultural and historical significance of this monument cannot be valued.

#### **The Miller's Tomb**

This is a famous tomb situated on a Downland site, which is now owned by the National Trust. The tomb is the grave of John Oliver who was a miller in 1709 and thought to be involved in smuggling. The site has been designated a site of nature and conservation due to the wealth of flora including orchids. It is not possible to value the cultural and historical significance of this unique asset.

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## **NOTES TO THE ACCOUNTS**

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

#### **Amelia Park Gateway**

This is a listed building constructed between 1831 and 1833. The main archway was designed for carriages and the two side arches were designed for pedestrians. It is not possible to value the cultural and historical significance of this unique asset.

### ***NOTE 53: HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS***

#### **Art and Sculpture**

The Museum has built up an extensive topographical collection of paintings, prints and drawings dating from 1800 to the present day. It also has a fine body of oil paintings by the British Post Impressionist painters who were members of the Camden Town Group. The watercolours include works by some of the main water-colourists working from the eighteenth century onwards.

#### **Costume and Jewellery**

This is one of the most important costume collections of its kind in the country and since the 1960s the collection has grown to approximately 25,000 items of British clothing, accessories and ephemera, used and worn by both sexes, all ages and social levels

#### **Toys**

The juvenilia collection is one of the museum's particular strengths and is not only one of the largest collections of its kind outside London, but also includes pieces of superb quality and interest. These include English wax dolls, early paper dolls, dolls houses, clockwork toys, cards, table and optical games as well as educational games and books.

#### **Social History**

This collection includes books, non archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography. The coin collection includes commemorative medals from Sussex.

The coin collection includes Iron Age and Roman coins, British coins of all periods, as well as those from British overseas territories, and a small but significant collection of tokens from Sussex as well as others from the rest of Britain.

Each of the main areas within the Social History section is supported by large holdings of printed ephemera and photographs. The collections relate primarily to English Social History and to the Worthing area in particular. There is a collection of over 6000 topographical photographs which illustrate how the area has developed and provide a wealth of information.

#### **Archaeology and Geology**

From the 1930s to the 1970s the Worthing Archaeological Society was responsible for a number of major excavations. Since the early 1970s most excavations in the area have been carried out by professional archaeological units. Material from all this work is housed in the Worthing Museum. The collection also includes chance finds and material from field walking.

The Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.



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## **NOTES TO THE ACCOUNTS**

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### ***NOTE 53: HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS***

#### **Heritage Assets of Particular Importance**

The archaeology collection is extensive and includes both excavated material and stray finds from all periods from the Palaeolithic to Post-Medieval. Notable exhibits include material from important Neolithic flint-mining sites, Bronze Age material, Iron Age material, Romano-British material, early Anglo-Saxon finds, late Saxon material and Medieval material.

The Women's Costume collection has the largest collection of Haute Couture, dressmaker, home-made and mass-produced clothing with garments dating from 1700 and accessories dating from 1600. Other notable costume collections include jewellery, hats and handbags.

A unique collection of items that include decorative art, local history and juvenilia was bequeathed to the Museum in 1999 by a local collector.

#### **Preservation and Management**

The Council's Museum has a rolling programme of major repair and restoration of its artefacts which is charged to the Comprehensive Income and Expenditure Statement.

The Museum has a detailed Acquisitions and Disposal's Policy which outlines the procedures for acquiring assets and disposing of assets.

### ***NOTE 54: HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY***

The Code of Practice on Local Council 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 property, plant and equipment classification 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 £5,000 should now be recognised as heritage assets and measured at £490,805 with a corresponding increase in the Revaluation Reserve. These assets relate to the Council's Civic Regalia which was previously recognised in the community assets classification of property, plant and equipment. The Council has also recognised an additional £10 million for the recognition of heritage assets in the Council's Museum 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 54: HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY**

#### **Heritage Assets**

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £6.357 million. The element that was previously recognised in property, plant and equipment has been reclassified and the revaluation reserve has increased by £6.352 million.
- The full restated 1 April 2010 Balance Sheet is provided on page 13. 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:

	Opening Balances as at 1st April 2010	Restatement required to opening balances	Restated Opening Balance as at 1st April 2010
	£000	£000	£000
Property Plant and Equipment:	80,171	(5)	80,166
Heritage Assets	-	6,357	6,357
<b>Long Term Assets</b>	<b>89,816</b>	<b>6,352</b>	<b>96,168</b>
<b>Total Net Assets</b>	<b>42,683</b>	<b>6,352</b>	<b>49,035</b>
<b>Reserves</b>	<b>(42,683)</b>	<b>(6,352)</b>	<b>(49,035)</b>

#### **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 effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £6.641 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £6.636 million 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 £0.05 million.

## NOTES TO THE ACCOUNTS

### **NOTE 55: TRUST FUNDS**

The Council acts as one of several trustees for the following funds:

	Capital Value of Fund	Capital Value of Fund
	£'000	£'000
<b>Highdown Tower Gardens</b> Income used to make improvements to the garden	34	34
<b>Dr Chester's Charity</b> Aid to people in poverty	17	18
<b>TOTAL</b>	<b>51</b>	<b>52</b>

In neither case do the funds represent the assets of the Council and therefore they have not been included in the balance sheet.

The Council acts as a trustee for the Highdown Tower Gardens (registered charity number 305445). Capital funds are held by the Council on behalf of the Trustees.

## 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 raised. Administration costs are borne by the General Fund.

	2011/12	2010/11
	£'000s	£'000s
<b>INCOME</b>		
Council Tax receivable (net of benefits)	51,972	51,561
Transfer from General Fund - re benefits	7,417	7,440
Contribution from precepting authorities - re previous year's deficit	141	
Income collectable from business ratepayers	29,494	27,174
	<b>89,024</b>	<b>86,175</b>
<b>LESS EXPENDITURE</b>		
Precepts and demands		
- West Sussex County Council	45,138	45,133
- Sussex Police	5,377	5,376
- Worthing Borough Council	8,391	8,390
<b>Business Rate:</b>		
Payments to National Pool	29,340	26,960
Costs of Collection Allowance	136	137
Interest on Refunds	18	76
Council Tax - write-offs and bad debt provision	101	381
Contribution to precepting authorities from previous year's surplus	-	37
	<b>88,501</b>	<b>86,490</b>
<b>Surplus/(Deficit) for the year</b>	<b>524</b>	<b>(315)</b>
<b>Surplus/(Deficit) at 1st April Bought Forward</b>	<b>(424)</b>	<b>(109)</b>
<b>Surplus/(Deficit) at 31st March Carried Forward</b>	<b>100</b>	<b>(424)</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-	10	1.50	0.00	9	5/9ths	4.7
Band A-	7,083	1,236.75	38.00	5,884	6/9ths	3,922.8
Band B	10,529	1,331.75	61.10	9,258	7/9ths	7,200.9
Band C	12,398	1,129.25	127.50	11,396	8/9ths	10,130.0
Band D	8,777	701.50	64.40	8,140	9/9ths	8,139.9
Band E	5,148	322.75	26.60	4,852	11/9ths	5,930.0
Band F	2,206	118.25	16.50	2,104	13/9ths	3,039.5
Band G	856	48.50	4.40	812	15/9ths	1,353.2
Band H	8	1.00	0.00	7	18/9ths	14.0
	47,015	4,891.25	338.50	42,462		39,735.0
Less allowance for loss on collection and void properties						889.5
						38,845.5

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

	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	45,138,083	÷	38,845.5	=	1,161.99
Sussex Police Authority	5,376,994	÷	38,845.5	=	138.42
Worthing Borough Council	8,390,630	÷	38,845.5	=	216.00

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

Non-domestic rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the Country as a whole (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 £78.01m (£80.84m 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 £1,082k and £510k for bad and doubtful debts for Council Tax and National Non Domestic Rates has been provided for in 2011/12 in line with Worthing Borough 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	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
<b>Demand on Collection Fund 2012/13</b>	45,990	5,478	8,549	60,017
Apportionment based on 2012/13 demand	<b>76.63%</b>	<b>9.13%</b>	<b>14.24%</b>	<b>100.00%</b>
Council Tax Arrears	2,082	248	387	2,717
Provision for Bad Debts	(956)	(114)	(178)	(1,248)
Receipt in Advance	(589)	(70)	(109)	(768)
(Surplus)/Deficit	(77)	(9)	(14)	(100)
<b>Balance as at 31/03/2012</b>	<b>460</b>	<b>55</b>	<b>86</b>	<b>601</b>

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# ANNUAL GOVERNANCE STATEMENT

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## ***SCOPE OF RESPONSIBILITY***

Worthing Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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 Worthing Borough 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***

Worthing Borough 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.



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# ANNUAL GOVERNANCE STATEMENT

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## **REVIEW OF EFFECTIVENESS**

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.

## **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: \_\_\_\_\_  
**Councillor Paul Yallop**  
**Leader of the Council**  
**Worthing Borough Council**



Signed: \_\_\_\_\_  
**Peter Latham**  
**Joint Chief Executive of**  
**Adur and Worthing Councils**



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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL**

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

I have audited the financial statements of Worthing Borough 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 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 Worthing Borough 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 Worthing Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

## **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 AND WORTHING JOINT COMMITTEE**

### ***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, Worthing Borough 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 WORTHING BOROUGH 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 Worthing Borough 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 Worthing Borough 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

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## **GLOSSARY OF ACCOUNTING TERMS**

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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.
<b>ACTUARIAL GAINS AND LOSSES</b>	Actuarial gains and losses which may result from: <ul style="list-style-type: none"><li>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</li><li>(b) the effects of changes in actuarial assumptions.</li></ul>
<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.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<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.

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## **GLOSSARY OF ACCOUNTING TERMS**

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<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>

**Jo-Anne Chang Rogers,  
Finance Manager (Worthing),  
Worthing Borough Council,  
Town Hall,  
Chapel Road,  
Worthing,  
West Sussex, BN11 1HB**

**Telephone Direct Line: 01903 221232  
E-mail: [jo-anne.chang-rogers@worthing.gov.uk](mailto:jo-anne.chang-rogers@worthing.gov.uk)**