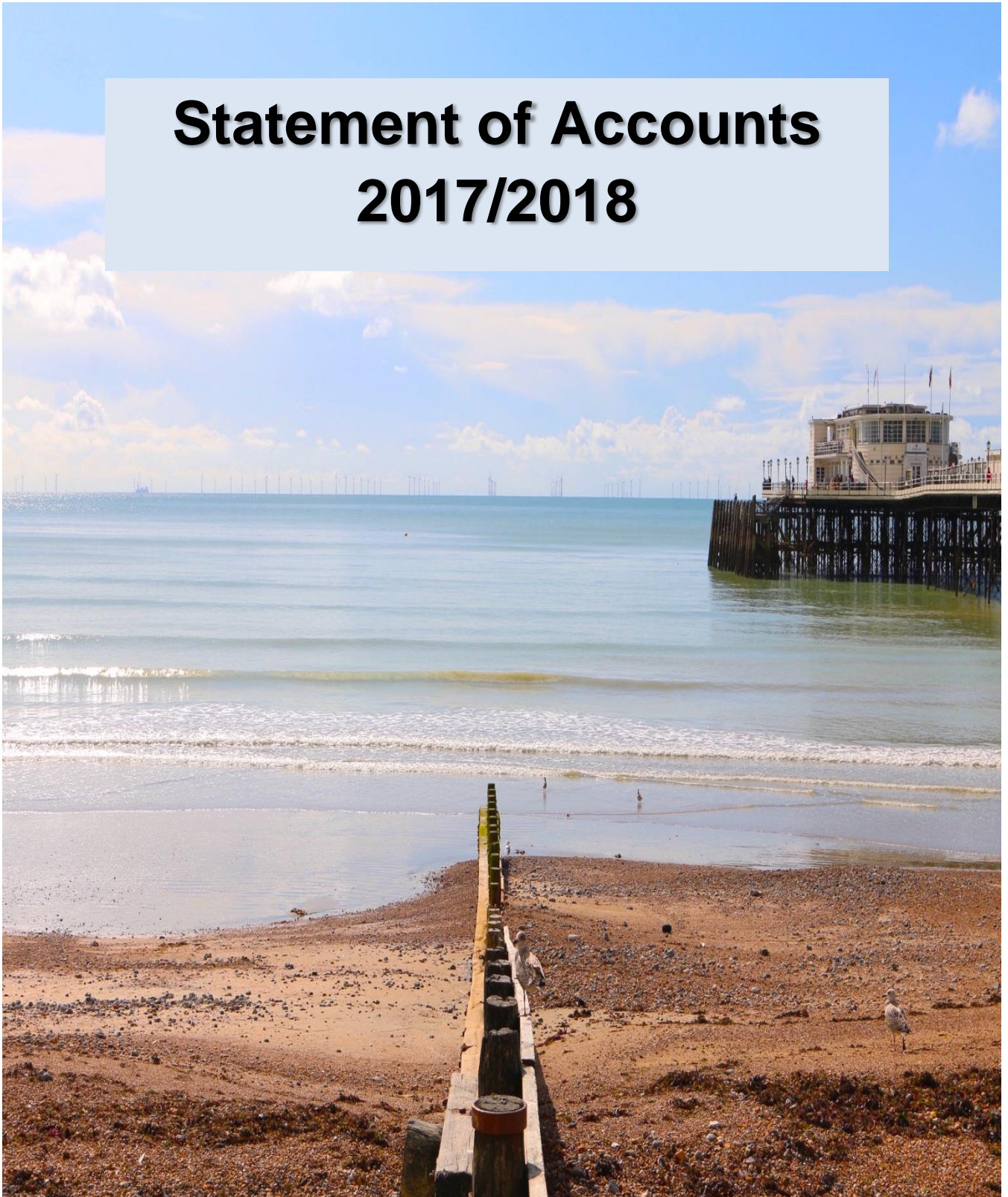




WORTHING BOROUGH
COUNCIL

Statement of Accounts 2017/2018



WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2018

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NARRATIVE REPORT

INTRODUCTION

This Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA). It aims to provide information to our residents, Council Members, partners, stakeholders and other interested parties so that they can:

- Understand the financial position of the Council in 2017/18;
- Have confidence that the public money with which the Council has been entrusted has been used well and accounted for in an appropriate manner;
- Be assured that the overall position of the Council is sound and secure.

This is the narrative report to the Statement of Accounts for the year ended 31st March 2018. It provides a summary of the financial position as at 31st March 2018 and is structured as below:

- Introduction To Worthing as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2017/18
- The 2017/18 revenue budget process and medium term financial plan
- Financial Overview of the Council 2017/18
 - * Revenue spend in 2017/18
 - * Capital strategy and Capital Programme 2017/18 to 2020/21
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO WORTHING AS A PLACE

Worthing Borough Council is one of seven Local Authorities in West Sussex. It lies on the South Coast and cover an areas of approximately 32.37km². The Council shares its boundaries with Adur District Council to the east, and Arun District Council to the west. It is located at the foot of the South Downs at the southern edge of the beautiful South Downs National Park.



Population:

Worthing has a population of approximately 107,430 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 19	21.95%	23.69%
20 - 64	55.80%	58.45%
66 - 90+	22.25%	17.86%

There are 3,313 businesses within the area. Business rate income was £30.9m in 2017/18 of which the Council keeps £2.6m (8.4%). 10% of the income is paid to the County Council with the remainder paid to Government.

2. KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL

Worthing Borough Council is a large complex organisation offering a wide range of services to its residents. Its policies are directed by the Political Leadership and implemented by the Council Leadership Team and Officers of the Council. The following section describes the political and management structures of the Council.

Political Structure in the 2017/18 Municipal Year

Worthing has 37 Councillors representing 13 wards. In 2017/18 the political make-up of the Council was:

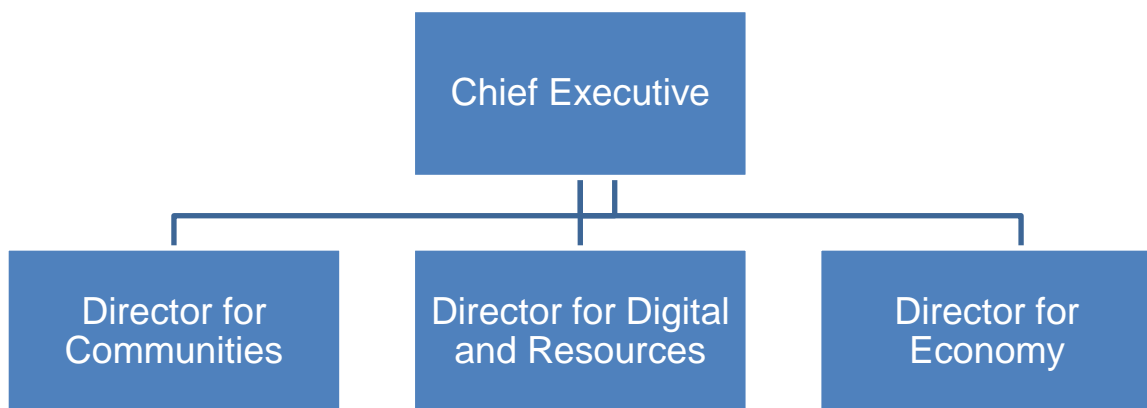
Conservative Party	30 Councillors
Liberal Democrat Party	2 Councillors
UK Independent Party	2 Councillors
Independent	1 Councillor
Green	1 Councillor
Labour	1 Councillor

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of portfolio responsibilities and the delegation of Executive Functions. Scrutiny of the Executive decision for 2017/18, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Daniel Humphreys.

Management Structure

Supporting the work of the Councillors is the organisational structure of the Council headed by the Corporate Leadership Team led by the Chief Executive, Mr Alex Bailey.



Worthing Borough Council:

- √ Collects £30.9m business rates per year but only retains £2.6m (8.4%) to spend on services
- √ Holds £152m of assets to support service delivery and investment
- √ Generates £19m of income (excluding Housing Benefit Subsidy) to help deliver services and keep council tax down.
- √ Has set a balanced budget each year despite allocated funding from revenue support grants and retained business rates falling each year. In 2017/18 government funding (RSG and New Homes Bonus) made up 10% of total income (excluding Housing Benefit Subsidy) which reduces to 6% in 2018/19.

Working in partnership

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

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net budget of £20.7m for 2017/18. 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 Strategic Committee has a separate budget.
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled.
- The net expenditure with the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

3. **COUNCIL PLANS AND PERFORMANCE**

PLATFORMS FOR OUR PLACES

Unlocking the power of people, communities and local geographies

The Councils priorities are laid out in 'Platforms for our Places' which was agreed early in 2017. The plan details how over the period 2017 – 2020 the Council intends to create the essential Platforms for prosperous, healthy, happy and connected communities.

Five Platforms for our Communities

Platform 1: Our Financial Economies

There are a number of supportive elements which we need to create, in partnership with our commercial sector, to ensure that our financial economies remain resilient and thrive. These include:

- ✚ Clearly understand our financial economies
- ✚ Wise regulation
- ✚ Build infrastructure to support the local economy
- ✚ Taking a stake
- ✚ Positioning ourselves to seize advantages

Platform 2: Our Social Economies

Together with our partners we will develop a range of elements to help our enterprising communities thrive through:

- ✚ Fully understanding the nature of our communities
- ✚ Tackling the challenge of insufficient supply of housing
- ✚ Continue to run a careful safety net of services
- ✚ Targeting our services toward the prevention of problems and to equip people with the skills, knowledge and ability to thrive independently of the state
- ✚ Actively promoting social innovation and social financing
- ✚ Supporting a range of interventions that deliver long-term health and wellbeing for individuals and communities
- ✚ Developing our role as civic social entrepreneurs
- ✚ Creating new social business vehicles where a strong focus on social outcomes can be driven by a commercial business model for the benefit of our people, communities and places.

Platform 3: Stewarding our natural resources

The Platform that we will create, develop, and curate will include:

- ✚ Ensuring we can do more with less, reducing our emissions, efficiently using water and reducing the amount of waste we send to landfill
- ✚ Working with the communities
- ✚ Buying less, buying better and buying local
- ✚ Smarter infrastructure
- ✚ Encouraging the celebration and custodianship of nature by developing new walking routes, cycling routes, and furthering biodiversity.

Platform 4: Services and solutions for our places

The Platform that we will develop will be one in which:

- ✚ It's easy for people to get what they need from us first time with the minimum amount of faff.
- ✚ We will use new technologies and data to design services around the interests of individuals and communities and continue to improve our digital capabilities;
- ✚ Where practical we combine our service offer with other institutions;
- ✚ We will further develop our financial strategy and capacity given the changing role and nature of local government financing
- ✚ We will seek real procurement savings across services

Platform 5: Leadership of our places

The Platform for leading our places well includes:

- ✚ Place branding – being clear about what we are, attracting skills, assets and other resources that we require to be successful across all the platforms.
- ✚ Conserving and developing the fabric and institutions that make up our place.
- ✚ Ensuring that we have the right reputation and relationships to leverage the value that we need
- ✚ Ensuring great networks within Adur and Worthing
- ✚ Ensuring our democratic processes remain relevant, trusted and open to all.

Achievements in 2017/18

Although financial times are challenging for the Council and the sector as a whole, progress has been made across all of the 'Platforms'. A selection of updates on the Council's commitments is as follows:

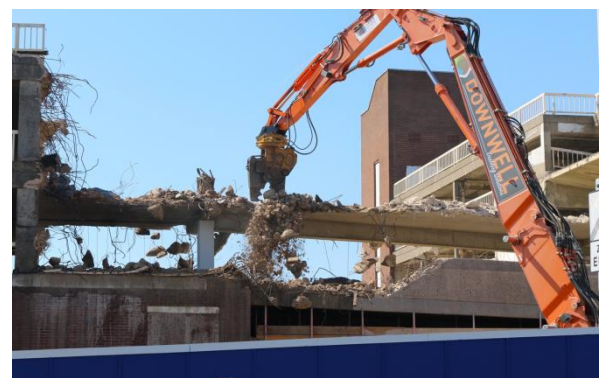
Platform 1: Our Financial Economies

- **Adur and Worthing Economic Strategy:** The Economic Strategy for Adur and Worthing has been adopted.
- **Enabling our creative economy to thrive :** We are seeing a positive response to our programmes at Worthing Theatres and Worthing Museum and Gallery, with a 11 per cent increase in ticket sales for the theatre and a 5 per cent increase in footfall at the Museum.
- **Working towards an enhanced Worthing Townscape:** We have developed a strong partnership with West Sussex County Council to prepare a series of detailed, costed public realm improvements.
- **Investing in our digital future:** Adur & Worthing Councils have successfully led the Gigabit West Sussex project which has secured £4.66 million investment from the Department for Digital, Culture, Media and Sport's Local Full Fibre Network Fund. Procurement has started and the contract was awarded in April 2018. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables.
- **Demolition of Teville Gate:** We have agreed terms for the demolition of Teville Gate MSCP and adjoining buildings. The proactive decision by the Council to demolish Teville Gate car park is the culmination of significant work by Officers to expedite development using funds provided by the Coast to Capital LEP.

Demolition - Before



Demolition – During



Platform 2: Our Social Economies

- **Delivering our Housing Strategy:** In the last six months we have completed several housing related commitments under our new Housing Strategy, including revised policies for Temporary Accommodation and how we use our Disabled Facilities Grants, as well as agreeing a co-designed and widely owned Community Homelessness Strategy.
- **Engaging with our community:** Our Community Engagement work now spans Wellbeing, Environment, Waste and Housing teams, reducing duplication and focussing on important messages such as recycling, improving community resilience and building innovative ways of engagement such as through the recently launched 'Growing Communities' project with external community partner The Conservation Volunteers.
- **Working with Strategic Partners:** Supporting our Communities to live well remains a key focus and strategically we are working closely with health partners and WSCC to drive forward integrated work around young people and mental health, reducing social isolation and preventing homelessness.
- **Safeguarding with the taxi industry:** 460 taxi drivers across Adur and Worthing have now completed Child Sexual Exploitation Training, the remaining 46 are due to attend by early 2018.
- **Freeing-up Primary Health through community-based solutions:** "Going Local", the social prescribing programme, has now completed its first year having supported over 600 clients.
- **Supporting our Community and Voluntary Sector:** Between July and October, Community Works provided support to 182 unique community organisations across A&W in areas such as governance & fundraising, including targeted support with organisations in some of our priority areas. CW more than doubled their A&W membership base in these three months and have continued to push their involvement in wider integration agendas, particularly supporting the development of the NHS Local Community Networks in A&W.

Platform 3: Stewarding our natural resources

- **Renewable Energy:** Solar panels have been installed at Portland House. Eight electric vehicle charging points are being installed imminently, and energy use is being analysed at a building by building level to determine how best to reduce usage and cost.
- **Engaging with our Community:** Our Environment and Waste teams have continued to engage with our whole community and specific groups in projects and programmes that support our natural environment and ensure that we sustain our places for generations to come. This ranges from developing active community groups on specific projects to encouraging the whole of our communities to reduce waste and recycle.
- **Council fleet innovation:** HiyaCar, the "Airbnb for business car travel" has been launched.
- **Managing our urban forest:** We have surveyed 3,200 trees across Adur and Worthing, with particular attention on high profile parks, open spaces and Adur Homes Land.

- **Developing the role of our Communities:** The Growing Communities Project was launched by The Conservation Volunteers (TCV) following a successful £660,000 funding bid from the Big Lottery for the project across Adur & Worthing for the next three years
- **Brooklands Lake:** Dredging has started at Brooklands Lake and the 'Friends of Brooklands Park' group is now well established and is supported by Parks and Conservation Volunteers to be a powerful stakeholder in the park's future.

Brooklands Lake Improvements –

Dredging works – Removing 19,000 tonnes of silt



Brooklands lake – After



- **Enhancing our natural heritage:** Successfully awarded £98,000 from the Heritage Lottery Fund to develop community engagement at our flagship garden Highdown. This we hope is a precursor to a larger bid to HLF in 2018.

Platform 4: Services and solutions for our places

- **Delivering our Digital Platforms:** The last year has seen some key projects being successfully delivered, including housing register digital self-service.
- **Engaging with our Staff:** Internal and external communications have been vastly improved, and our “Let’s Talk” and “Get Involved” staff engagement programmes have been successful.
- **Commercialism:** Our attempts to increase commercial income is progressing well and is forecast to deliver £828,000 (against a £600,000 target in 2018/19). Providing valuable additional income to protect front-line services in line with our budget strategy.
- **Innovation in Service Design:** “SameRoom” is now established as our change methodology using accredited customer service design principles. This is effectively helping services undergo deeper transformations by involving customers and frontline staff.
- **Improving services with our digital platform:** Our digital platform strategy is proving effective, with same day response times in waste, online housing triage and a new digital housing repairs service ready for launch.
- **Modernising our HR Policies:** HR policies & practices have been modernised, and the learning & development programme has been re-designed.
- **Building capacity for capital projects:** A new professional services framework is helping create capacity for delivering property & construction projects and “unblock the pipeline” that was creating some delays in delivering the Capital Programme.

Platform 5: Leadership of our places

- **Building our Relationship with Partners:** Developing the Council’s relationship with our partners remains a central element in realising our objectives. We are facilitating the development of our place leaders and providing opportunities to share their expertise. We need to review how we can continue to share information to provide positive outcomes for our clients and our communities.
- **Supporting our Elected Members:** Providing opportunities for our elected members to develop their skills has been and will be a focus. Elected members have had the opportunity to take part in safeguarding training and a new programme lead by the LGA to recognise the changing role of elected Councillors in the 21st Century. We will build on this work with a new induction programme for elected members following the 2018 local elections.
- **Developing the Leaders in our Place:** The Councils have delivered a range of activities to provide learning and upskill our communities on a diverse range of topics - safeguarding training for elected members and taxi drivers, developing leadership within our community and our elected members, and facilitating the sharing of best practice among businesses.
- **Improving the Understanding of our Places:** The Councils have developed a Communities and Wellbeing Evidence and Intelligence Framework and economic databanks and economic profiles. The Intelligence Framework has informed the priorities for the Community Safety Partnership, while the economic databanks and profiles formed the evidence base for the Economic Strategy.
- **Engaging with the City Region:** Adur District and Worthing Borough Council continue to actively participate in the Greater Brighton Economic Board. At the

Greater Brighton Charrette (28-29 Sept) the Councils membership of the Economic Board provided an opportunity to promote Adur and Worthing across the City Region and to representatives from DCLG and DCMS.

- **Developing shared leadership:** Through the secondment of senior members of staff to the NHS, we are able to bring our skills and capacity to bear for the benefit of Adur and Worthing and the Coastal West Sussex Region. In turn, these staff are able to bring the insights in improving health and wellbeing, and organisational development back to the Councils.

Monitoring commitments

The “Platforms for our Places” programme (and detailed commitments) can be found at: <https://www.adur-worthing.gov.uk/platforms-for-our-places/>

The full monitoring reports to JSC in 2017/18 may be viewed at:

Joint Strategic Committee report 11th July 2017 (6 month progress update)

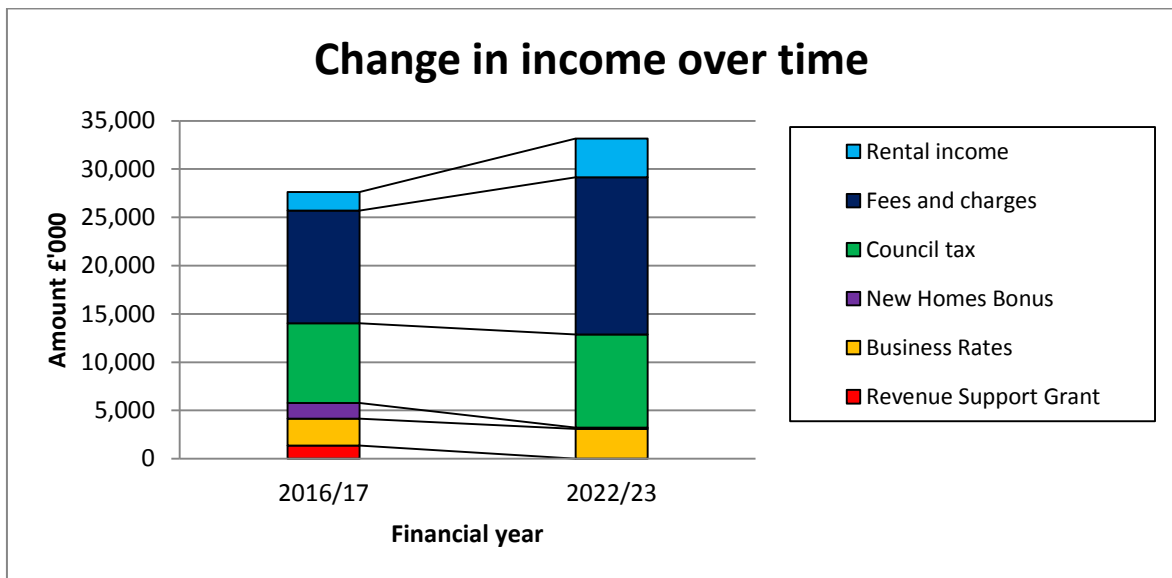
Joint Strategic Committee report 9th January 2018

[Platforms for our Places - Adur & Worthing Councils](#)

4. THE REVENUE BUDGET 2017/18 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)

Revenue Budget 2017/18

The budget for 2017/18 was compiled within the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government funding settlement. The Council has seen a significant decline in recent years in overall government funding with increasing amounts being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.



In addition to the national context, the Worthing Borough Council budget strategy has taken account of pressures and risks such as:

- inflation, the largest source of cost pressure
- income generated by the Council which may be affected by lack of demand;

- withdrawal of funding by partners, potentially losing funding for key priorities;

The Council has a working balance and other earmarked reserves to help mitigate these risks.

Both councils have agreed a budget strategy to meet this challenge in 2017/18 through 3 major work streams – developing commercial income, investing in property, and the delivery of a new customer and digital strategy. In addition the council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

These initiatives have resulted in significant savings of £1.7m as part of the 2017/18 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2017.

Council Tax

The Council chose to increase Council Tax for 2017/18 by 1.98%

The comparison of the average Band D Council Tax charged in the area is shown below:

Band D Council Tax	2016/17	2017/18	Change
	£	£	%
Worthing Borough Council	220.27	224.64	1.98
West Sussex County Council	1,207.89	1,255.59	3.95
Sussex Police & Crime Commissioner	148.91	153.91	3.36
	1,577.07	1,634.14	3.61

Council Tax base

The Council Tax base for 2017/18 was 37,829.30 which was an increase of 469 on the previous year's number of Band D equivalents. This in part reflects the Council's support for local house building and economic regeneration.

Band D Council Tax	2016/17	2017/18
	£	£
Number of Band D equivalent dwellings	37,360.30	37,829.30

Overall the Council collected £62.2m of Council Tax during 2017/18 on behalf of the Council, West Sussex County Council and Sussex Police and Crime Commissioner, generating £8.5m of income for the Council.

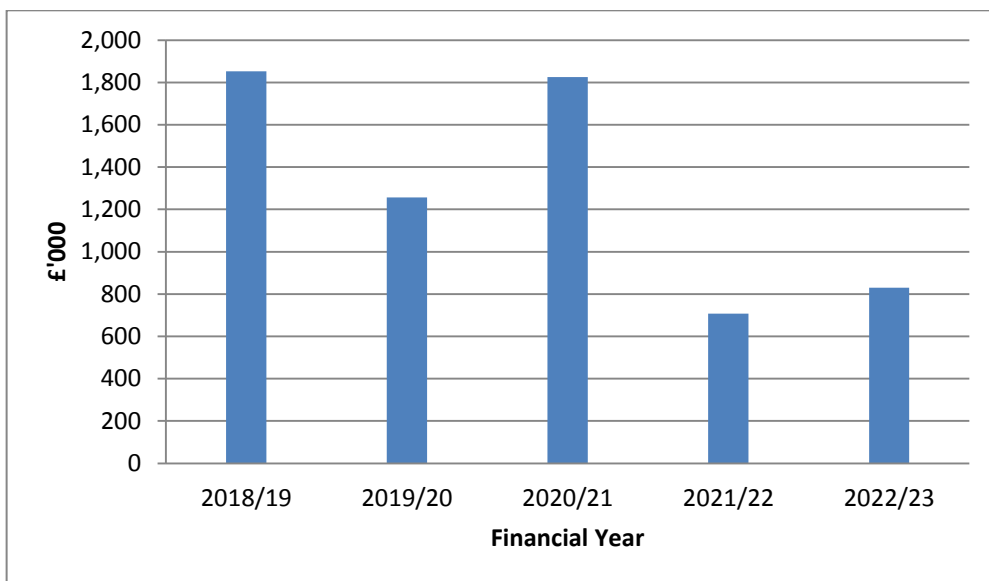
Budget Strategy for 2018/19 to 2022/23

In preparing the budget strategy for 2018/19 to 2022/23, the aim was to deliver the Council's priorities outlined in 'Platforms for our Places'. The forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges. The budget strategy for the forthcoming budget was approved by Council on 11th July 2017 and it set the strategic direction to address the significant challenges not only for 2018/19 but onwards.

The fall in government funding included in the forecasts highlighted that the Council needs :

1. To transform services through the use of digital technology and by putting the customer at the heart of our business;
2. To invest in new property to generate income for the Council in the future;
3. To expand commercial activity

The Council will need to find significant budget reductions of £6.5m over the five years as follows:



Further details around the most recent forecasts for both Councils are contained in the report *Towards a Sustainable Future - Budget Strategy for the 2018/19 Budget*, which was considered on 13th July 2017 at the Joint Strategic Committee.

The link for this report is:

<https://www.adur-worthing.gov.uk/media/media,145062,en.pdf>

Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any areas of concern are the subject of detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

5. **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 10th July 2018 Joint Strategic Committee reports “Joint Revenue Outturn 2017/18” and the “Capital and Projects Outturn for Joint, Adur and Worthing 2017/18”. These are available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

Revenue Spend in 2017/18

A more detailed summary of the Council's financial results for 2017/18 is given on the following pages but a brief outline of what we planned to spend and what we actually spent 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. In 2017/18 Worthing Borough Council reported an underspend of £812,788 against a budget of £13,468,630.

The most significant items which contributed to the position were as follows:

	£000s
Reduction in borrowing costs	(423)
Shortfall in net income from commercial services	250
Increasing number of homeless clients	146
Delayed commissioning of studies	(200)
Additional income from commercial property	(77)
Increased recovery of housing benefit overpayments	(121)
Other	(388)
	(813)

Revenue Spend in 2017/18

Where such items were identified when the 2018/19 budget was being prepared, an allowance for any impact on the future years was built into the budget.

In spite of a difficult year from a financial perspective, the Council has maintained and improved services and delivered on major capital investments whilst containing revenue spend within the approved budgets.

How the money was spent and how services were funded

EXECUTIVE MEMBER PORTFOLIOS	REVISED ESTIMATE 2017/18	OUTTURN 2017/18	UNDER/ OVERSPEND
	£	£	£
Leader	1,054,600	1,079,948	25,348
CM for Environment	2,890,240	3,408,498	518,258
CM for Health & Wellbeing	1,286,210	1,304,543	18,333
CM for Customer Services	5,425,580	5,196,703	(228,877)
CM for Regeneration	2,621,670	2,699,126	77,456
CM for Resources	2,519,070	1,746,447	(772,623)
Holding Accounts	(165,700)	-	165,700
Total Cabinet Members	15,631,670	15,435,265	(196,405)
Credit Back Depreciation	(3,323,380)	(3,531,618)	(208,238)
Minimum Revenue Provision	1,072,620	809,289	(263,331)
Other grants	-	(270,026)	(270,026)
	13,380,910	12,442,910	(938,000)
Transfer to/from reserves:			
Transfer from reserves to fund specific expenditure	87,720	212,932	125,212
Net Underspend Transferred to Reserves	-	812,788	812,788
Total Budget requirement before External Support from Government	13,468,630	13,468,630	(0)

Approved Use of Underspends	£'000
Unspent 2017/18 budget approved for use in 2018/19	129
Net Underspend Transferred to Capacity Issues Reserve	684
Underspend declared in year	813

The Council's net budget is funded by income from:

1. Funding from Central Government Support

The Council's share of Revenue Support Grant is £0.453m for the year 2017/18.

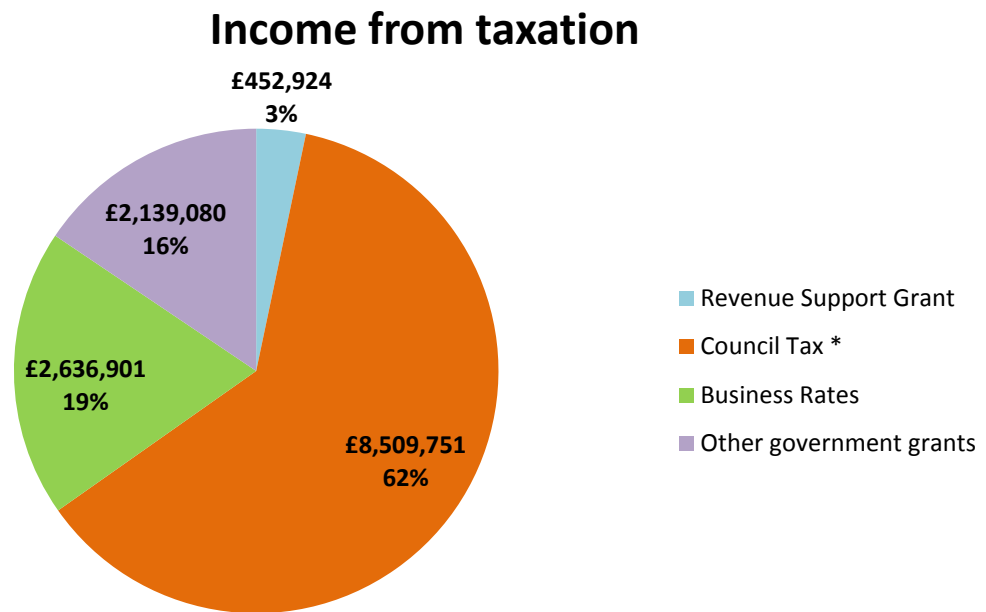
2. Funding from Local Taxpayers

The Council collected £62.2m of Council Tax in 2017/18, this represented 97.42% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.84%, Sussex Police & Crime Commissioner 9.67% and Worthing Borough Council 13.49%. The Council retained £8.5m in 2017/18.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £30.9m collected, after allowing for exemptions, reliefs and provisions, the Council keeps 40%, 10% is paid to the County Council and the remaining 50% is paid over to the government's national pool. The Council retained £2.6m of Business Rate income in 2017/18.

Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.4m of business rate income in 2017/18 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.



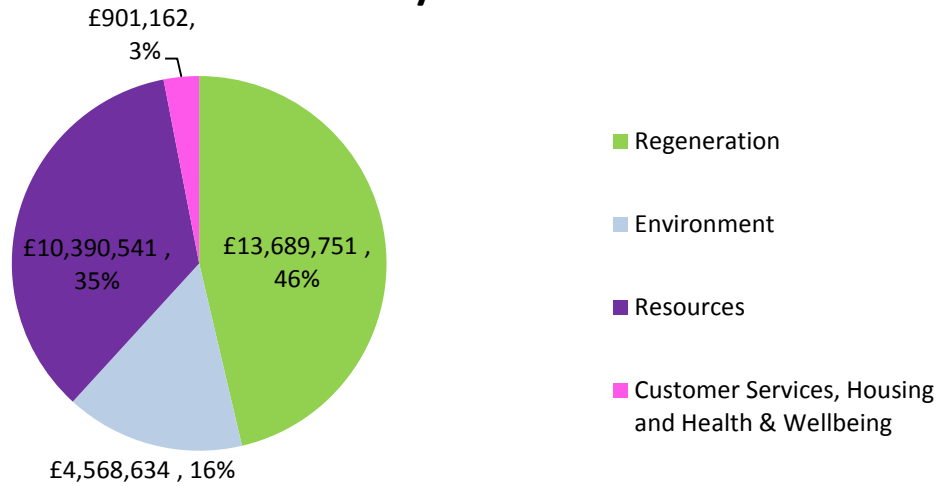
* Net of budgeted Collection Fund surplus/deficit.

CAPITAL INVESTMENT PLANS

Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme.

Capital Spend in 2017/18

Capital outturn 2017/18



The capital investment programme for all Worthing Portfolios was originally estimated at £29,277,630. Subsequent approvals and re-profiling of budgets to produce a total revised budget of £32,843,230. Actual expenditure in the year totalled £29,550,088, a decrease of £3,293,142 on the revised estimate, comprising of slippage of £2,563,690 and a net underspend of £729,452. The major factors contributing to the re-profiling and slippage were:

1. Schemes where the Council does not have direct control over the scheme progress. For example where the scheme is managed by another authority, or mandatory grant schemes where the spend is demand led and the Council has no control over when the grants will be paid.
2. Works completed in advance of budget profile.
3. Officer capacity has resulted in some schemes being unable to commence or complete within the financial year.
4. Negotiations required with other interested parties.

The re-profiling of schemes was on-going throughout the year and in total 34 schemes did not complete as planned in 2017/18.

Expenditure in 2017/18 was financed as follows:

	2017/18
	£'000
Capital Receipts	5,226
Grants and Contributions	6,542
Prudential Borrowing	17,575
Revenue Contributions and Reserves	207
TOTAL	29,550

Council's asset values have been increased as a result of the above capital investment.

Significant investments in 2017/18 included:

- The purchase of a new refuse and recycling fleet.



- Supporting the delivery of new affordable homes within the area with our Housing Association partners
- Purchase of a commercial property to deliver a long-term income stream to the Council.
- Environmental improvements to Brooklands Lake
- Planned structural repairs to the Multi-Storey Car Parks
- Acquisition of Union Place land

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18" which was considered on the 10th July 2018. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk

Borrowing

A summary of the Council's borrowings, categories of financial liabilities, debt maturity structure, interest payable and the different types of risks are contained in Note 16 to these accounts. Sources and funds used to meet capital expenditure are summarised in the capital spend section of this Narrative Report and more detail is contained in the 10th July 2017 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2017/18". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Capital Investment Plans 2018/19 – 2020/21

The Council plans to invest £122m in its capital assets over the next 3 years.

The ambitious programme is designed to deliver a range of benefits including:

- The acquisition and development of temporary and emergency accommodation;
- Support for the delivery of affordable homes by Housing Associations;
- Improvements to leisure and play facilities throughout the District;
- Improvements to the multi storey car parks;
- Purchase of commercial property to produce a sustainable income stream for the future;
- Provision of new burial spaces

Expenditure by Portfolio	3-year plan			Total £,000
	2018/19 £,000	2019/20 £,000	2020/21 £,000	
Customer Services	5,955	4,058	3,924	13,937
Environment	4,585	2,190	622	7,397
Health and Wellbeing	208	40	35	283
Regeneration	48,649	25,450	25,017	99,116
Resources	953	465	331	1,749
Total Expenditure	60,350	32,203	29,929	122,482
Funded by:				
Capital grants and contributions	1,408	1,706	767	3,881
Revenue contributions and reserves	257	210	199	666
Borrowing	57,551	29,287	27,963	114,801
Capital receipts	1,134	1,000	1,000	3,134
Total Funding	60,350	32,203	29,929	122,482

6. TOP STRATEGIC RISKS

Strategic Risk	Impact	Mitigation
<p>Welfare Reform: Welfare reform is changing how benefits are calculated and paid. In particular:</p> <ul style="list-style-type: none"> • There is a 5-6 week gap before Universal Credit (UC) is paid. • Local systems are now unable to track individuals in need, as the system is centralised and data is no longer available to the Council • Housing costs are not being met by the level of out of work benefits. 	<p>Increased homelessness presentations</p>	<ul style="list-style-type: none"> • Work closely with DWP to understand and support the roll out of UC, and for A&W staff to respond effectively. • Identify residents who may be affected and endeavour to engage with them before the roll out. • Support the move for existing Housing Benefit customers being able to claim via the DWP's Digital platform • Use Wellbeing hubs and IT Junctions to increase digital capability as UC can only be applied for on line • Roll out information in accessible formats, • Create an operational employability group • Support landlords to apply for alternative payment arrangements • Support landlords to choose to provide affordable accommodation
<p>Economic uncertainty</p>	<ul style="list-style-type: none"> • Lower Business Rates revenues; • Lower employment rates and resultant pressure on other Council services; • Delays to development programmes across Adur and Worthing. 	<ul style="list-style-type: none"> • The Councils have adopted an Economic Strategy, setting out clear priorities to ensure that opportunities for growth are delivered in a way that contributes positively to our places. Our Platforms for our Places commitments highlight the opportunity to be a trusted partner to support the retention of local business; • Make the best use of our existing assets to support local economic activity (including delivery of major sites); Secure new revenue income streams; and • Position the Councils so that we are well placed to attract public and private investment.

Strategic Risk	Impact	Mitigation
<p>Housing Supply: Limited housing supply in all areas and all tenure types is a risk for the Council in terms of:</p> <ul style="list-style-type: none"> Discharging its statutory duty to prevent homelessness and support those at risk. Placing critical additional budgetary pressures on the Councils. 	<ul style="list-style-type: none"> Managing housing demand is challenging and places additional capacity pressures on the operational teams. Emergency and temporary accommodation (EA/TA) – the lack of EA/TA supply at affordable rates means that the Councils are paying for costs B&B accommodation whilst assessing custom,ers for statutory obligations. The lack of affordable move-on accommodation means that clients remain in temporary accommodation for extended periods. The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Council sin terms of demand and budgets. Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix. 	<ul style="list-style-type: none"> EA/TA - Funds have been allocated to purchase/develop solutions that reduce the need for B&B placements. A number of long term lease arrangements have been agreed and the team have supported the development of a 37 bed hostel in Worthing. These will all alleviate some of the emergency accommodation challenges. Demand and process management- The digital tool for making a housing application is ow live and the backlog of casework has been dealt with. This will free up valuable officer resource to deal with homelessness applications and provide the type of casework that may prevent homelessness instead of relying solely on increasing supply. The A&W Housing Strategy has been approved and we are working with developers, agents, landlords and RSLs to explore all avenues to increase the supply of homes where possible.

Strategic Risk	Impact	Mitigation
<p>Locally hosted applications - Hosting applications locally carries increasing risks given the pace of technological change. The Council has limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.</p>	<ul style="list-style-type: none"> • The risk of failure within the data centre leading to inaccessible data and services. • The risk of malicious virus or hacking from external sources. • Loss of productivity and reputation resulting from IT failure 	<ul style="list-style-type: none"> • Undertake a full disaster recovery test in June 2018 to ensure current recovery arrangements are effective. • Implement the cloud migration project (IaaS) to migrate services and data to a resilient provider
<p>Major project delivery – Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant.</p>	<ul style="list-style-type: none"> • Considerable potential for reputational damage given the high priority attached to these programmes by local communities 	<ul style="list-style-type: none"> • A solution based approach working with key partners in the development sector to unlock challenging sites. • Imaginative use of the Councils assets to attract necessary additional investment. • Develop a portfolio approach to securing public monies to support the provision of infrastructure. Access to new investment markets and use of tools such as Compulsory Purchase Orders. • Use of Local Growth Funding to bring forward key brownfield sites for development and will help to facilitate development on sites such as Teville Gate and Union Place as well as Grafton.

SUMMARY

This is a challenging time for Local Government. The Council has faced a considerable reduction in central Government funding and has a strong desire to limit the increases to Council Tax.

The overall underspend is most welcome at this time to help the Councils manage the financial climate which they are currently grappling with, 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 2019/20 budget. The intention is to build in recurring under spends into the 2019/20 budget where possible and so avoid the need for unnecessary service reductions.

FURTHER INFORMATION

Further information on Worthing Borough Council's accounts is available from the Section 151 Chief Financial Officer based at the Town Hall, Chapel Road, Worthing, or by accessing the joint Adur and Worthing Councils website, www.adur-worthing.gov.uk.

ACKNOWLEDGEMENTS

The production of the Statement of Accounts is not possible without the dedication and hard work of staff across the Council, particularly within the Finance Department. I would like to thank all colleagues endeavours during the financial year.



Sarah Gobey, Chief Financial Officer, CPFA

EXPLANATION OF ACCOUNTING STATEMENTS

The statement of accounts sets out the Council's income and expenditure for the year and its overall financial position as at 31st March 2018. It comprises of cosr and supplementary statements together with disclosure notes.

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by the International Financial Reporting Standards (IFRS).

In accordance with Regulation 6 (4) of the 2015 Accounts and Audit Regulations, the Annual Governance Statement must be approved in advance of the approval of the Statement of Accounts. Once the Statement of Accounts has been approved, the already approved Governance Statement will be published at the end of this document.

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

	Page No:
Statement of Responsibilities	27
This statement sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of the Council's accounts. This statement confirms that the accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the given financial year.	
Expenditure and Funding Analysis	28
This disclosure note shows how the net expenditure is used and funding from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.	
Movement in Reserves Statement	29
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and "unusable reserves".	
Comprehensive Income and Expenditure Statement	30
This statement provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).	
The Balance Sheet	31
This statement summarises the Council's assets and liabilities as at 31st March 2018 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' Reserves.	
The Cash Flow Statement	32
This statement summarises the flows of cash and cash equivalents of the Council that have taken place over the financial year.	
Notes to the Accounts	33-109

The Council is required to maintain a separate Collection Fund to detail monies received as a billing authority in relation to the Council Tax and Business Rates and accounts for the distribution of Council Tax to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund.

The Business Rate Retention Scheme allows the Council to retain a proportion of the total Business Rates received. The Worthing share is 40% with the remainder paid to other bodies - West Sussex County Council (10%) and Department of Communities and Local Government (50%).

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2017/18:

Post-employment benefits

All 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 37 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have decreased by £7.4m during the year, mainly as a result of the changes to the financial assumptions by the pension fund actuary (Hymans-Robertson). The main changes result from a change to the discount rate used by the actuary to discount the future cash flows of the fund. These assumptions are determined by the actuary and are the assessment of the impact of market conditions at the reporting date. The Council relies and places assurance on the profession judgement of the Actuary and the assumptions used to calculate the actuarial valuation. Further details can be found in Note 37.

Provisions, contingencies and material events

This council has provided for contingencies and these are laid out in Note 38.

There are no material income or expenditure items to disclose in 2017/18, note 5 confirms that there have been no material events after the balance sheet date. The provisions made in 2017/18 are laid out in Note 19.

CHANGES TO ACCOUNTING POLICIES

The accounting policies are laid out within Note 1 of the Accounts. These policies have been updated to reflect the changes in the 2017/18 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2018

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 2017/18 that officer was the Chief Financial Officer.
- (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 31st July, 2018.

The Chief Financial Officer and Section 151 Officer's Responsibilities:

The Chief Financial Officer 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 Chief Financial Officer is 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 Chief Financial Officer 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 2015 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 31st March, 2018 and its income and expenditure for the year ended on that date.



SARAH GOBEY
Chief Financial Officer

Dated: 31st July 2018

Certificate of Approval by Joint Governance Committee

I confirm that these Accounts were approved by the Joint Governance Committee of Adur District Council and Worthing Borough Council on 31st July 2018.



LIONEL HARMAN
Chairman, Joint Governance Committee

Dated: 31st July 2018

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, Council Tax, and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17
	Net Expenditure Chargeable to the General Fund Balance	Adjust - ments between Funding and Accounting Basis (Note 25)	Net Expenditure in the Comprehen- sive Income and Expenditure Statement	Restated Net Expenditure Chargeable to the General Fund Balance	Restated Adjust - ments between Funding and Accounting Basis (Note 25)	Restated Net Expenditure in the Comprehen- sive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
The Leader	1,013	130	1,143	944	87	1,031
Environment	1,534	(235)	1,299	2,144	(2,022)	122
Health & Wellbeing	1,387	110	1,497	1,294	161	1,455
Customer Services	2,828	1,094	3,922	2,681	(2,788)	(107)
Regeneration	2,368	716	3,084	2,140	628	2,768
Resources	2,711	(1,007)	1,704	3,363	33	3,396
Net Cost of Services	11,841	808	12,649	12,566	(3,901)	8,665
Other income and expenditure	(12,744)	(7,316)	(20,060)	(12,574)	(8,093)	(20,667)
Surplus or deficit	(903)	(6,508)	(7,411)	(8)	(11,994)	(12,002)
Opening balance on General Fund reserves as at 1 April	(3,032)			(3,024)		
Deficit/surplus on General Fund in Year	(903)			(8)		
Closing balance on reserves as at 31 March *	(3,935)			(3,032)		

* For an analysis of the balance on reserves, please see the Movement in Reserves Statement on page 29.

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 the 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	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserves	Capital Grants Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31.03.16	(844)	(2,180)	(4,373)	(2,382)	(9,779)	(59,588)	(69,367)
Restated Movement in Reserves during 2016/17							
Restated Total Comprehensive Expenditure and Income	(12,002)	-	-	-	(12,002)	2,088	(9,914)
Restated Adjustments between accounting and funding basis under regulation (Note 6)	11,994	-	(726)	(841)	10,427	(10,427)	-
Restated Net Increase/Decrease before Transfers to Earmarked Reserves	(8)	-	(726)	(841)	(1,575)	(8,339)	(9,914)
Transfers to/from Earmarked Reserves (Note 7)	8	(8)	-	-	-	-	-
(Increase)/Decrease in Year	-	(8)	(726)	(841)	(1,575)	(8,339)	(9,914)
Restated Balance at 31.03.17 c/fwd	(844)	(2,188)	(5,099)	(3,223)	(11,354)	(67,927)	(79,281)
Movement in Reserves during 2017/18							
Total Comprehensive Expenditure and Income	(7,411)	-	-	-	(7,411)	(6,038)	(13,449)
Adjustments between accounting basis and funding basis under regulation (Note 6)	6,508	-	(361)	(949)	5,198	(5,198)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(903)	-	(361)	(949)	(2,213)	(11,236)	(13,449)
Transfers to/from Earmarked Reserves (Note 7)	903	(903)	-	-	-	-	-
(Increase)/Decrease in Year	-	(903)	(361)	(949)	(2,213)	(11,236)	(13,449)
Balance at 31.03.18 c/ fwd	(844)	(3,091)	(5,460)	(4,172)	(13,567)	(79,163)	(92,730)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17	
	Gross Expenditure	Gross Income	Net Expenditure	Restated Gross Expenditure	Restated Gross Income	Restated Net Expenditure	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
NET EXPENDITURE ON SERVICES							
The Leader	1,421	(278)	1,143	1,258	(227)	1,031	
Environment	10,509	(9,210)	1,299	8,467	(8,345)	122	
Health and Wellbeing	2,659	(1,162)	1,497	2,474	(1,019)	1,455	
Customer Services	46,105	(42,183)	3,922	41,110	(41,217)	(107)	
Regeneration	4,758	(1,674)	3,084	4,205	(1,437)	2,768	
Resources	2,773	(1,069)	1,704	4,060	(664)	3,396	
			-				
Net Cost of Services	68,225	(55,576)	12,649	61,574	(52,909)	8,665	
Other operating expenditure			485			(1,259)	8
Financing and Investment Income and Expenditure			(520)			(1,224)	9
Taxation and non-specific grant income			(20,025)			(18,184)	10
(Surplus) or Deficit on Provision of Services			(7,411)			(12,002)	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			1,756			(1,999)	21
(Surplus)/Deficit arising on revaluation of Available for Sale Financial Assets			16			-	
Remeasurements of the net defined pension benefit liability			(7,810)			4,087	21
Other Comprehensive Income and Expenditure			(6,038)			2,088	
Total Comprehensive Income and Expenditure			(13,449)			(9,914)	

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Worthing Borough Council. The net assets of Worthing Borough Council (assets less liabilities) are matched by the reserves held by the Council.

See Note No:	As at 31 March 2018	Restated As at 31 March 2017	Restated As at 1 April 2016
	£'000	£'000	
Long Term Assets:			
Property, Plant & Equipment	11	122,943	107,396
Heritage Assets	12	11,991	11,991
Investment Properties	13	5,855	5,817
Intangible Assets		167	182
Assets Held for Sale	17	-	-
Long Term Investments/Available for sale financial assets	14	559	75
Long Term Debtors	15	10,009	10
Total Long Term Assets		151,524	125,471
Current Assets:			
Short Term Investments	14	8,026	6,016
Assets Held For Sale	17	-	-
Inventories		131	134
Short Term Debtors	15	16,432	13,454
Cash & Cash Equivalents	16	3,662	6,719
Total Current Assets		28,251	31,107
Current Liabilities:			
Short Term Borrowing	14	(8,423)	(12,418)
Short Term Creditors	18	(11,112)	(13,111)
Provisions	19	(875)	(919)
Grants Receipts In Advance - Revenue	32	(486)	(637)
Grants Receipts In Advance - Capital		(2)	-
Total Current Liabilities		(20,898)	(27,088)
Long Term Liabilities:			
Long Term Borrowing	14	(33,376)	(10,050)
Other Long Term Liabilities	36	(32,771)	(40,159)
Total Long Term Liabilities		(66,147)	(50,209)
Net Assets		92,730	79,281
Financed By Reserves:			
Usable Reserves		(13,567)	(11,354)
Unusable Reserves	21	(79,163)	(67,927)
Total Reserves		(92,730)	(79,281)

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:	2017/18	Restated 2016/17
		£'000	£'000
Net surplus or (deficit) on provision of services	22	7,411	12,002
Adjustments to net surplus or deficit on the provision of services for non cash movements	22	6,816	(8,290)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(13,085)	(7,032)
Net cash flows from Operating Activities	22	1,142	(3,320)
Investing Activities	23	(23,035)	1,186
Financing Activities	24	18,836	4,395
Net increase or decrease in cash and cash equivalents		(3,057)	2,261
Cash and cash equivalents at the beginning of the reporting period		6,719	4,458
Cash and cash equivalents at the end of the reporting period	16	3,662	6,719

NOTES TO THE ACCOUNTS

NOTE 1: ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES 2017/18

General

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom – 2017/18 Accounts, which is based on International Reporting Standards (IFRS).

The Statement of Accounts has been prepared with the overriding requirement that it is a 'true and fair' representation of the financial position, performance and cash flows of the Council.

The Council has endeavoured to ensure that within the restrictive definitions of the regulations the following objectives have been met:-

- To provide financial information about the reporting authority that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to it
- To provide information about the authority's financial performance, financial position and cash flows that is useful to a wide range of users for assessing the stewardship of the authority's management and for making economic decisions
- To meet the common needs of most users focusing on the ability of the users to make economic decisions, the needs of public accountability and the stewardship of the authority's resources

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. The current de minimis is £1,000.

Tax Income (Council Tax, Business Rates and Rates)

The Council is a billing authority and follows the principles in IPSAS 23 Revenue from Non Exchange transactions (Taxes and Transfers) in respect of accounting for tax income collected except where adaptations to fit the public sector are detailed in the Code.

Retained Business Rate income, tariff payments and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Tax Income (Council Tax, Business Rates and Rates)

Business rates, tariff payments and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the Business Rates and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

NOTE 1: ACCOUNTING POLICIES

Tax Income (Council Tax, Business Rates And Rates)

Revenue relating to such things as council tax, general rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

UNDERLYING ASSUMPTION TO THE STATEMENT OF ACCOUNTS

Going Concern

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

FUNDAMENTAL QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS

Relevance and faithful representation

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions. It is intended to be complete, neutral and free from error.

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.

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.

ENHANCED QUALITATIVE CHARACTERISTICS

Comparability

A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years.

Verifiability

A faithful representation of the economic position.

Timeliness

The financial statements provide information to decision makers in time to be capable of influencing their decisions.

Understandability

Classifying, characterising and presenting information that is clear and concise. The financial statements are prepared for users who have a reasonable knowledge of business and economic activities.

NOTE 1: ACCOUNTING POLICIES

ENHANCED QUALITATIVE CHARACTERISTICS

Elements of financial statements

The elements directly related to the measurements of financial position in the Balance Sheet are assets, liabilities and reserves. The elements directly related to the measurement of the financial performance in the Comprehensive Income and Expenditure Statement are income and expenses.

The Cash Flow Statement reflects elements in both the Comprehensive Income and Expenditure Statement and the Balance Sheet.

In assessing whether an item meets the definition of an asset, liability or reserve, consideration has been given to its underlying substance and economic reality and not merely its legal form.

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 net cost of support services are allocated to reflect the use by each service. 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:

Admin Buildings	Headcount
Human Resources inc training & Payroll	Headcount
ICT	Headcount
Customer Services	Number of calls multiplied by length of time per call
Cashiers & Exchequer Services	Number of transactions
Insurance - Employees	Headcount
Insurance - Premises	Premises Valuation
Insurance - Vehicles	Number of Vehicles

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the activity of the operation.

NOTE 1: ACCOUNTING POLICIES

VALUE ADDED TAX

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

GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee - Finance Leases:

Property, plant and equipment held under finance leases is recognised 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). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

NOTE 1: ACCOUNTING POLICIES

The Council as Lessee - Finance Leases:

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, which is applied to write down the lease liability, and
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessee - Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor - Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, which is applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

NOTE 1: ACCOUNTING POLICIES

LEASES

The Council as Lessor - Finance Leases:

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council as a Lessor - Operating Leases:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). 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.

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 are 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. The exception to this is where previous revaluation losses have been debited to the Comprehensive Income and Expenditure Account. Where this has occurred the surplus on revaluation is credited to the Comprehensive

Income and Expenditure Account up to the value of the previous revaluation loss, less the value of depreciation that would have been charged had there been no revaluation loss. Surpluses arising on the revaluation of investment properties are credited to the Comprehensive Income and Expenditure Account. The Revaluation Reserve only includes gains since its inception from 1st April, 2007, prior gains were incorporated into the Capital Adjustment Account. The Council applies a five-year rolling programme of revaluations. The principal valuation bases used are:

- Property, Plant and Equipment assets are initially valued at cost and included in the balance sheet at current value. Where there is no open market value, assets are included in the balance sheet at depreciated replacement cost. Community assets and infrastructure assets are stated at depreciated historical cost, assets under construction are stated at cost. Donated assets are revalued at current value.

NOTE 1: ACCOUNTING POLICIES

Expenditure and Valuation principles

- Investment properties, are included in the balance sheet at fair 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.
- 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.
- Assets reclassified as Held for Sale when the following criteria are met:
 - i) The asset is available for sale in its present condition subject only to terms that are customary for sales of such assets (or disposal groups).
 - ii) The sale must be highly probable.
 - iii) The appropriate level of management must be committed to a plan to sell the asset (or disposal group).
 - iv) An active programme to locate a buyer and complete the sale must have been initiated.
 - v) The asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to the current value.
 - vi) The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification except where the sale is likely to proceed to a sale without significant changes to the plan of sale, or that significant changes to the plan will be made or that the plan will be withdrawn.

For 2017/18 the Council's values of land and buildings have been included in the accounts based on valuations either by external valuers or by the Authority's Estates office. 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 they are included in the rolling revaluation programme.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability, or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest,

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTE 1: ACCOUNTING POLICIES

Fair Value Measurement

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – unobservable inputs for the asset or liability.

Disposals

Assets are removed from the Balance Sheet in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

Charges to Revenue for non-current Assets

Service revenue accounts, central support services, and trading accounts are charged with a depreciation charge, profit or loss on disposal and any impairment loss for all non-current assets used in the provision of services. (An impairment loss is only charged to revenue, if there is no balance on the Revaluation Reserve.) 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.

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset.

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

Buildings	8-68 years except when impairment has occurred.
Vehicles	7-10 years
Equipment	from over 1 to 25 years
Intangible Assets, Software	from over 1 to 7 years
Infrastructure Assets	5 - 25 years
Community Assets	Held in perpetuity
Assets (Finance Leases)	Up to 10 years

NOTE 1: ACCOUNTING POLICIES

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – unobservable inputs for the asset or liability.

Disposals

Assets are removed from the Balance Sheet in the year of sale and the profit or loss on disposal is charged to the Comprehensive Income and Expenditure Account.

Charges to Revenue for non-current Assets

Service revenue accounts, central support services, and trading accounts are charged with a depreciation charge, profit or loss on disposal and any impairment loss for all non-current assets used in the provision of services. (An impairment loss is only charged to revenue, if there is no balance on the Revaluation Reserve.) 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.

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 on asset values at 1st April in the year following their confirmation as fully operational assets, except where the acquisition is material when depreciation is calculated at the date of acquisition. 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, based on asset values at 1st April except where there are material acquisitions or disposals in any year where depreciation is calculated at date of acquisition or disposal.
- assets acquired under Finance Leases are depreciated over the asset life, or the lease term if shorter.
- assets held for sale, investment properties, assets under construction and community assets are not depreciated.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

Componentisation of Assets

Where an item of Property, Plant and Equipment 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 life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets are acquired, enhanced or revalued from 1st 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 by indexing the cost of the replacement back to the estimated inception date and adjusting for subsequent depreciation and impairment. When replaced components are written out, this does not result in a loss on either asset values or asset 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 1st April 2010. The following component categories are used:

Land

Main building structures

Replaceable building structures

Services

External works

Any Revaluation Reserve balances associated with componentised assets are attributed firstly to land and then to the main building structures, as it is considered unlikely that component replacements will give rise to revaluation gains and losses independently of the structure of a building. The exception would be if the Revaluation Reserve balance exceeded the valuation of the land and main building structure, when the remaining balance would be attributed to the other categories.

INTANGIBLE ASSETS

The following criteria need to be met before an asset is classified as an intangible asset:

1. The asset must be identifiable
2. The asset must lack physical substance.
3. The asset is controlled by the Authority and benefit from future economic benefits. Intangible assets are measured at cost.
4. Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. 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.

NOTE 1: ACCOUNTING POLICIES

NON CURRENT ASSETS

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 Disclosure notes.

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 are reviewed with sufficient regularity to ensure they remain current

Depreciation, Amortisation and Impairment of Heritage Assets

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

Accounting for Heritage Assets

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

INVESTMENT PROPERTIES

Investment Properties are property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both rather than for:

- a) use in the production or supply of goods or services or for administration purposes, or
- b) sale in the ordinary course of operations.

NOTE 1: ACCOUNTING POLICIES

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.

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 incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

INVENTORIES

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

WORK IN PROGRESS

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

RESERVES

Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service revenue account in that year to go against the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then appropriated back to the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for property, plant and equipment and retirement benefits and do not represent usable resources for the council.

PROVISIONS

The Council establishes provisions for specific expenses that are certain to be incurred but the amount of which cannot yet be determined accurately.

Provisions are charged to the appropriate service revenue account in the year that the a council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account. The Council maintains earmarked reserves to meet future spending programmes.

NOTE 1: ACCOUNTING POLICIES

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.

CONTINGENT ASSETS

Contingent assets are possible assets arising from past events whose existence will only be confirmed by future events not wholly within the control of the Council..

Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

Business Rate Appeals

A provision is made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The amount provided for is based on information received from the Valuation Office and is assessed on the likely change to rateable value as adjusted by locally assessed success rates.

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.

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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial Liabilities

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Financial Liabilities

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Soft Loans

The Code has 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 that 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, cycle loans and professional loans and is eligible for interest free loans to finance capital expenditure on energy efficiency projects. 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 or impractical.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs – unobservable inputs for the asset

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

NOTE 1: ACCOUNTING POLICIES

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Available-for-Sale Assets

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

DEBT REDEMPTION

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 (SI 2008/414 as amended by SI 2012/265) place a duty on local authorities to make a prudent provision for debt redemption.

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.

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 provision is made over the estimated life of the asset for which the borrowing is undertaken.

INTERNAL INTEREST

A contribution is made 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.

For the purpose of classifying cash equivalents within Financial Instruments, the Council's accounting policy is to categorise all fixed term deposits as investments, not cash equivalents (irrespective of the duration of the investments). This is because in practice, such deposits would not satisfy the requirement to be readily convertible to cash and would incur a penalty (loss in value) for early redemption. Therefore, in practice the Council's policy restricts the composition of cash and cash equivalents to notes and coin, 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.

NOTE 1: ACCOUNTING POLICIES

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.

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.

PRIOR PERIOD ADJUSTMENTS

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.

EMPLOYEE BENEFITS

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 (unless they choose to opt out):

- The Local Government Pensions Scheme, administered by West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

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

- The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate 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 which is the bid value as required by IAS19.

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Pension Costs

- The change in the net pensions liability is derived from two components:

Present Value of the defined benefit obligation which represents the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. This is calculated from several factors including:

- The 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;
- The 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;
- The 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;
- The 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;
- Contributions by members made into the West Sussex County Council pension fund;
- 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;
- Estimate of benefits paid to pensioners.

Fair value of plan assets which is calculated from several factors including:

- 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;
- Contributions paid to the West Sussex County Council pension fund by members and the employer – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense;

NOTE 1: ACCOUNTING POLICIES

EMPLOYEE BENEFITS

Pension 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;

- Estimate of benefits paid to pensioners.

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

Termination benefits, such as redundancy payments, are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept a voluntary redundancy offer in exchange for those benefits. They are often lump-sum payments, but can also include enhancement of retirement benefits

The Code requires that a liability for a termination benefit is recognised at the earlier of the following dates:

- ◆ when the authority can no longer withdraw the offer of those benefits, and

- ◆ when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS and involves the payment of 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.

NOTE 1: ACCOUNTING POLICIES

EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

Adjusting Events - Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Non-adjusting Events - Those events 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 either their estimated financial effect or a statement that such an estimate cannot be made reliably. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

CAPITAL RECEIPTS

Capital receipts are income received from the sale of land or other capital assets above £10,000, a proportion of which may be used to finance capital expenditure.

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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2017/18 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For the 2017/18 Statement of Accounts there are the following accounting changes to be reported:

- IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Council's financial position is likely to be immaterial. The main financial assets held by the Council will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Council for its investment counterparties is likely to see an immaterial expected credit loss position.

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

However the Council currently holds an investment of £0.5m in the CCLA Property Fund, which, under the revised arrangements, will no longer be classified as Available for Sale, but Fair Value through Profit and Loss. This will mean that any capital gains or losses will have a direct impact on the General Fund Balance. There are indications that the Government will introduce a statutory over-ride to protect short term fluctuations from impacting on the General Fund Balance, although details of this arrangement have not yet been formalised.

- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* - This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- Amendments to IAS 12 *Income Taxes: (Recognition of Deferred Tax Assets for Unrealised Losses)* – applies to deferred tax assets related to debt instruments measured at fair value. The Council does not have such debt instruments.
- Amendment to IAS 7 *Statement of Cash Flows: (Disclosure Initiative)* - Potential requirement for additional analysis of Cash Flows from Financing Activities in future years,

The amendments are not expected to have material effect on the Council's Statement of Accounts.

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the Statement of Accounts are:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty actual results could be materially different from assumptions and estimates contained within these accounts. As these items are re-assessed each year, they are subject to annual review and are updated within each year's accounts for the latest information.

The items in the Council's Balance Sheet at 31st March 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Property, Plant and Equipment</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If the useful life of assets fell by one year there would be an increase in the depreciation charged in the C.I.E.S.</p> <p>There would also be a corresponding decrease in the carrying amount of the assets.</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>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2017/18, the Council's actuaries advised that the net pension liability has decreased by a net £7.38m. a £0.427m increase as a result of estimates being corrected as a result of experience and a decrease of £7.81m attributable to updating of the assumptions.</p>

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

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31st March 2018 the Council had a net balance of debtors due (excluding government departments) of £8.97m. A review of significant balances suggested that an impairment of doubtful debt of £1.96m was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.
Business Rate Appeals Provision	At March 2018 the total provision for the impact of appeals on business rate income is £1.904m, the Council share of this is £0.761m. The provision is based on the appeals lodged with the Valuation Office which is then reviewed to establish the likely impact of the appeals on the business rate income. The provision includes £1.2m for potential NHS appeals related to mandatory charitable relief claims.	The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level appeals.

NOTE 5: 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, 31st March 2018 and the date when the Statement of Accounts is authorised for issue 31st July 2018.

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.

NOTE 6: 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.

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 11 & 21)	(3,392)	-	-	3,392
Revaluation losses on Property Plant and Equipment (note 11 & 21)	3,017	-	-	(3,017)
Movements in the market value of investment Properties (note 21)	66	-	-	(66)
Amortisation of intangible assets (note 21)	(59)	-	-	59
Capital grants and contributions applied (note 21)	5,975	-	-	(5,975)
Revenue Expenditure funded from capital under statute (note 21)	(941)	-	-	941
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 21)	(5,705)	-	-	5,705
Insertion of items not debited or credited to the Comprehensive Income & Exp'iture				
Statutory provision for the financing of capital investment (note 21)	809	-	-	(809)
Capital expenditure charged against the General Fund (note 21)	207	-	-	(207)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Exp'iture A/c	1,523	-	(1,523)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	574	(574)

2017/18 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure	5,587	(5,587)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	5,226	-	(5,226)
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure	(4,887)	-	-	4,887
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,460	-	-	(4,460)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	(152)	-	-	152
TOTAL ADJUSTMENTS 2017/18	6,508	(361)	(949)	(5,198)

2016/17 USABLE RESERVES	Restated General Fund Balance	Restated Capital Receipts Reserves	Restated Capital Grants Unapplied	Restated Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 11 & 21)	(3,020)	-	-	3,020
Revaluation losses on Property Plant and Equipment (note 11 & 21)	6,067	-	-	(6,067)

	Restated General Fund Balance	Restated Capital Receipts Reserves	Restated Capital Grants Unapplied	Restated Movement in Unusable Reserve
2016/17 USABLE RESERVES	£'000	£'000	£'000	£'000
Movements in the market value of investment Properties (note 21)	1,319	-	-	(1,319)
Amortisation of intangible assets (note 21)	(44)	-	-	44
Capital grants and contributions applied (note 21)	4,065	-	-	(4,065)
Donated Assets credited to the Comprehensive Income and Expenditure Account	(4)	-	4	-
Revenue Expenditure funded from capital under statute (note 21)	(785)	-	-	785
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 21)	(385)	-	-	385
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital	977	-	-	(977)
Capital expenditure charged against the General Fund (note 21)	185	-	-	(185)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	1,123	-	(1,123)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 21)	-	-	278	(278)

	Restated	Restated	Restated	Restated
	General Fund	Capital	Capital	Movement in
2016/17 USABLE RESERVES	Balance	Receipts	Grants	Unusable
	£'000	Reserves	Unapplied	Reserve
	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	1,849	(1,849)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	1,123	-	(1,123)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(3,875)	-	-	3,875
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,344	-	-	(4,344)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (note 21)	178	-	-	(178)
TOTAL ADJUSTMENTS 2016/17	11,994	(726)	(841)	(10,427)

NOTE 7: 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 expenditure in 2017/18

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

Movement in Earmarked Reserves	Balance at 01.04.16	Decrease 2016/17	Increase 2016/17	Balance at 31.03.17	Decrease 2017/18	Increase 2017/18	Balance at 31.03.18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	456	(133)	522	845	(218)	814	1,441
Insurance	391	(33)	31	389	(125)	33	297
Joint Health Promotion	10	-	-	10	(2)	-	8
Leisure Lottery & Other Partnerships	78	(1)	-	77	-	1	78
Crematorium Improvement Reserve	-	-	-	-	(70)	70	-
Grants & Contributions	896	(424)	102	574	(157)	125	542
Museum Reserve	114	-	-	114	(16)	-	98
Business Rates Smoothing	-	-	-	-	-	425	425
Theatres Capital Maintenance	71	(64)	57	64	(1)	76	139
Planning Delivery Grant	49	(49)	-	-	-	-	-
Special & Other Emergency Expenditure	42	-	-	42	(8)	-	34
Total General Fund	2,107	(704)	712	2,115	(597)	1,544	3,062
Capital Expenditure Reserve	73	-	-	73	(44)	-	29
Total Earmarked Reserves	2,180	(704)	712	2,188	(641)	1,544	3,091

- (i) The Capacity Issues Fund 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 Insurance Reserve was established in 1993/94 to fund risk management initiatives, fund minor self-insurance and to achieve longer term revenue savings.
- (iii) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (iv) 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.
- (v) The Crematorium Improvement Reserve uses funds set aside from fees and charges towards crematorium improvements.
- (vi) The Grants and Contributions Reserve was 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 and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.
- (vii) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.

- (viii) The Business Rates Smoothing Reserve was set up in 2017/18 to smooth the impact of changes to reliefs in-year.
- (ix) The Theatres Capital Maintenance Reserve (formerly Theatres Ticket Levy) was set up in 2013/14, specifically to fund maintenance on Worthing Theatres.
- (x) 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
- (xi) 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.
- (xii) 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.

NOTE 8: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	31-Mar-18	31-Mar-17
	£'000s	£'000s
De-recognition of assets	811	323
Gains/losses on the disposal of non-current assets	(326)	(1,582)
TOTAL	485	(1,259)

NOTE 9: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2017/18	2016/17
	£000	£000
Interest Payable & similar charges	538	271
Net interest on net defined benefit liability (asset)	995	1,214
Interest Receivable & similar income	(235)	(91)
Income and expenditure in relation to investment properties (Note 13)	(1,502)	(1,050)
Changes in fair value to investment properties	(66)	(1,319)
Trading Operations	(250)	(249)
TOTAL	(520)	(1,224)

NOTE 10: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2017/18	2016/17
	£'000s	£'000s
Council Tax Income	(8,510)	(8,281)
Non Domestic Rates	(2,637)	(2,545)
Non-ringfenced Government Grants	(2,592)	(3,307)
Capital Grants and Contributions	(6,286)	(4,051)
TOTAL	(20,025)	(18,184)

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2017/18	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Construction	TOTAL
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	91,333	9,088	5,228	4,963	6,585	581	117,778
Historic Cost Adjustment	-	12	75	-	-	-	87
Additions	4,771	2,877	525	-	-	10,402	18,575
Donated Assets	-	7	-	-	-	-	7
Revaluation increases/(decreases) recognised in the Revaluation Res've	(2,012)	-	74	-	-	-	(1,938)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,733	-	-	-	-	-	1,733
Derecognition - Other	(881)	(2,572)	-	-	-	-	(3,453)
Reclassifications between asset classes, including transfers to intangible assets	334	5	6	-	-	(355)	(10)
At 31 March 2018	95,278	9,417	5,908	4,963	6,585	10,628	132,779
Accu'lated Deprec'tion & Impairm't							
At 1 April 2017	(2,694)	(6,253)	(1,407)	-	(28)	-	(10,382)
Historic Depreciation Adjustment	-	(12)	(75)	-	-	-	(87)
Depreciation charge	(2,201)	(972)	(218)	-	(1)	-	(3,392)
Depreciation written out to the Revaluation Reserve	182	-	-	-	-	-	182
Deprecation written out to the Surplus/Deficit on the Provision of Services	1,284	-	-	-	-	-	1,284
Derecognition - Other	20	2,539	-	-	-	-	2,559
At 31 March 2018	(3,409)	(4,698)	(1,700)	-	(29)	-	(9,836)
Net Book Value at 31 March 2018	91,869	4,719	4,208	4,963	6,556	10,628	122,943
Net Book Value at 31 March 2017	88,639	2,835	3,821	4,963	6,557	581	107,396

OPERATIONAL ASSETS

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

Movements in 2017/18	Vehicles, Furniture and Equipmen	Assets Under Construction	TOTAL
Cost or Valuation	£'000	£'000	£'000
At 1 April 2017	7,803	93	7,896
Cost Adjustment	12	16	28
Additions	2,851	207	3,058
Reclassifications between asset categories	1	(11)	(10)
De-recognition - Other	(2,537)	-	(2,537)
At 31 March 2018	8,130	305	8,435
Accumulated Depreciation			
At 1 April 2017	(5,503)	-	(5,503)
Depreciation Adjustment	(12)	-	(12)
Depreciation charge	(872)	-	(872)
Derecognition - Other	2,511	-	2,511
At 31 March 2018	(3,876)	-	(3,876)
Net Book Value at 31 March 2018	4,254	305	4,559
Net Book Value at 31 March 2017	2,300	93	2,393

Comparative Movements 2016/17

Movements in 2016/17	RESTATED Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	80,104	9,292	4,785	4,963	6,553	649	106,346
Historic Cost Adjustment	-	245	-	-	-	-	245
Additions	3,687	258	389	-	-	482	4,816
Donated Assets	-	7	-	-	7	-	14
Revaluation increases/(decreases) recognised in the Revaluation Res've	1,849	6	-	-	-	-	1,855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,592	-	-	-	-	-	5,592
Derecognition - Other	(343)	(747)	-	-	-	-	(1,090)
Reclassifications between asset classes, including transfers to intangible assets	444	27	54	-	25	(550)	-
At 31 March 2017	91,333	9,088	5,228	4,963	6,585	581	117,778
Accu'lated Deprec'tion & Impairm't							
At 1 April 2016	(1,264)	(5,993)	(1,222)	-	(2)	-	(8,481)
Historic Depreciation Adjustment	-	(245)	-	-	-	-	(245)
Depreciation charge	(2,071)	(763)	(185)	-	(1)	-	(3,020)
Depreciation written out to the Revaluation Reserve	144	-	-	-	-	-	144
Deprecation written out to the Surplus/Deficit on the Provision of Services	475	-	-	-	-	-	475
Derecognition - Other	22	723	-	-	-	-	745
Reclassifications between asset classes, including transfers to intangible assets	-	25	-	-	(25)	-	-
At 31 March 2017	(2,694)	(6,253)	(1,407)	-	(28)	-	(10,382)
Net Book Value at 31 March 2017	88,639	2,835	3,821	4,963	6,557	581	107,396
Net Book Value at 31 March 2016	78,840	3,299	3,563	4,963	6,551	649	97,865

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Comparative Movements 2016/17

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

Movements in 2016/17	Vehicles, Furniture & Equipment	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2016	8,010	-	52	8,062
Cost Adjustment	225	-	-	225
Additions	154	-	93	247
Reclassifications between asset	52	-	(52)	-
De-recognition - Other	(638)	-	-	(638)
At 31 March 2017	7,803	-	93	7,896
Accumulated Depreciation				
At 1 April 2016	(5,213)	-	-	(5,213)
Depreciation Adjustment	(225)	-	-	(225)
Depreciation charge	(689)	-	-	(689)
Derecognition - Other	624	-	-	624
At 31 March 2017	(5,503)	-	-	(5,503)
Net Book Value at 31 March 2017	2,300	-	93	2,393
Net Book Value at 31 March 2016	2,797	-	52	2,849

Depreciation

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

- **Other Land and Buildings:** 8 – 68 years
- **Vehicles, Plant, Furniture and Equipment:** 1 – 25 years
- **Infrastructure:** 5 - 25 years

Capital Commitments

At 31st March 2018 the Authority has entered into 4 significant contracts for the acquisition and enhancement of assets in 2018/19. The significant contracts are estimated to cost £628,221. The significant commitments at 31st March 2017 were £7,768,169. The significant commitments at 31st March 2018 are:

- Brooklands Environmental Improvements - £57,355
- Teville Gate MSCP Redevelopment: £438,582

- Buckingham Road MSCP Lift Replacement - £65,284
- West Park Play Area Improvements - £67,000

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations were carried out by External Valuers Wilks, Head and Eve. Valuations were carried out in accordance with International Financial Reporting Standards (IFRS). The valuations were made in accordance with the RICS Valuation Standards 6th 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 and for vehicles, plant and equipment. Assets under construction are valued at cost.

The significant assumptions applied in estimating the current 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.

	Restated Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Constr- uction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	3,454	4,719	4,208	4,963	-	10,628	27,972
Valued at current value as at:							
31st March 2018	45,302	-	-	-	-	-	45,302
31st March 2017	32,614	-	-	-	6	-	32,620
31st March 2016	10,499	-	-	-	6,550	-	17,049
Total Cost or Valuation	91,869	4,719	4,208	4,963	6,556	10,628	122,943

NON-OPERATIONAL PROPERTY, PLANT EQUIPMENT (SURPLUS ASSETS)

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2018 and 31st March 2017 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Land	-	6,456	-	6,456
Office	-	18	-	18
Residential	-	5	-	5
Sub Stations	-	77	-	77
TOTAL	-	6,556	-	6,556

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017
	£'000	£'000	£'000	£'000
Land	-	6,456	-	6,456
Office	-	19	-	19
Residential	-	5	-	5
Sub Stations	-	77	-	77
TOTAL	-	6,557	-	6,557

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

There are no land or property assets within the Authority's surplus asset portfolio which are classed at Level 3 in the fair value hierarchy.

Highest and Best Use of Surplus Assets

In estimating the fair value of the authority's surplus assets, the highest and best use of the properties is their current use, apart from the following properties:

- Land at Fulbeck Avenue which is being held by the Authority for future housing.
- Coventry Plantation Plots which were acquired for future use in connection with the Crematorium.
- Land at Ripley Road is subject to access agreements which still have a number of years remaining.
- Land rear of the Dome Cinema which has access issues.
- Sub-stations which are all leased to the electricity company for continued use as sub-stations.
- Land at Hollyacres which has limited development potential due to the size of the land.

The highest and best use for the above properties would be for their development, either for residential or commercial use depending on their location.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

The Authority carries out a rolling valuation programme which ensures all surplus assets are revalued at least every 5 years and are reviewed for significant increases/decreases at the reporting date. Valuations are either carried out by external valuers, Wilks, Head and Eve, or by the Authority's Estates Office. The valuations were made in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Office and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

NOTE 12: HERITAGE ASSETS

Details of the Authority's Heritage Assets are as follows:

Movements in 2017/2018	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation At 1 April 2017	491	3,659	3,874	1,553	1,763	651	11,991
At 31 March 2018	491	3,659	3,874	1,553	1,763	651	11,991
Net Book Value at 31 March 2017	491	3,659	3,874	1,553	1,763	651	11,991

COMPARATIVE MOVEMENTS 2016/2017

Movements in 2016/2017	Civic Regalia	Art and Sculpture	Costume and Jewellery	Toys	Social History	Archaeology and Geology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation At 1 April 2016	491	3,659	3,874	1,553	1,763	651	11,991
At 31 March 2017	491	3,659	3,874	1,553	1,763	651	11,991
Net Book Value at 31 March 2016	491	3,659	3,874	1,553	1,763	651	11,991

Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at valuation provided by an external valuer, Heptinstalls Jewellers of Worthing.

Art and Sculpture

The Authority's collection of fine art, decorative art and sculpture is reported in the Balance Sheet at insurance valuation.

Costume and Jewellery

This collection includes textiles, costumes, costume accessories and jewellery is reported in the Balance Sheet at insurance valuation.

Toys

The collection of toys is reported in the Balance Sheet at insurance valuation.

Social History

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agriculture, history, transport, ephemera and photography. These assets are included in the Balance Sheet at insurance valuation.

Archaeology and Geology

The artefacts in this category are included in the Balance Sheet at insurance valuation.

The museum's collections are currently being revalued by curatorial staff and specialist volunteers based on research from specialist journals, the internet, auctions and other reference materials.

NOTE 13: 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.

	2017/18	2016/17
	£'000	£'000
Rental income from investment property	(1,670)	(1,241)
Direct operating expenses arising from investment property	168	191
Net (gain)/loss	(1,502)	(1,050)

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.

	2017/18	2016/17
	£'000	£'000
Balance at start of the year 1st April	5,817	4,536
Disposals:	(28)	(38)
Net gains/(losses) from fair value adjustments:	66	1,319
Balance at end of the year	5,855	5,817

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2018 and 31st March 2017 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Car Parking	-	231	-	231
Community Facility	-	25	-	25
Office	-	1,067	-	1,067
Retail	-	4,407	-	4,407
Residential	-	81	-	81
Workshop	-	44	-	44
TOTAL	-	5,855	-	5,855

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017
	£'000	£'000	£'000	£'000
Car Parking	-	202	-	202
Community Facility	-	36	-	36
Office	-	1,069	-	1,069
Retail	-	4,380	-	4,380
Residential	-	86	-	86
Workshop	-	44	-	44
TOTAL	-	5,817	-	5,817

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for land, woodland, workshops, parking, office, retail, and residential assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

There are no land or property assets within the Authority's asset portfolio which are classed at Level 3 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use apart from the following property:

22 Marine Place First Floor – The property is currently used as a Yoga Studio. The highest and best use would be as a residential unit.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at 1st April each year and reviewed for significant increases/decreases at the reporting date. All valuations are carried out by external valuers, Wilks, Head and Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The external valuers work closely with the Authority's Estates Department and finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

NOTE 14: 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 trade 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. There has been no change in the valuation techniques used during the year for the financial instruments.

NOTE 14: FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current		Total	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings						
Financial liabilities (principal amount)	(33,376)	(10,050)	(8,188)	(12,288)	(41,564)	(22,338)
Accrued interest	-	-	(235)	(130)	(235)	(130)
Financial liabilities at Amortised Cost	(33,376)	(10,050)	(8,423)	(12,418)	(41,799)	(22,468)
Creditors - Financial Liabilities	-	-	(4,073)	(2,628)	(4,073)	(2,628)
Investments						
Loans and Receivables	25	25	8,000	6,000	8,025	6,025
Accrued interest	-	-	26	16	26	16
Loans and Receivables at Amortised Cost	25	25	8,026	6,016	8,051	6,041
Available-for-sale financial assets	534	50	-	-	534	50
Total Investments	559	75	8,026	6,016	8,585	6,091
Debtors - loans and receivables	10,009	10	2,189	1,819	12,198	1,829
Cash and cash equivalents	-	-	3,662	6,719	3,662	6,719
Total Debtors	10,009	10	5,851	8,538	15,860	8,548

Accrued interest on Long Term assets and liabilities is included in the Current columns because it is receivable or payable within 12 months.

The long term debtors include a new £10m loan to Worthing Homes for 10 years, which is fully secured on property.

NOTE 14: FINANCIAL INSTRUMENTS**Items of income, expense, gains and losses**

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

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000
Interest Expense	538		-	538
Decrease/(Increase) in Impairment	-	88		88
Total expense in Surplus or Deficit on the Provision of Services	538	88	-	626
Interest Income, dividend income	-	(214)	(21)	(235)
Total income in Surplus or Deficit on the Provision of Services	-	(214)	(21)	(235)
Gains/Loss on revaluation	-	-	16	16
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	16	16
Net Gain/(Loss) for the year	538	(126)	(5)	407

NOTE 14: FINANCIAL INSTRUMENTS

Items of income, expense, gains and losses

	FINANCIAL LIABILITIES measured at amortised cost	FINANCIAL ASSETS: Loans and Receivables	FINANCIAL ASSETS: Available-for-Sale	TOTAL
	2016/17	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000
Interest Expense	271	-	-	271
Decrease/(Increase) in Impairment	-	31	-	31
Total expense in Surplus or Deficit on the Provision of Services	271	31	-	302
Interest Income	-	(91)	-	(91)
Total income in Surplus or Deficit on the Provision of Services	-	(91)	-	(91)
Net Gain/(Loss) for the year	271	(60)	-	211

Items of income, expense, gains and losses

The losses and gains in impairment relate solely to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies. The loss on revaluation in the Available-for-Sale category relates to the Council's investment in the CCLA Property Fund and is the difference between the original investment and the bid value of units as at 31 March 2018.

Fair Values of Financial Assets

Available-for-Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value on a recurring basis. These fair values are based on public price quotations where there is an active market for the instrument. The fair value of the investment in the CCLA Property Fund, which is included in the Available-for-Sale assets, is categorised as a Level 1 input, as explained in the Accounting Policy Note 1. The valuation technique used is the bid value of the units in the Fund as at 31 March 2018.

There were no transfers between input levels during the year.

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, described above, all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The following tables show the fair values of the liabilities and assets, which are all currently within the Level 2 category in the valuation hierarchy. This uses "other significant observable inputs" to arrive at the fair value.

NOTE 14: FINANCIAL INSTRUMENTS

The Fair Values of Financial Liabilities and Financial Assets that are not measured at Fair Value (but for which Fair Value Disclosures are required)

The fair value of the reported carrying amounts at 31st March 2018 can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Fair Values – Financial Liabilities

The fair values for Financial Liabilities are compared with the carrying amounts as follows:

Financial Liabilities	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Borrowing PWLB	(31,726)	(31,387)	(9,354)	(9,587)
Other Loans	(10,073)	(10,064)	(13,114)	(13,171)
Total Borrowing	(41,799)	(41,451)	(22,468)	(22,758)
Trade and Other Payables	(4,073)	(4,073)	(2,628)	(2,628)
Total	(45,872)	(45,524)	(25,096)	(25,386)

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders below current market rates.

The fair value of trade and other payables (creditors) is taken to be the invoiced or billed amount. The disclosure for Financial Liabilities excludes statutory creditors, consequently the creditors figures differ from those in the Balance Sheet and the Creditors disclosure note.

NOTE 14: FINANCIAL INSTRUMENTS

Fair Values – Financial Liabilities

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £43.63m, which is calculated using early repayment discount rates. The Council has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Fair Values – Loans and Receivables

Financial Assets	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash & Cash Equivalents	3,662	3,662	6,719	6,719
Short term investments	8,026	8,025	6,016	6,030
Long Term investments	75	75	75	75
Short term debtors	2,189	2,189	1,819	1,819
Long term debtors	10,009	10,009	10	10
Total	23,961	23,960	14,639	14,653

The fair value of the assets is almost the same as the carrying amount because the Council's fixed rate loans held at 31st March, 2018 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

The long term debtors include a new £10m loan to Worthing Homes for 10 years, which is fully secured on property.

The fair value of trade and other receivables is taken to be the invoiced or billed amount. The disclosure for Financial Assets excludes statutory debtors, such as Council Tax, consequently the debtors figures differ from those in the Balance Sheet and the Debtors disclosure note.

Nature and Extent of Risks Arising From Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

NOTE 14: FINANCIAL INSTRUMENTS

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Adur-Worthing shared service, under policies approved by the Council in the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Standard and Poor's and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located within each category.

Examples of the credit criteria in respect of financial assets held by the Council are:

- Credit ratings of Short Term of F1, Long Term A-, Support AA- (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government
- The top five Building Societies by asset size

Examples of the limits on the size and length of time of deposits are:

- Banks - £4m for a maximum of 5 years;
- Building Societies - £4m for the Nationwide and £2m for the others on the approved list, for a maximum of 5 years;
- Money Market Funds (MMF) AAA rated - £3m (for any one MMF) for short term operational cash flow purposes. Total investments in MMFs shall not exceed £5m or 30% of the total investment portfolio, whichever is the higher, for more than one week at any one time;

The full investment strategy for 2017/18 was approved by the Council on 21 February 2017 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its total investments of £11m in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for investment counterparties with which the Council holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Council's deposits, there was no evidence at the 31st March 2018 that this was likely to crystallise.

NOTE 14: FINANCIAL INSTRUMENTS

Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk Exposure	Carrying Amount at 31-Mar-18	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-18	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-18	Estimated Maximum Exposure at 31-Mar-17
	£'000	%	%	£'000	£'000
Customers*	2,189	5.90%	10.60%	232	144

*Excluding statutory debtors – Council Tax/Business Rates

The Council was in breach of its counterparty limit with its bankers, Lloyds Bank, from 1st to 4th September 2017 (a weekend). The Treasury Management Strategy Statement permits a maximum balance of £4m with Lloyds, but £5.8m was received after 3pm on 1st September in respect of a sale of land. There was no loss of Council funds resulting from the breach and it was reported to Members. No other credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2018 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 Note 15.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity positions through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy Statement and Annual Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

NOTE 14: FINANCIAL INSTRUMENTS

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedure, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs. The Council has set a maximum limit of 50% for investments for more than 1 year.

The maturity analysis of financial liabilities is as follows:

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2018	Actual 31 March 2018	Actual 31 March 2017	Actual 31 March 2017
				£'000s		£'000s
Maturing within one year	0%	75%	20%	8,423	55%	12,418
Maturing in 1-2 years	0%	75%	10%	4,192	6%	1,250
Maturing in 2-5 years	0%	75%	18%	7,596	24%	5,350
Maturing in 5-10 years	0%	75%	39%	16,219	11%	2,500
Maturing over 10 years	0%	75%	13%	5,369	4%	950
TOTAL			100%	41,799	100%	22,468

All trade and other payables are due to be paid in less than one year.

Market Risk

(a) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

NOTE 14: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments

may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. All current borrowing is at fixed rates, although the Council has set a maximum limit of 25% for variable rate borrowing.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2018, 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	52
Impact on Surplus or Deficit on the Provision of Services	52
Decrease in fair value of fixed rate investment assets	21
Impact on Other Comprehensive Income and Expenditure	21
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)	2,114

(a) Interest Rate Risk

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Fair Value of Assets and Liabilities tables.

NOTE 14: FINANCIAL INSTRUMENTS**(b) Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. In April 2017 the Council invested £0.5m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. However this is classified as an Available-for-Sale asset, meaning that all movements in price will impact on gains and losses recognised in the Available-for-Sale Reserve.

(c) Foreign Exchange Risk

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

NOTE 15: DEBTORS

	31-Mar-18	31-Mar-17
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies	7,466	3,906
Other Local Authorities	2,474	4,940
NHS Bodies	44	5
Other Entities and Individuals	6,448	4,603
TOTAL	16,432	13,454

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

Overall Aged Debt Analysis	31-Mar-18	31-Mar-17
	£'000	£'000
Less than 1 Year	16,338	13,356
1-2 Years	14	50
2-3 years	39	28
Over 3 years	41	20
	16,432	13,454

NOTE 15: DEBTORS

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-18	31-Mar-17
	£'000s	£'000s
Council house purchase	8	8
Legal Charges	1	2
Worthing Homes Loan	10,000	-
TOTAL	10,009	10

NOTE 16: CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31-Mar-18	31-Mar-17
	£'000	£'000
The balance is made up of the following elements:		
Cash held by the Council	26	24
Bank Current Accounts	636	1,245
Call Accounts and Money Market Funds	3,000	5,450
Total Cash & Cash Equivalents	3,662	6,719

NOTE 17: ASSETS HELD FOR SALE

	Current 2017/18	Current 2016/17	Non Current 2017/18	Non Current 2016/17
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	4,784	-	-	4,784
Assets classified as Held for Sale:				
Transfers from Non Current Assets Held for Sale to Current Assets Held for Sale	-	4,784	-	(4,784)
Disposals	(4,784)	-	-	-
Balance outstanding at year-end	-	4,784	-	-

The Authority has recognised the following assets as held for sale:

- The Aquarena Swimming Pool was recognised as a non-current asset held for sale in 2013/14 as the sale was not expected to complete within 12 months. The Authority has exchanged contracts for the sale of the property and planning permission has been obtained. The sale completed in 2017/18.

NOTE 18: CREDITORS

	31-Mar-18	31-Mar-17
	£'000s	£'000s
Central Government Bodies	1,614	2,524
Other Local Authorities	3,324	5,712
Othe Entities and Individuals	6,174	4,875
TOTAL	11,112	13,111

NOTE 19: 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.

	Balance at 31-Mar-17	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused Amounts Reversed in 2017/18	Balance at 31-Mar-18
	£'000	£'000	£'000	£'000	£'000
HMRC Claims - Leisure Self Employed	1	-	-	-	1
Land Charges - Personal Search Fees	13	-	-	-	13
Leisure Contract Claim	-	100	-	-	100
Business Rate appeals	905	474	(618)	-	761
	919	574	(618)	-	875

Business Rates Appeals: A provision has been made for appeals which are likely to be settled in the favour of the appellant. This is based on all known outstanding business rate appeals which have been lodged with the Valuation Office together with an allowance for new appeals which may emerge in the future. The gross provision is £1.9m, Worthing Borough Council's share is £0.761m, being 40% of the total.

Included in this provision is a £480k allowance for business rates appeals related to claims from NHS trusts in relation to mandatory charitable relief. Previously NHS Trusts were taxed as public sector funded organisations, rather than charities, because they have boards of directors rather than trustees. NHS Trusts have applied for mandatory charitable relief which make them eligible for a 80% discount, backdated for six years. This is subject of a legal dispute.

NOTE 20: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement which can be found on page 29.

NOTE 21: UNUSABLE RESERVES

31-Mar-18	Unusable Reserves	Restated 31-Mar-17	Restated 1-Apr-16
£'000s		£'000s	£'000s
(39,000)	Revaluation Reserve	(41,592)	(39,879)
16	Available for Sale Financial Instruments Reserve	-	-
(72,881)	Capital Adjustment Account	(66,268)	(56,202)
(8)	Deferred Capital Receipts Reserve	(8)	(8)
32,596	Pension Reserve	39,979	36,361
114	Collection Fund Adjustment Account	(38)	140
(79,163)	TOTAL UNUSABLE RESERVES	(67,927)	(59,588)

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 1st 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	2017/18	Restated 2016/17
	£'000	£'000
Balance at 1 April	(41,592)	(39,879)
Upward revaluation of assets	(2,279)	(5,816)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,035	3,817
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	1,756	(1,999)
Difference between fair value depreciation and historical cost depreciation	315	286
Accumulated gains on assets sold or scrapped	521	-
Amount written off to the Capital Adjustment Account	836	286
Balance at 31 March	(39,000)	(41,592)

NOTE 21: UNUSABLE RESERVES

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2017/18	Restated 2016/17
Balance at 1 April	(66,268)	(56,202)
Charges for depreciation and impairment of non-current assets	3,392	3,020
Revaluation losses on Property, Plant and Equipment	(3,017)	(6,067)
Amortisation of intangible assets	59	44
Revenue expenditure funded from capital under statute	941	785
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	5,705	385
Net written out amount of the cost of non-current assets consumed in the year	7,080	(1,833)
Adjusting amounts written out of the Revaluation Reserve	(836)	(286)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,226)	(1,123)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,975)	(4,065)
Application of grants to capital financing from the Capital Grants Unapplied Account	(574)	(278)
Statutory provision for the financing of capital investment charged against the General Fund	(809)	(977)
Capital expenditure charged against the General Fund	(207)	(185)
	(13,627)	(6,914)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(66)	(1,319)
	(66)	(1,319)
Balance at 31 March	(72,881)	(66,268)

NOTE 21: UNUSABLE RESERVES**Pension Reserve**

The Pension 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 Pension 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.

Pension Reserve	2017/18	2016/17
	£'000	£'000
Balance at 1 April	39,979	36,361
Remeasurements of the net defined benefit liability / (asset)	(7,810)	4,087
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	4,887	3,875
Employer's pension contributions and direct payments to pensioners payable in the year	(4,460)	(4,344)
Balance at 31 March	32,596	39,979

NOTE 22: CASH FLOW OPERATING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
The cash flows for operating activities include the following		
Interest received	130	87
Interest paid	(380)	(423)
Dividends received	15	-
Total	(235)	(336)

NOTE 22: CASH FLOW OPERATING ACTIVITIES**Net Cash flows from operating activities**

	Net 2017/18	Restated Net 2016/17
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	7,411	12,002
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,392	3,020
Impairment and downward valuations	(3,017)	(6,067)
Amortisation	59	44
Increase/(Decrease) in Creditors	(2,832)	(879)
(Increase)/Decrease in Interest and Dividend Debtors	-	-
(Increase)/Decrease in Debtors	3,189	(2,868)
(Increase)/Decrease in Inventories	3	8
Pension Liability	427	(469)
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	5,705	385
Other non-cash items charged to the net surplus or deficit on the provision of services	(110)	(1,464)
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	6,816	(8,290)
Capital Grants credited to surplus or deficit on the provision of services	(7,498)	(5,184)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,587)	(1,848)
	(13,085)	(7,032)
Net Cash Flows from Operating Activities	1,142	(3,320)

NOTE 23: CASH FLOW INVESTING ACTIVITIES

	Net 2017/18	Re-stated Net 2016/17
	£'000	£'000
Purchase of property, plant and equipment, investment, property and intangible assets	(17,553)	(4,844)
Purchase of short-term and long-term investments	(129,930)	(121,410)
Other payments for investing activities	(10,000)	(5)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,597	1,849
Proceeds from short-term and long-term investments	127,430	120,408
Other receipts from investing activities	1,421	5,188
Net cash flows from investing activities	(23,035)	1,186

The 2016/17 figures have been restated to show the purchase and proceeds from short term investments during the year. Previously these were shown net within the purchase of short term and long term investments.

NOTE 24: CASH FLOW FINANCING ACTIVITIES

	Net 2017/18	Net 2016/17
	£'000	£'000
Cash receipts of short- and long-term borrowing	32,955	11,536
Repayments of short- and long-term borrowing	(13,727)	(8,209)
Other payments for financing activities	(392)	1,068
Net cash flows from financing activities	18,836	4,395

NOTE 25: EXPENDITURE FUNDING ANALYSIS

2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	67	63		130
Environment	(501)	266		(235)
Health & Wellbeing	5	105		110
Customer Services	1,651	(557)		1,094
Regeneration	465	251		716
Resources	(312)	(695)		(1,007)
Net Cost of Services	1,375	(567)	0	808
Other income and expenditure from the Funding Analysis	(8,463)	995	152	(7,316)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	(7,088)	428	152	(6,508)

Restated 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Collection Fund Adjustment	Total Adjustments
	£000	£000	£000	£000
The Leader	70	17		87
Environment	(1,990)	(32)		(2,022)
Health & Wellbeing	127	34		161
Customer Services	(1,238)	(1,550)		(2,788)
Regeneration	559	69		628
Resources	254	(221)		33
Net Cost of Services	(2,218)	(1,683)	0	(3,901)
Other income and expenditure from the Funding Analysis	(9,129)	1,214	(178)	(8,093)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	(11,347)	(469)	(178)	(11,994)

NOTE 25: EXPENDITURE FUNDING ANALYSIS

	2017/18	Restated 2016/17
	£'000	£'000
Employee Expenses *	6,459	5,248
Depreciation, amortisation, impairment	368	4,192
Other service expenditure	63,676	53,977
Total Expenditure	70,503	63,417
Grants and contributions	(10,068)	(7,358)
Fees, charges and other service income	(53,999)	(54,512)
(Gain)/loss on disposal of non current assets	(326)	(1,582)
Income from council tax and business rates	(11,147)	(10,826)
Interest and Investment Income	(1,737)	(1,141)
Surplus on Business Combination - Pension Fund*	(637)	0
Total Income	(77,914)	(75,419)
Deficit or surplus on Provision of Services	(7,411)	(12,002)

*2017/18 Employee costs include the IAS19 pension entries for staff which that have transferred from the Census partnership. These costs are offset by the surplus on the Census pension fund that has been transferred to the Council following this business combination.

The other service expenditure figure includes the Councils share of the Joint Service costs including the employee expenses.

NOTE 26: TRADING OPERATION

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

	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure	2016/17 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	1,023	(1,274)	(251)	(249)
	1,023	(1,274)	(251)	(249)

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

Through the Joint Strategic Committee, a trade waste service is provided for the collection of commercial refuse. The charges are set at a commercial rate. Surpluses are shared and credited back to the Council.

NOTE 27: 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 2017/18 income collected was £1.911m (£1.908m 2016/17) and expenditure was £1.214m (£1.182m 2016/17). The surplus of £696,760 (£726,481 2016/17) is paid to West Sussex County Council.

The Council also has Agency Agreements with other Local Authorities for Treasury Management, 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 28: MEMBERS' ALLOWANCES

Total allowances paid to Members were as follows:

2017/18	2016/17
£	£
253,394	258,607

NOTE 29: OFFICERS' REMUNERATION

The senior officers who manage services and staff for Adur District Council and Worthing Borough Council are employed by Adur District Council as part of the partnership arrangement. These emoluments relate to the employment of senior officers by Adur District Council on behalf of both Adur District Council and Worthing Borough Council.

There were no employees who earned more than £50,000 and were paid directly by Worthing Borough Council.

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	
	2017/18	2016/17
£50,000 to £54,999	6	13
£55,000 to £59,999*	4	4
£60,000 to £64,999*	5	4
£65,000 to £69,999*	4	4
£70,000 to £74,999	6	4
£75,000 to £79,999	2	-
£80,000 to £84,999*	1	1
£85,000 to £89,999	-	-
£90,000 to £94,999*	3	1
£95,000 to £99,999	1	2
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
	33	34

* These include redundancy, efficiency of service and settlement payments relating to 2017/18. Please see note 30 Exit Packages and Termination Benefits for a breakdown of these payments.

NOTE 29: OFFICERS' REMUNERATION

There were no employees who earned more than £5,000 and were paid directly by Worthing Borough Council.

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 staff whose salary was more than £150,000 in 2017/18 and in 2016/17.

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

Note 2: The Chief Executive, Directors and 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 2017/18 or 2016/17.

NOTE 29: OFFICERS' REMUNERATION

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above							
	Salary, Fees & 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 & paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
Chief Executive							
2017/18	120,438	-	120,438	25,412	145,850	72,925	72,925
2016/17	116,150	-	116,150	20,462	136,612	68,306	68,306
Director for Communities							
2017/18	92,920		92,920	19,606	112,526	60,201	52,325
2016/17 from 25.10.16	40,065		40,065	7,293	47,358	25,336	22,022
2016/17 to 25.10.16	20,694	25,000	45,694	2,057	47,751	25,547	22,204
Director for Digital & Resources							
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
2016/17	95,726	-	95,726	19,427	115,153	68,355	46,798
Director for the Economy							
2017/18	93,849		93,849	19,802	113,651	77,283	36,368
2016/17	93,849	-	93,849	14,629	108,478	74,850	33,628
Director for Customer Services							
2017/18	50,326	44,000	94,326	9,559	103,885	62,331	41,554
2016/17	98,848	-	98,848	19,815	118,663	71,198	47,465
Head of Finance (S151 Officer)							
2017/18	73,448		73,448	15,498	88,946	48,209	40,737
2016/17	71,575	-	71,575	13,879	85,454	46,316	39,138
Head of Legal (Monitoring Officer)							
2017/18	68,144		68,144	14,540	82,684	40,912	41,772
2016/17	66,304	-	66,304	13,648	79,952	42,838	37,114
Head of Growth (Strategic Planning)							
2017/18	70,465		70,465	14,868	85,333	43,520	41,813
2016/17	72,948	-	72,948	15,053	88,001	44,881	43,120
Head of Housing							
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354
2106/17 from 22.2.17	7,362		7,362	1,524	8,886	1,333	7,553
2016/17 to 7.10.16	39,274	20,000	59,274	1,872	61,146	9,172	51,974

NOTE 30: OFFICER REMUNERATION - EXIT PACKAGES AND TERMINATION BENEFITS

Exit Packages

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}	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
£0 - £20,000	2	2	18	1	20	3	161,003	15,341
£20,000 - £40,000	-	1	2	4	2	5	50,705	151,380
£40,000 - £60,000	-	-	-	2	-	2	-	96,065
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
Total cost included in bandings	2	3	20	7	22	10	211,708	262,786
Total cost included in CIES	2	3	20	7	22	10	211,708	262,786

* These redundancy costs are shared between Worthing and Adur Council's in proportion to the service allocation. The total cost of £262,786 in the table above includes **£146,200** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£
Redundancy costs	146,200
Enhanced Pension Benefits	84,483
Total termination benefit 2017/18	230,683
Termination benefits 2016/17	246,733

A total £146,200 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £84,483 is the 2017/18 working cost of enhanced pension benefits which normally spread over 3 years. This cost also relates to enhanced pensions from previous year terminations.

NOTE 31: EXTERNAL AUDIT COSTS

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

	2017/18	2016/17
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	47	47
Fees payable to external auditors for the certification of grant claims and returns for the year	8	7
Proportionate share of Adur and Worthing Joint Committee fees		
	55	54

NOTE 32: GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2017/18	2016/17
	£'000s	£'000s
Credited to Taxation and Non specific Grant Income		
Non Domestic Rates	-	-
Revenue Support	453	1,193
Council Tax Transistion	100	100
New Homes Bonus Scheme	1,394	1,605
Section 31 Grant	645	400
Other Grants	-	9
	2,592	3,307
Credited to Taxation and Non specific Grant Income		
S106 Developer Contributions	52	338
S106 Developer Contributions: Transport	-	36
S106 Developer Contributions: Affordable Housing	219	272
S106 Developer Contributions: Miscellaneous	-	38
Community Infrastructure Levy	267	6
Community Infrastructure Levy - Local Ward	50	1
	588	691

NOTE 32: GRANT INCOME

	2017/18	2016/17
Capital Grants & Donations - Specific	£'000s	£'000s
DEFRA/Environment Agency - Coast Protection	27	62
Local Enterprise Partnership	5,692	3,352
Southdown Leisure Trust	-	82
DCLG Better Care Fund - Disabled Facilities Grant	1,190	987
	6,909	4,483
Credited to Services - General Fund Grants		
Ministry of Housing, Communities and Local Government (MHCLG) - Flexible Homeslessness	129	22
MHCLG - Meams Project	70	-
MHCLG - Other Grants	86	99
Department of Works and Pensions Grants	115	112
Cabinet Office IER Grant	21	-
Greater Brighton One Public Estate	20	26
West Sussex County Council	27	2
Heritage Lottery Fund - Costume Trail	1	60
Other Grants and Donations	21	20
Grants recognised in Joint Committee	687	836
	1,177	1,177
TOTAL GRANTS CREDITED TO SERVICES	11,266	9,658

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:

	2017/18	2016/17
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government (MHCLG) - Commit to Culture	-	86
MHCLG - Coastal Grants	-	15
MHCLG - Making Every Adult Matter S31 grant	-	70
MHCLG - Self and Custom Build	30	-
WSCC Local Enterprise Apprenticeship Platform funding	-	71
LEAP Funding	103	-
Greater Brighton One Public Estate	44	28
Other Grants and Donations	6	14
Grants recognised in Joint Committee	303	353
TOTAL	486	637

NOTES TO THE ACCOUNTS

NOTE 33: 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 significant influence 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). Grant receipts outstanding at 31st March 2018 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 28. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

There were no related party transactions declared by Members in 2017/18.

Officers

There were no related party transactions declared by officers in 2017/18.

Other Public Bodies

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

Worthing also had a partnership arrangement with Horsham District Council and Mid Sussex District Council for the delivery of ICT services until March 2018. .

Transactions and balances relating to these partnerships are summarised in Note 41.

Entities Controlled or Significantly Influenced by the Authority

The Council has a 20 year agreement with South Downs Leisure Trust to manage two leisure centres.

Payment of £85,392 was received from South Downs Leisure Trust in 2017/18.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2017/18	2016/17
	£'000	£'000
Opening Capital Financing Requirement	22,384	23,361
Capital Investment		
Property, Plant and Equipment	18,575	4,815
Loans	10,000	-
Intangible Assets	34	37
Revenue Expenditure Funded from Capital Under Statute	941	785
Sources of Finance		
Capital receipts	(5,226)	(1,123)
Government grants and other contributions	(6,542)	(4,329)
Sums set aside from revenue:		
Direct revenue contributions	(71)	(117)
MRP/loans fund principal	(809)	(977)
Revenue funding	(136)	(68)
Closing Capital Financing Requirement	39,150	22,384
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	16,766	(977)
Increase/(decrease) in Capital Financing Requirement	16,766	(977)

NOTE 35: LEASES**Operating Leases - Lessee**

The Council has a small number of operating leases, however the value of these leases is not material.

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;

Future minimum lease payments are calculated using current payment contract information. The future minimum lease payments receivable under non-cancellable leases in future years are:

NOTE 35: LEASES**Operating Leases – Lessor**

	31-Mar-18	31-Mar-17
	£'000	£'000
Not later than one year	1,672	932
Later than one year and not later than five years	4,899	2,270
Later than five years	31,631	27,603
	38,202	30,805

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-18	31-Mar-17
	£'000s	£'000s
Commuted Sums	(175)	(180)
Pension Reserve Liability (see note 37)	(32,596)	(39,979)
TOTAL	(32,771)	(40,159)

NOTE 37: 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.

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:

NOTE 37: DEFINED BENEFIT PENSION PLAN

Comprehensive Income & Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2017/18	Joint Committee 2017/18	Total 2017/18	Total 2016/17
			£'000s	£'000s
Cost of services				
Current service cost	(685)	(3,800)	(4,485)	(2,644)
Past service cost	-	(44)	(44)	(17)
(gain)/loss from settlements	-	-	-	-
Effect of Business Combination	-	637	637	-
Financing & Investment Income & Expenditure	-	-	-	-
Net Interest cost	(926)	(69)	(995)	(1,214)
Total post employment benefit charged to the surplus or deficit on the provision of services	(1,611)	(3,276)	(4,887)	(3,875)
Other post employment benefit charged to the CI&E Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>		-		
Return on plan assets (excluding the amount included in the net interest expense)	2,407	2,570	4,977	17,449
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	3,844
Actuarial gains and losses arising on changes in financial assumptions	1,137	1,376	2,513	(23,472)
Other (if applicable)	320	-	320	(1,908)
Total remeasurements recognised in other comprehensive income	3,864	3,946	7,810	(4,087)
Total post-employment benefits charged to the CI&E statement	2,253	670	2,923	(7,962)

Movement in Reserves Statement	Worthing 2017/18	Joint Committee 2017/18	Total 2017/18	Total 2016/17
	£'000s	£'000s	£'000s	£'000s
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(1,611)	(3,276)	(4,887)	(3,875)
Actual amounts charged against the General Fund balance for pensions in the year:	-	-	-	-
Employer's contributions payable to the scheme	2,216	2,010	4,226	4,104
Retirement benefits payable to pensioners	234	-	234	240
Total charged against General Fund balance	2,450	2,010	4,460	4,344

NOTE 37: DEFINED BENEFIT PENSION PLAN

Pension Assets and Liabilities

Pensions Assest and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(88,438)	(63,347)	(151,785)	(91,113)	(58,410)	(149,523)
Fair value of plan assets	55,200	63,989	119,189	53,172	56,372	109,544
Net liability arising from defined benefit obligation	(33,238)	642	(32,596)	(37,941)	(2,038)	(39,979)

Pension Assets and Liabilities

Reconciliation of the Movemements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	53,172	56,372	109,544	45,300	43,734	89,034
Interest income	1,307	1,512	2,819	1,508	1,605	3,113
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	2,407	2,570	4,977	8,195	9,253	17,448
Other	-	-	-	-	-	-
Contributions from employer	2,450	2,010	4,460	2,551	1,793	4,344
Contributions from employees into the scheme	104	640	744	116	589	705
Benefits paid	(4,240)	(591)	(4,831)	(4,498)	(602)	(5,100)
Effect of Business	-	1,476	1,476	-	-	-
Closing fair value of scheme assets	55,200	63,989	119,189	53,172	56,372	109,544

NOTE 37: DEFINED BENEFIT PENSION PLAN

Pension Assets and Liabilities

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities: LGPS					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(91,113)	(58,410)	(149,523)	(78,374)	(47,020)	(125,394)
Current service cost	(685)	(3,800)	(4,485)	(467)	(2,177)	(2,644)
Interest cost	(2,233)	(1,581)	(3,814)	(2,597)	(1,730)	(4,327)
Contributions from scheme members	(104)	(640)	(744)	(116)	(589)	(705)
Remeasurement (gains) and losses:		-				
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	2,814	1,030	3,844
Actuarial gains / losses arising from changes in financial assumptions	1,137	1,376	2,513	(11,982)	(11,490)	(23,472)
Other experience	320	-	320	(4,872)	2,964	(1,908)
Past service cost	-	(44)	(44)	(17)	-	(17)
Losses/(Gains) on curtailment	-	-	-	-	-	-
Liabilities assumed on a entity combinations	-	(839)	(839)	-	-	-
Benefits paid	4,240	591	4,831	4,498	602	5,100
Liabilities extinguished on settlements	-	-	-	-	-	-
Closing balance at 31 March	(88,438)	(63,347)	(151,785)	(91,113)	(58,410)	(149,523)

NOTE 37: DEFINED BENEFIT PENSION PLAN**Local Government Pension Scheme Assets Comprised:**

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair value of scheme assets					
	2017/18			2016/17		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,420.6	1,646.8	3,067.4	1,368.4	1,450.8	2,819.2
Equity instruments:						
Consumer	7,852.9	9,103.3	16,956.2	7,564.4	8,019.7	15,584.1
Manufacturing	5,045.3	5,848.7	10,894.0	4,859.9	5,152.4	10,012.3
Energy and Utilities	2,665.8	3,090.3	5,756.1	2,567.9	2,722.4	5,290.3
Financial Institutions	8,991.0	10,422.4	19,413.4	8,660.5	9,181.7	17,842.2
Health and Care	3,824.7	4,433.7	8,258.4	3,684.2	3,905.9	7,590.1
Information Technology	7,543.2	8,744.3	16,287.5	7,266.1	7,703.5	14,969.6
Other	2,543.2	2,948.2	5,491.4	2,449.8	2,597.2	5,047.0
Sub-total equity	38,466.1	44,590.9	83,057.0	37,052.8	39,282.8	76,335.6
Debt Securities:						
UK Government	1,023.5	1,186.5	2,210.0	985.9	1,045.3	2,031.2
Investment Funds and Unit Trusts:						
Bonds	6,916.7	8,018.0	14,934.7	6,662.6	7,063.6	13,726.2
Property:						
UK Property	4,353.1	5,046.3	9,399.4	4,193.2	4,445.6	8,638.8
Sub-total property	4,353.1	5,046.3	9,399.4	4,193.2	4,445.6	8,638.8
Private equity	2,373.0	2,750.8	5,123.8	2,285.8	2,423.4	4,709.2
Other investment funds	647.0	750.1	1,397.1	623.3	660.8	1,284.1
Derivatives	-	-	-	-	-	-
Total assets	55,200.0	63,989.4	119,189.4	53,172.0	56,372.3	109,544.3

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March.

NOTE 37: DEFINED BENEFIT PENSION PLAN

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2016/17
Mortality assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Male	23.6	23.6
Female	25	25
<i>Longevity at 65 for future pensioners</i>		
Male	26	26
Female	27.8	27.8
Rate of increase in salaries	3.1%	3.1%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

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

Change in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	7%	5,944
0.5% increase in Salary Increase Rate	0%	306
0.5% increase in the Pension Increase Rate	7%	5,597

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases or decreases for men and women. In practise, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have been assessed on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Council's Cash Flow:

The Council anticipates paying £2,148,000 contributions to the Worthing scheme in 2018/2019, and approximately £1,938,000 contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 38: CONTINGENT LIABILITIES

Pension Guarantees - The Council entered into a long term contract for the provision of Leisure Services with South Downs Leisure Trust. This involved the transfer of Council employees to this new service provider. Employees rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However pension rights are not fully covered within TUPE regulations. The Council has provided a guarantee that in the event the Leisure Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

The following assets are not reported in the Balance Sheet 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 that is on English Heritage's Register of Historic Parks and Gardens 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. The cultural significance of this asset cannot be valued.

Memorials Monuments

War Memorial Monument - is 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 Monument - is 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 the famous grave of John Oliver, he was a miller in 1709 it is thought was involved in smuggling It is situated on a downland site, which is owned by the Council, that 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.

Amelia Park Gateway

This is a listed building constructed between 1831 and 1833. It is not possible to value the cultural and historical significance of this unique asset.

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.

Social History

This collection includes books, non-archaeological coins, tokens, medals, militaria, social history, agricultural history, transport, ephemera and photography.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

Social History

The coin collection includes commemorative medals from Sussex, 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. There is a collection of over 6,000 topographical photographs which illustrate how the local 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 Geology collection is a comprehensive and representative collection of rocks and minerals from South-East England and especially from Sussex.

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.

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.

The Women's Costume collection is the largest section of costume with examples of Haute Couture, dressmaker, home-made and mass-produced clothing with garments dating from 1700 and accessories dating from 1600.

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 Disposals Policy which outlines the procedures for acquiring assets and disposing of assets.

NOTE 40: TRUST FUNDS

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

	2017/18 Capital Value of Fund	2016/17 Capital Value of Fund
	£'000	£'000
Highdown Tower Gardens Income used to make improvements to the garden	31	34
Dr Chester's Charity Aid to people in poverty	27	21
TOTAL	58	55

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.

NOTE 41: JOINT BUDGETS

Since July 2007, Adur District Council and Worthing Borough Council have been working in partnership. Most services are provided by a joint officer structure. The Joint Strategic Committee Balance Sheet is consolidated into the Council's Balance Sheet.

	Gross Expenditure 2017/18	Gross Income 2017/18	Net Expenditure 2017/18
	£'000	£'000	£'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	20,657	(6,663)	13,994
Holding Accounts	9,229	(501)	8,728
NET COST OF SERVICES	29,886	(7,164)	22,722
Other operating expenditure			-
Financing and investment income and expenditure			115
Taxation & non-specific grant income			-
Funded by:			
Adur District Council			(8,356)
Worthing Borough Council			(12,280)
(Surplus) or Deficit on Provision of Services			2,201
Remeasurments of the net defined pension benefit liability			(5,040)
Other Comprehensive Income & Expenditure			(5,040)
Total Comprehensive Income and Expenditure			(2,839)

NOTE 41: JOINT BUDGETS**Census ICT**

The CenSus partnership for ICT Services with Worthing Borough Council, Adur District Council, Horsham District Council and Mid Sussex District Council dissolved on the 31st March 2018.

Census ICT 2017/18	Mid Sussex District Council	Horsham District Council	Adur District Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	£'000	£'000
Net Operating Expenditure for CenSus ICT Services incurred by each Council	99	1,189	-	87	1,375
Proportional Share of Costs	452	381	217	325	1,375

NOTE 42: PRIOR YEAR ADJUSTMENT

- (a) In 2016/17 the following errors have been identified: The valuation of one of the Councils Buildings, Town Hall, resulting in property, plant and equipment being overstated by £2.4m. The Revaluation Reserve was overstated by £1.5m and the Capital Adjustment overstated by £0.9m. An amendment has been made to the 2016/17 accounts to correct the understatement, with the knock on effect being recognised in the 2017/18 accounts.

The effect on the opening 2016/17 Balance Sheet at 1st April 2016:

	Opening Balance As previously Stated 2016/17	Restatement Property, Plant & Equipment	Restated opening Balance 2016/17
	£'000	£'000	£'000
Property, Plant & Equipment	100,358	(2,493)	97,865
Long Term Assets	121,945	(2,493)	119,452
Net Assets	71,860	(2,493)	69,367
Total Unusable Reserves	(62,081)	2,493	(59,588)
Total Reserves	(71,860)	2,493	(69,367)

The effect on Balance Sheet at 31st March 2017:

	As previously Stated 2016/17	Restatement Property, Plant & Equipment	Restated 2016/17
	£'000	£'000	£'000
Property, Plant & Equipment	109,824	(2,428)	107,396
Long Term Assets	127,899	(2,428)	125,471
Net Assets	81,709	(2,428)	79,281
Total Unusable Reserves	(70,355)	2,428	(67,927)
Total Reserves	(81,709)	2,428	(79,281)

NOTE 42: PRIOR YEAR ADJUSTMENT

The impact on the Comprehensive Income and Expenditure Statement is a reduction in the depreciation charged to the Resources line within the Net Cost of Services of £65,500. The amendment to the Movement in Reserves Statement is £65,500 against the Adjustments between accounting basis and funding basis under regulations. Related disclosure notes have been corrected accordingly.

- (b) The consolidation of the Joint Services outturn is transferred to Worthing Borough Council on a net basis and an adjustment is therefore necessary to gross up and report the income and expenditure element within the net cost of services (with no effect on the overall net cost of services). In 2016/17 this adjustment was understated by £1.4m. The effect of the restatement on the Comprehensive Income and Expenditure Statement is :

	Adjustment to Gross Expenditure	Adjustment to Gross Income
	£'000	£'000
Environment	601	(601)
Health & Wellbeing	406	(406)
Customer Services	28	(28)
Regeneration	203	(203)
Resources	169	(169)
Net cost of Services	1,407	(1,407)

- (c) In the 2016/17 statement of accounts the Cashflow – Investing activities note disclosed the net cash movement of the purchase and proceeds of short-term and long-term investments. In the 2017/18 statement of accounts the note has been restated to show the 2016/17 comparative movement separately.

The effect on note 27 is as follows:

	2016/17	2016/17 as restated in 2017/18
	£'000	£'000
Purchase of short term and long-term investments	(1,002)	(121,410)
Proceeds from short term and long term investments	0	120,408
Net effect of change	(1,002)	(1,002)

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2018

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 Business 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.

Worthing Borough Council						
Collection Fund - Business Rates and Council Tax						
	2017/18			2016/17		
	Business Rates	Council Tax	TOTAL	Business Rates	Council Tax	TOTAL
INCOME (A)	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Receivable	-	62,205	62,205	-	59,500	59,500
Business Rates Receivable	30,672	-	30,672	32,553	-	32,553
Transitional; Protection Payments	226	-	226	48	-	48
	30,898	62,205	93,102	32,601	59,500	92,101
Contribution Towards Previous Year Deficit (B)						
Central Government	-	-	-	218	-	218
Worthing Borough Council	-	-	-	175	-	175
West Sussex County Council	-	-	-	44	-	44
Sussex Police and Crime Commissioner	-	-	-	-	-	-
	-	-	-	437	-	437
TOTAL INCOME (C) = (A+B)	30,898	62,205	93,102	33,038	59,500	92,538
EXPENDITURE (D)						
Payment From Previous Year Surplus						
Central Government	33	9	42	-	-	-
Worthing Borough Council	26	51	77	-	49	49
West Sussex County Council	7	6	13	-	261	261
Sussex Police and Crime Commissioner	-	-	-	-	32	32
	66	66	131	-	342	342
Precepts, Demands and Shares (E)						
Central Government	15,602	-	15,602	16,251	-	16,251
Worthing Borough Council	12,481	8,498	20,979	13,000	8,228	21,228
West Sussex County Council	3,120	47,498	50,618	3,250	45,127	48,377
Sussex Police and Crime Commissioner	-	5,822	5,822	-	5,563	5,563
	31,203	61,818	93,022	32,501	58,918	91,419
Charges to Collection Fund (F)						
Less: write offs of uncollectable amounts	24	87	111	166	25	191
Less: Incr. / Decr. (-) in Bad Debt Provision	225	208	433	164	179	343
Less: Incr. / Decr. (-) in Provision for Appeals	(362)	-	(362)	(358)	-	(358)
Less: Cost of Collection	128	-	128	131	-	131
	15	295	310	103	204	307
TOTAL EXPENDITURE (G) = (D+E+F)	31,285	62,179	93,463	32,604	59,464	92,068
Surpl. / Def. (-) arising during the yr (C-G)	(387)	26	(360)	434	36	470
Surplus / Deficit (-) b/fwd. 1st April	(38)	385	347	(472)	349	(123)
Surplus / Deficit (-) c/fwd. 31st March	(425)	411	(13)	(38)	385	347

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, 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. The Council Tax Base for 2017/18 was 37,829.3 Band D equivalent.

Individual charges per dwelling are calculated by dividing the total budget requirement of West Sussex County Council, the Sussex Police and Crime Commissioner 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	47,498,091	÷ 37,829.3	= 1,255.59
Sussex Police & Crime Commissioner	5,822,292	÷ 37,829.3	= 153.91
Worthing Borough Council	8,497,974	÷ 37,829.3	= 224.64

NOTE 2: BUSINESS RATES

From 1st April 2015, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Worthing Borough Council, Adur District Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2017/18 is paid into the West Sussex County Council Pool and together the members share the levy and it is redistributed. Without the Pool, the levy would be paid to DCLG and not retained in the area to the benefit of local residents.

The total amount contributed to the Pool in 2017/18 is £3.4m. The amount this authority paid into the Pool was £555k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEP (Local Economic Partnership) and other invest to save initiatives. The contribution is shown within the Comprehensive Income and Expenditure Statement..

Business rates are collected by the Council from local businesses using a uniform rate supplied by the Government for the country as a whole which, was 46.6p in 2017/18 (48.4p in 2016/17). The overall rateable value for Worthing Borough Council as at 31st March 2018 was £82.74m (£78.0m as at 31st March 2017).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £2.1m and £1.5m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2017/18 in line with Worthing Borough Council's accounting policy for maintaining the provision.

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

NOTE 4: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF COUNCIL TAX

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

	West Sussex County Council Closing Balance	Sussex Police and Crime Commissioner Closing Balance	Preceptors Total	Worthing Closing Balance	TOTAL
	£	£	£	£	£
Demand on Collection Fund 2018/19					-
Applicable proportions based on 2018/19 demand (This %age used to allocate (surplus)/deficit for 2017/18)	76.84%	9.67%		13.49%	100.00%
Council Tax arrears as at 31/03/18	3,242,451.85	408,223.43	3,650,675.28	569,124.37	4,219,799.65
Provision for bad debts as at 31/03/18	(1,610,530.07)	(202,765.10)	(1,813,295.17)	(282,684.83)	(2,095,980.00)
Receipt in advance as at 31/03/18	(813,630.57)	(102,435.77)	(916,066.34)	(142,810.76)	(1,058,877.10)
(Surplus)/Deficit as at 31/03/17	(297,102.90)	(36,417.19)	(333,520.09)	(53,156.43)	(386,676.52)
In year (Surplus)/Deficit for 2016/18	(19,264.81)	(3,413.39)	(22,678.20)	(2,373.34)	(25,051.54)
Balance as on 31st March, 2018	501,923.50	63,191.98	565,115.48	88,099.01	653,214.49

NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	West Sussex County Council	Worthing Borough Council	TOTAL
	£'000	£'000	£'000	
Business Rates Arrears	507,807.67	101,560.67	406,246.21	1,015,614.55
Provision for Bad Debts	(759,885.00)	(151,977.00)	(607,908.00)	(1,519,770.00)
Provision for Appeals	(1,916,396.26)	(383,279.26)	(1,533,116.99)	(3,832,792.51)
RV List Amendments	964,328.71	192,865.74	771,462.96	1,928,657.41
Receipt in Advance	(516,511.41)	(103,302.30)	(413,209.13)	(1,033,022.84)
(Surplus)/Deficit	212,420.16	42,483.94	169,935.32	424,839.42
Balance as at 31st March 2018	(1,508,236.13)	(301,648.21)	(1,206,589.63)	(3,016,473.97)

ANNUAL GOVERNANCE STATEMENT

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.

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 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

At least once a year, Local Authorities are statutorily required to review their governance arrangements. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils this requirement.

A copy of the code is on our website www.adur.gov.uk www.adur-worthing.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 6 of the Accounts and Audit Regulations 2015 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 31st March 2018 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 are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

- Provides leadership and develops the Council's vision of its purpose and intended outcome for residents and service users.
- Develops the vision into objectives for the Council and its partnerships

Decision making

- All decisions are made in the open
- Decisions are recorded on the Council website
- The scheme of delegations which details the decision making arrangements is regularly updated
- The monitoring Officer ensures that all decisions made comply with relevant laws and regulations

Risk Management

- Risk registers identify both operational and strategic risks
- Key risks and opportunities are considered by the Corporate Leadership Team every quarter
- Risks and opportunities are reported to the Joint Governance Committee every quarter and inform the work of the internal audit team

Scrutiny and Review

- The Joint overview and Scrutiny Committee reviews Council policy and can challenge the decisions made.
- The Joint Governance Committee undertakes all of the core functions of an audit committee.
- The Joint Governance Committee is responsible for review and approving the Council's Governance arrangements and undertakes the role of a Standards Committee ensuring that members comply with the Code of Conduct

Corporate Leadership Team

- The Council's Corporate Leadership Team comprises of the Chief Executive and three Directors who are responsible for the delivery of the Council's aims and objectives
- The head of paid service is the Chief Executive who is responsible for all Council Staff and leading an effective Corporate Leadership Team.
- CLT seeks advice from the Council's Chief Financial Officer who is responsible for safeguarding the Council's financial position
- CLT seeks advice from the Monitoring Officer who is the Head of Legal Services. They are responsible for enduring legality and promoting high standards of public conduct.

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the Framework during 2017/18.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The Governance Framework gives the Members and the organisation, in a number of ways, the confidence and certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

WHAT WE NEED TO DO	HOW WE DO IT
<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<ul style="list-style-type: none"> • The Constitution • The Monitoring Officer • Section 151 Officer • Codes of conduct • Whistleblowing Policy • Bribery Act 2010 policy guidance • Corporate anti-fraud work • Procurement Strategy
<p>Principle B Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Consultations • Terms of reference for partnerships • Freedom of information requests • Complaints procedure
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> • Organisational goals • Service planning • Performance Management • Community Strategy • Procurement Strategy
<p>Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> • Service planning • Performance Management • Options appraisals • Whole life costing
<p>Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Robust interview and selection process • Training and development • Workforce planning • Succession planning • Performance development reviews • Talent management • HR Policies & procedures
<p>Principle F Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Effective member scrutiny function • Financial management and MTFP • Corporate risk register • Annual audit plan • Information Security policies • Compliance with the requirements of the Public Service Network (PSN)
<p>Principle G Implementing good practices in transparency reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Reports are held on the website • Annual audited financial statements are publically available • Annual Governance Statement • Effective Internal Audit Service

THE OPERATION OF THE GOVERNANCE FRAMEWORK

HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE

Joint Governance Committee function and self-assessment;
Corporate Governance Group; Scrutiny Reviews;
Review of progress made in addressing issues; Performance monitoring;
Review of compliance with corporate governance controls;
Review of accounts; Employee opinion surveys; Internal audits and external audits;
Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The Constitution

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Adur District Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council this is Sarah Gobey, who is also the Chief Financial Officer.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

Codes of Conduct

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2014) <http://awintranet/media/media.125134,en.pdf> sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property with which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

All reports requiring a decision are considered by appropriately qualified legal and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

All reports and details of decisions made can be found on the Council's website at <https://www.adur-worthing.gov.uk/meetings-and-decisions/>

Freedom of Information enquiries

The Freedom of Information Act 2000 (Fol) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the Council's service delivery arrangements.

Adur and Worthing Councils have developed a Consultation Policy which can be found at [About consultation in Adur & Worthing - Adur & Worthing Councils](#) which reflects the Council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the Council. Current consultations can be found on the Councils website at www.adur-worthing.gov.uk . Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, Council meetings (open to the public), and their local Councillor.

Consultations

Internally, a consultation toolkit has been developed to guide Council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the Council website.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Complaints

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

In addition to the partnership between Adur and Worthing (<http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/>), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Joint Corporate Priorities

The Councils have recently agreed a new plan 'Platforms for our Places' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2017-2020).

The Councils have agreed programmes of work for 2017/18 under five themes or 'Platforms' which set out their aspirations for the town.

- **Our financial economies**
- **Our social economies**
- **Stewarding our natural resources**
- **Services and solutions for our places**
- **Leadership of our places**

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at [Platforms for our Places - Adur & Worthing Councils](#)

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places. There is a mid-term review underway, and strategic actions are being assessed and refreshed for approval in July 2018.

Community Strategy

The Waves Ahead Partnership is a strategic partnership for Adur and Worthing. The Partnership, non-statutory since 2010, is made up of key interested parties from the public and private sectors, community, voluntary and faith-based groups and local residents. The aim is to work more effectively through collaboration, adding value to local initiatives, projects and ideas.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Community Strategy

Together, partners have produced a collective vision for the future which is captured in the Waves Ahead Sustainable Community Strategy. The Strategy has four themes:

- better health and wellbeing for all
- feeling safe and included
- strengthening the local economy and improving job prospects
- a better place to live, work and enjoy, with quality amenities.

This strategy can be found on the internet at <http://www.wavesahead.org.uk/>

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Service planning and performance management

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £1.9m by 2021/22 in a climate of reducing funding from Central Government and rising demand for many of the Council's services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance development and review

All Officers receive regular one to ones with their manager in order to monitor workload and performance and managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Effective scrutiny

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by the Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the borough. The JOSC's findings are reported to the Joint Strategic Committee or the Executive and may result in changes to the way in which services are delivered.

Financial management

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the Authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance team ensures that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the Council.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Financial management

Financial Regulations were last fully revised in 2013/14 by the s151 Officer so that the Council can meet all of its responsibilities under various laws and are annually reviewed. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the Local Authority makes sufficient financial provision for the cost of internal audit.

Risk management

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly reported to the Corporate Leadership Team and the Joint Governance Committee.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Joint Governance Committee

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out the roles and responsibilities of its members.

Internal audit

The Head of Internal Audit is a qualified accountant who has full access to senior management and the Joint Governance Committee (which fulfils the role of an audit committee). The audit team is properly resourced. The Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010).

The Head of internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Annual accounts

The Council publishes full audited accounts each year which are published on the website at <https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/> .

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, Executives, the Joint Governance Committee, and the Joint Overview and Scrutiny Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance 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 either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

i) Procurement and contract management procedures and processes:

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contract procedures and contract management arrangements. Actions are being taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;
- Development of contract management guidance; and
- A corporate review of procurement.

SIGNIFICANT GOVERNANCE ISSUES

ii) Lack of an ICT Disaster Recovery Plan.

The Council identified this as a key priority following an in-depth review of an IT failure. There is now a high level plan in place which considers major causes of failure. The disaster recovery plan is due to be tested in June 2018. If successful, this issue can be removed from future Annual Governance Statements.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2017 review together with any issues which have been identified during the current review.

The governance requirements as detailed 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 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team 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 Daniel Humphreys
Leader of the Council
Worthing Borough Council



Dated: 31st May 2018



Signed:

Alex Bailey
Chief Executive of
Adur & Worthing Councils



Dated: 31st May 2018

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

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund,
- and the related notes 1 to 42.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are 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 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 27, the Chief Financial Officer 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Worthing Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of Worthing Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31st July 2018

The maintenance and integrity of the **Worthing Borough Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GLOSSARY OF ACCOUNTING TERMS

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

ACCOUNTING PERIOD	The period of time covered by the accounts. The current year is 2017/18 which means the year commencing 1st April 2017 and ending 31st March 2018. The end of the accounting period is the date at which the balance sheet is drawn up.
ACCRUAL	An amount included in the accounts in respect of income or expenditure 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.
ACTUARIAL ASSUMPTION	An actuarial assumption is an estimate (usually in respect of pension fund valuations) of an unknown value made in accordance with methods of actuarial science. An actuarial assumption is made using statistical tools such as the correlation of known values to possible outcomes for the unknown value. An actuarial assumption is often used to calculate premiums or benefits. Actuarial gains and losses which may result from:
ACTUARIAL GAINS AND LOSSES	(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
ASSET	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.
AMORTISED COST	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.
BALANCE SHEET	A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.
CAPITAL CHARGE	A charge to the revenue account to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation, based upon the useful lives of depreciable assets.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	The proceeds from the sale of fixed assets.

CASH EQUIVALENTS	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.
COMMUNITY ASSETS	Assets that are intended to be held in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
CONSISTENCY	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENT LIABILITY	A potential liability at the balance sheet date the outcome of which is not certain, but may be dependent on a future event. Where the potential liability is likely to be material, the fact that it exists will be disclosed as a note to the accounts.
CREDITORS	Amounts owing for work done, goods received or services rendered in an accounting period, for which payment has not yet been made.
CURRENT ASSETS/LIABILITIES	Assets or liabilities which are of a short term nature, that will be realised within a year, e.g. stocks, debtors and creditors.
CURRENT SERVICE COST	Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
CURTAILMENT	Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
DEBTORS	Amounts due to the Council which relate to the accounting period, but have not been received at the balance sheet date
DEFINED BENEFIT SCHEME	This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEPRECIATION	The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
EXPENDITURE	The costs incurred relating to the accounting period irrespective of whether the amounts have been paid or not, i.e. on an accruals basis.

FAIR PRESENTATION	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.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties at arm's length.
FINANCE LEASE	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.
FINANCIAL INSTRUMENT	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
IMPAIRMENT OF ASSETS	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
INFRASTRUCTURE ASSETS	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
INTANGIBLE ASSETS	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	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.
INVESTMENTS	Current asset investments that are readily disposable by the Council without disrupting its business.
INVESTMENT PROPERTIES	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
LIQUID RESOURCES	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.
NET BOOK VALUE	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
OPERATING LEASE	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.

POST BALANCE SHEET EVENTS	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
PROVISION	An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise.
PRIOR YEAR ADJUSTMENT	This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.
PRUDENCE	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.
PUBLIC WORKS LOAN BOARD (PWLB)	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.
REMUNERATION	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.
RESERVES	Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.
TO DEBIT	An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.
TO CREDIT	An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.
TRUE AND FAIR VIEW	Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.
VIREMENT	Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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