ADUR DISTRICT
COUNCIL

Statement of Accounts 2018/2019

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

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2019

C O N T E N T S

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 2018/19;
- 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 2019. It provides a summary of the financial position as at 31st March 2019 and is structured as below:

- Introduction to Adur as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2018/19
- The 2018/19 revenue budget process and medium term financial plan
- Financial Overview of the Council 2018/19
    - Revenue spend in 2018/19
    - Capital Strategy and Capital Programme 2018/19 to 2020/21
- Housing Revenue Account
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO ADUR AS A PLACE

Adur District Council is one of seven Local Authorities in West Sussex. It lies on the South Coast and covers an area of approximately 41.8 km^2. The Council shares its boundaries with Brighton and Hove City Council to the east, Worthing Borough Council and Arun District Council to the west, and Horsham District Council and Mid Sussex District Council to the north. It is located at the foot of the South Downs at the southern edge of the beautiful South Downs National Park.

Population:

Adur has a population of approximately 63,720 according to the Office of National Statistics with an age profile of:

Age range	Adur District Council	Nationally
0 - 15	18.2%	18.9%
16 - 64	58.4%	62.9%
65+	23.4%	18.2%

There are 2,281 businesses within the area. Business rate income was £17.4m in 2018/19. The Council kept £1.7m (9.7%) of income related to Business Rates, 10% of the income is paid to the County Council with the remainder paid to Government.

2. KEY INFORMATION ABOUT ADUR DISTRICT COUNCIL

Adur District 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 2018/19 Municipal Year

Adur has 29 Councillors representing 14 wards. In 2018/19 the political make-up of the Council was:

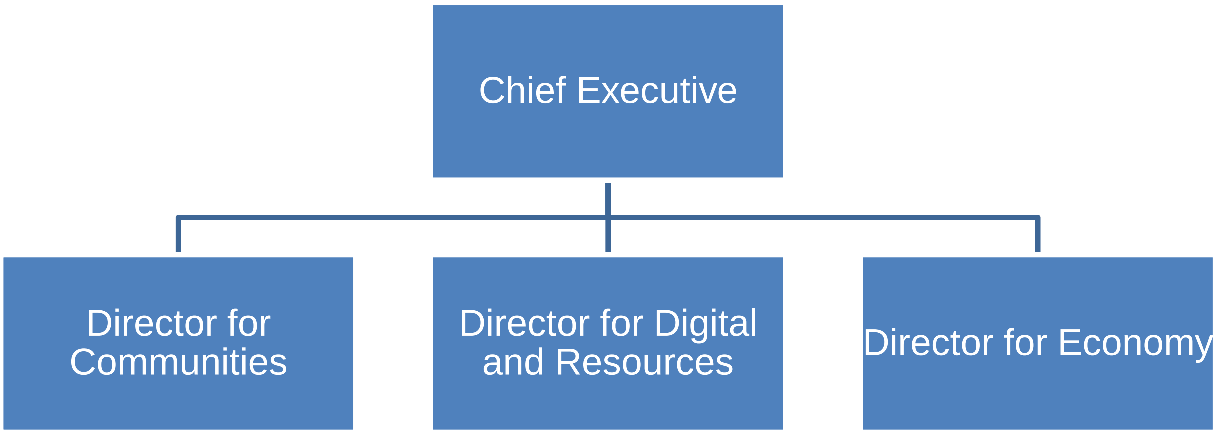
Conservative Party	16 Councillors
Labour	8 Councillors
UK Independence Party	3 Councillors
Independent	2 Councillors

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 decisions for 2018/19, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Neil Parkin.

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.



Adur District Council:

- √ Holds £278.6m of assets to support services and provide income to fund service delivery
- √ Generates £26m of income (net of Housing Subsidy and Housing Revenue Account income) 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 2018/19 government funding (New Homes Bonus) made up 0.5% of total income from Fees & Charges net of Housing Benefit Subsidy and HRA Income.

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 Adur District and Worthing Borough 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 £22.3m for 2018/19. 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. In July 2018 (18 months into that programme) both Councils adopted a revised set of commitments to reflect the progress that had been made and the issues that had emerged over the first half of the programme.

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 2018/19

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

- **Significant movement on major sites**: the new 24,000 square feet office development pre-let to a local business (Focus) was under construction and reaching an advanced stage; it was completed in April 2019.
    - The new office block – Before, during and after

Planning permission was secured for the development of 600 new homes and an IKEA store in Lancing. Work commenced on redevelopment of the former Luxor Cinema in Lancing and the Sunbeam residential development scheme in South Street Lancing reached an advanced stage.

- **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. This project will enable the provision of high speed broadband within the Adur and Worthing area with the next generation of fibre cables, which will benefit both local businesses and homes. The first part of the new network was constructed in Adur and Worthing in 2018/19 and the Councils have recently agreed an extension to this network to enable more residents and businesses to benefit from the project.
- **Our visitor and creative economies:** Following a new arrangement with Sussex Film, our places have seen a significant rise in interest for filming. Over the past year, film, TV, and magazine shoots took place on 19 separate occasions across Adur and Worthing.

Platform 2: Our Social Economies

- **Preventing homelessness**: Over the last 6 months we have focused closely on relieving and preventing homelessness. We have positively prevented homelessness for more than 40 of the people/families who have presented to our team. Our need for emergency accommodation (EA) remains high, however the rate at which we are placing people in EA appears to have stabilised as we see the results of our preventative work taking effect.

  We are also continuing to secure suitable, more affordable EA by leasing and purchasing property for this purpose.

- **Developing the Adur homes stock:** The Adur Homes repairs digital tool went live this autumn and we are seeing a gradual increase in the number of repairs being reported this way. Satisfaction levels with the service are improving and this will continue to be an area of focus.

  The planning application to build 44 new homes at Albion Street, all of which will be for Council Housing, was approved.

  Work continues on developing the old Cecil Norris site, with a planning application due to be considered in Summer 2019. 15 new council homes are due to be built on this site.

  Proposed design for new homes on the old Cecil Norris site in Ravens Road, Shoreham.

- **Adapting for accessible homes:** We have fully implemented the Interim Discretionary Disabled Facility Grant policy approved by the Councils in December 2017. This has resulted in an increased spend on adaptations of £520,000 during 2018/19.

- **Supporting our communities to commemorate:** For the Centenary of World War 1, we coordinated a significant number of Remembrance Service events and parades across Adur and Worthing, recognising the sacrifice made by many former residents.

- **Social prescribing:** We have secured additional funding for 'Going Local' in Adur (and across our current patch) and to date more than 1,200 people have been supported by the service.

- **Supporting vulnerable members of our community:** We successfully bid for £406,000 funding to increase the domestic violence provision in West Sussex, with our Lead for Early Help and Wellbeing co-ordinating this work. These funds will provide valuable outreach services, outreach in rural areas and a specialist worker to support BME communities.

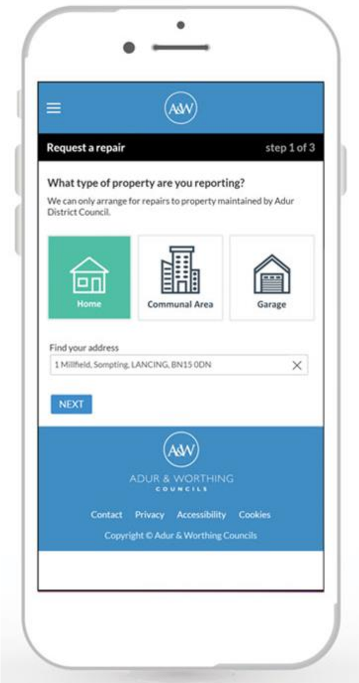
Platform 3: Stewarding our natural resources

- **Leading in sustainability:** Adopted "Sustainable Adur and Worthing" demonstrating Council commitment and leadership on sustainability, including bold commitments on carbon reduction, an area not previously addressed by the Councils. We have also established lunchtime learning sessions for staff to improve professional knowledge and understanding of sustainability issues.
- **Supporting our communities energy efficiency:** Launched a 3 year energy advice programme 'LEAP' providing a lifeline for local households in need, providing home visits, advice and efficiency installations.
- **Stewarding our natural assets:** Achieved a further 5 Green Flags in our Adur and Worthing parks, refurbishing another three play areas to create welcoming, safe play spaces for our communities.
- **Reducing waste, increasing recycling**: Initiated a comprehensive waste reduction engagement campaign (achieving more than 80,000 views in a 3 week period) following the Council's decision to move to alternate weekly refuse collections to increase recycling.
- **Improving air quality:** Active partner in the County wide 'Breathing Better' air quality strategy and action plan, and delivered projects to support this strategy, including securing 100% external finance for Adur and Worthing's first rapid electric vehicle charge point.
- **Regional approaches to energy and water:** Established Council involvement in Greater Brighton Economic Board Energy and Water Plans and 'South2East' the Local Enterprise Partnership (LEP) Regional Energy Strategy.

Platform 4: Services and solutions for our places

- **Developing our commercial capacity:** Successful commercial income growth across Environmental Services and in Building Control, e.g. fire risk safety assessments to commercial waste clients. We have developed digital self-service for clinical, bulky, street scene and missed bins with 40% of requests now through the digital channel and a fully automated ordering of clinical waste collections using Amazon Alexa technology. We have also started a commercial modelling and marketing exercise in waste services, with a view to the roll out of learning and methods to other commercial services

- **New approaches to service design:** Delivered specialist "SameRoom" service design support to key projects including preventing homelessness and loneliness, creating strong multi-agency working and delivering real outcomes, and launching a public blog: sameroom.adur-worthing.gov.uk
- **Digital solutions for improved customer services:** Launched an end to end housing repairs app providing tenants with online appointment booking and regular progress updates, with customer satisfaction at 90% satisfied or very satisfied. We have launched online accounts and e-billing in Revenues and Benefits, with further online services planned and Plain English work on letter templates underway. We have also stabilised the telephony system following a switch of managed service provider.



- **Improving our estate management:** Digital asset management systems developed for Estates and Compliance, helping improve management of our property estate.
- **Managing and supporting our people:** We are progressing with a significant HR policy review with further policies on track for change. We have delivered 'Leading Quality Conversations' training to all managers alongside a new 1:1 process to support and develop our staff. A new staff induction handbook has been designed through a working group of managers across the organisation. We are currently trailing a prototype HR data dashboard allowing analysis to support workforce planning and sickness management, and an easy to use annual leave app. Launched Well@Work to support staff wellbeing, providing a range of activities to staff such as pilates, mindfulness and singing.
- **Improving our strategic finance management:** Reviewed our financial services through an LGA Peer Review and developed an improvement action plan.

Platform 5: Leadership of our places

- **Sharing our stories locally and beyond:** the Councils have effectively spread the stories of our places locally and beyond with regular articles in national sector press. Our seven (#ourstoriesyourcouncils) bloggers have a reach of over 104,000, and we have more than 20 front page articles in local, regional and trade press.
- **Reframing local partnership:** Work has begun to reframe how we engage the local strategic partners through the Local Partnerships Forum and the Waves Ahead Conferences in Spring and Autumn. The Autumn Conference saw over 60 attendees designing how we can achieve more active and connected communities. This will feed into the development of the Councils' Activities Strategy.
- **Regional leadership:** The Councils continue to play an active role in working with regional partners within the County and Greater Brighton City Region. Shaping the development of the Greater Brighton Economic Board's five-year vision, the Local Enterprise
- **Developing our elected members:** We have continued to aid the development needs for our Elected Members, with 11 Member Training events being held during this period, on a range of topics from Member Induction to case work and treasury management.

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 2018/19 may be viewed at:

Joint Strategic Committee report 10th July 2018 (6 month progress update)

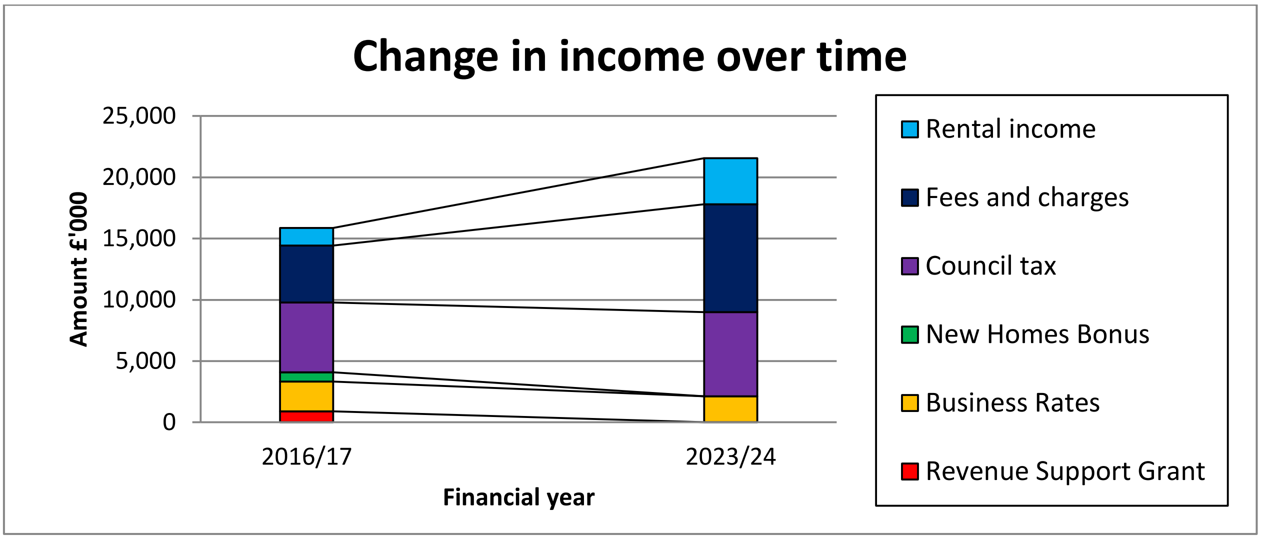
Joint Strategic Committee report 31st January 2019

Platforms for our Places - Adur & Worthing Councils

4. THE REVENUE BUDGET 2018/19 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)

Revenue Budget 2018/19

The budget for 2018/19 was compiled within the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget and the local government settlement. The Council has seen a significant decline in recent years in overall government income 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 Adur District 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;
- impact of increasing demand for such services as homelessness;
- 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.

The Council agreed a budget strategy to meet this challenge in 2018/19 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 £1.4m as part of the 2018/19 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2018.

Council Tax

The Council chose to increase Council Tax for 2018/19 by an average of 2.96%

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

Band D Council Tax	2017/18	2018/19	Change
	£	£	%
Adur District Council – Basic Council Tax	269.55	277.74	3.03
West Sussex County Council	1,255.59	1,317.78	4.95
Sussex Police & Crime Commissioner	153.91	165.91	7.80
	1,679.05	1,761.43	4.91
Parish precepts and other adjustments:			
Lancing Parish Council	46.08	51.48	11.72
Sompting Parish Council	30.51	30.15	-1.18
Special Expenses (charged in all areas except Lancing Parish Council)	18.18	18.54	1.98

Council Tax base

The Council Tax base for 2018/19 was 20,923.20 which was an increase of 215.9 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	2017/18	2018/19
	£	£
Number of Band D equivalent dwellings	20,707.3	20,923.2

Budget Strategy for 2019/20 to 2023/24

In preparing the budget strategy for 2019/20 to 2023/24, 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 development of the 2019/20 budget was approved by Council on 10th July 2018 and it set the strategic direction to address the significant challenges not only for 2019/20 but onwards.

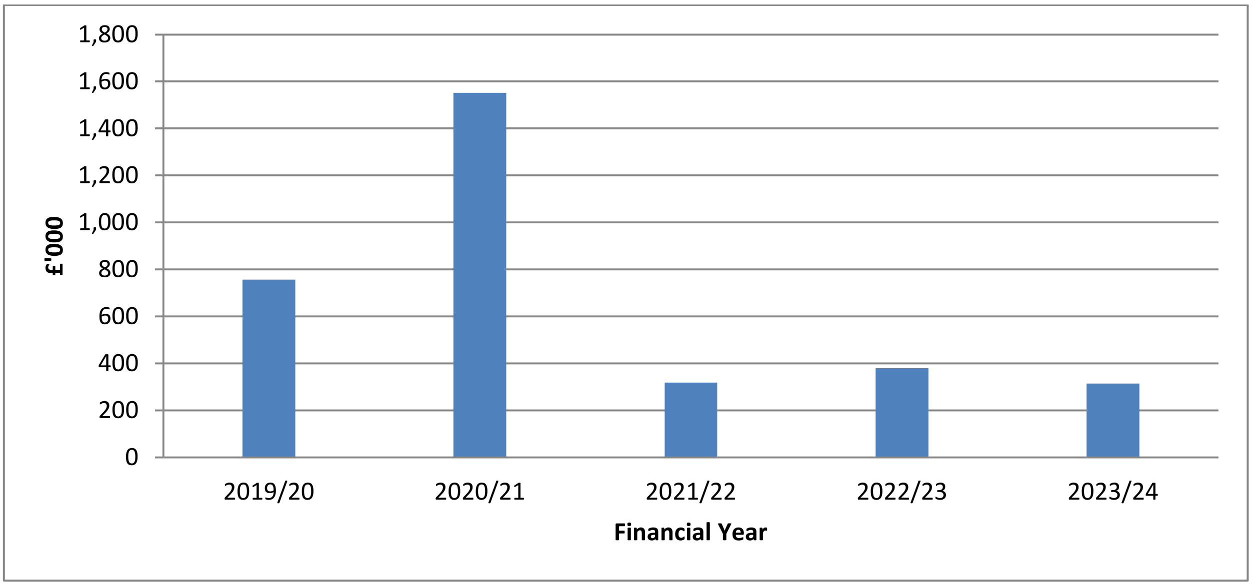
The fall in government funding together with rising demand for homelessness support included in the forecasts highlighted that the Council needs :

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 £3.3m over the five years with a significant challenge in 2020/21 as follows:



Further details around the most recent forecasts for both Councils will be contained in the report Budget Strategy for 2020/21 and beyond, which is due to be considered on 9th July 2019 at the Joint Strategic Committee. This can be found on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Budget monitoring

Revenue and capital monitoring information is presented to the Executive four times a year. Any areas of concern are subject to 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 9th July 2019 Joint Strategic Committee reports "Joint Revenue Outturn 2018/19" and the "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". 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 2018/19

A more detailed summary of the Council's financial results for 2018/19 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 2018/19 Adur District Council reported an underspend of £512,582 against a budget of £8,627,760.

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

	£000s
Underspend in borrowing costs	118
Additional grant income related to business rate relief	328
Other changes	66
	512

Where such items were identified when the 2019/20 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

SUMMARY FINAL REVENUE OUTTURN			
CABINET MEMBER PORTFOLIOS	**ESTIMATE 2018/19**	**OUTTURN 2018/19**	**(UNDER)/ OVERSPEND**
	£	**£**	**£**
CM for Environment	2,561,710	2,591,947	30,237
CM for Health & Wellbeing	1,259,730	1,234,340	(25,390)
CM for Customer Services	1,354,650	1,317,721	(36,929)
Leader	598,120	574,158	(23,962)
CM for Regeneration	1,529,830	1,521,078	(8,752)
CM for Resources	1,904,700	1,686,187	(218,513)
Support Service Holding Accounts	217,550	-	(217,550)
TOTAL CABINET MEMBERS	**9,426,290**	**8,925,431**	**(500,859)**
Credit Back Depreciation	(1,821,540)	(1,320,741)	500,799
Minimum Revenue Provision	1,097,860	1,015,897	(81,963)
Additional Non Ring Fenced Grants	-	272	272
Financial Instrument Adjustment	-	1,087	1,087
	8,702,610	**8,621,946**	**(80,664)**
Transfer to/from reserves:			
Contribution to/from reserves	(74,850)	(506,768)	(431,918)
General Fund Working balance		603	603
Underspend transferred to Capacity Issues Reserve		511,979	511,979
Total Budget requirement before External Support from Government	**8,627,760**	**8,627,760**	**-**

Approved use of the underspend:	**£000s**
Carry Forwards	152
Recommended transfer toBusiness Rate Smoothing Reserve	328
Balance of Net Underspend available to transfer to Capacity Issues Reserve	32
	512

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

1. Funding from Central Government

The Council received no Revenue Support Grant in 2018/19.

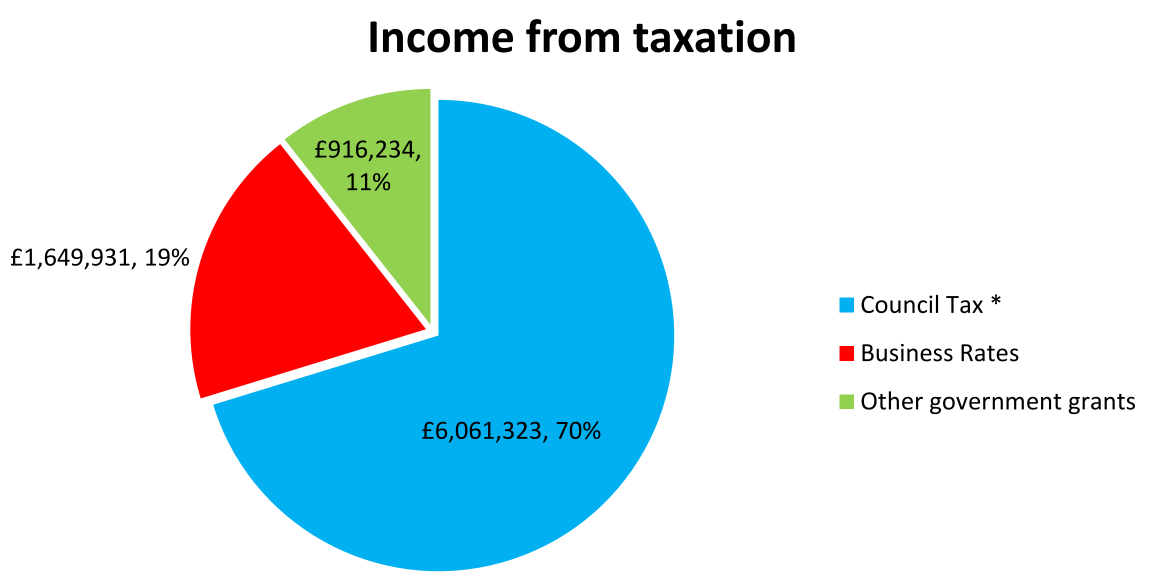
2. Funding from Local Taxpayers

The Council collected £34.2m of Council Tax relating to 2018/19 on behalf of the Council, West Sussex County Council, Sussex Police and Crime Commissioner and the Parish Council. This represented 97.89% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £4.4m. Council Tax is collected by Adur District Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 73.13%, Sussex Police & Crime Commissioner 10.04% and Adur District Council 16.83%. The Council benefitted from £6.1m of Council Tax income in 2018/19.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £17.4m 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 £1.7m of Business Rate income in 2018/19.

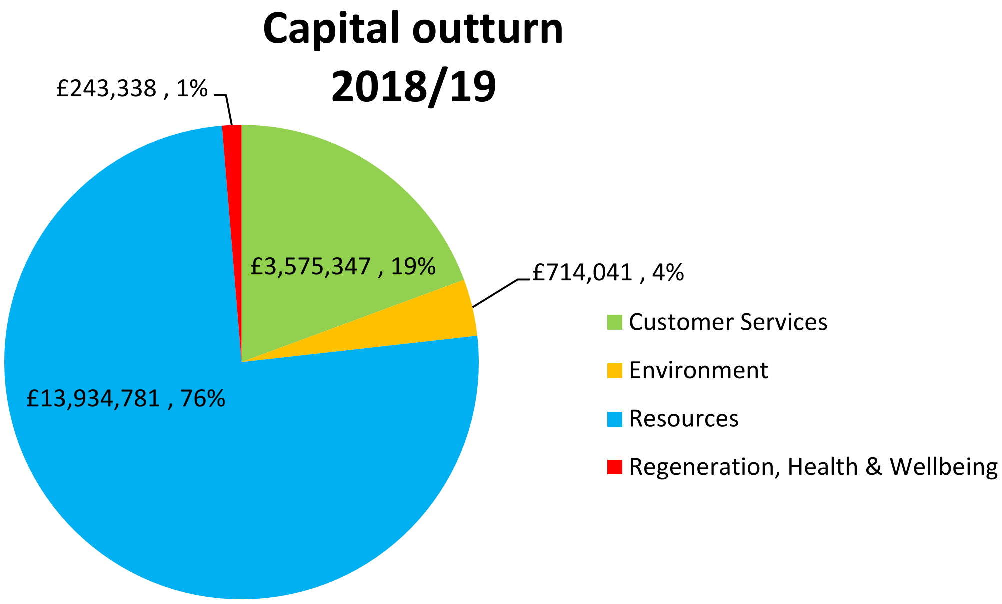


* Net of budgeted Collection Fund surplus/deficit and excluding Parish Precepts

Since 2015/16, the Council has participated in a business rate pool with neighbouring Councils. This enabled the area to retain £3.2m of business rate income in 2018/19 to fund economic regeneration initiatives. Full details can be found in Note 2 to the Collection Fund.

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.



The capital investment programme for all Adur Portfolios was originally estimated at £67,415,450. Subsequent approvals and re-profiling of budgets produced a total revised budget of £45,595,380. Actual expenditure in the year totalled £39,566,110, a decrease of £6,029,270 on the revised estimate, comprising net budget carry forward to future years of £5,930,590 and a net underspend of £98,680. 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 33 schemes did not complete as planned in 2018/19.

Expenditure in 2018/19 was financed as follows:

	2018/19
	£
Government grants	520,950
Other contributions	503,294
Capital Receipts	489,921
Revenue Contributions and Reserves	2,388,805
Borrowing	35,663,140
TOTAL	**39,566,110**

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

Significant investments in 2018/19 included:

- Preliminary spend on the development of Albion Street and Cecil Norris House sites

Proposed design of the new council homes at Albion Street

- Improvements to Council homes including the installation of new kitchens and bathrooms
- Investment in a new playground at Quayside Recreation Ground
- Purchase of three commercial properties to deliver a long-term income stream to the Council.
- Construction of a new office block in Pond Road
- Completion of the Shoreham air disaster memorial

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 2018/19" which was considered on the 9th July 2019. 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 15 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 9th July 2019 Joint Strategic Committee report "Capital and Projects Outturn for Joint, Adur and Worthing 2018/19". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Housing Revenue Account

The Council operates a ring-fenced landlord's account.

- The Council owns approximately 2,550 homes which are worth £185m.
- In 2018/19 the Council collected £11.9m in dwelling rents (£12.1m in 2017/18).
- The Council is planning to spend £27.3m over the next 3 years to increase the supply of affordable homes and improve the condition of existing housing stock.

Capital Investment Plans 2019/20 – 2021/22

The Council plans to invest £139m in its capital assets over the next 3 years (including £27.3m on Council Homes).

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;
- Delivery of new rental units within the Housing Revenue Account;
- Expenditure on improvements to Council homes to address backlog maintenance issues;
- Improvements to leisure and play facilities throughout the District;
- Coast Protection works along the river Adur;
- Purchase of commercial property to produce a sustainable income stream for the future.

	3-year plan			
Expenditure by Portfolio	**2019/20** £,000	**2020/21** £,000	**2021/22** £,000	**Total** £,000
Customer Services	17,751	10,332	7,630	35,713
Environment	1,692	622	240	2,554
Health and Wellbeing	274	33	0	307
Regeneration	1,287	134	185	1,606
Resources	52,157	50,309	50,330	152,796
Total Expenditure	**73,161**	**61,430**	**58,385**	**192,976**
Funded by:				
Capital grants and contributions	2,066	847	513	3,426
Revenue contributions and reserves	3,882	3,982	4,082	11,946
Borrowing	63,908	55,556	53,326	172,790
Capital receipts	3,305	1,045	464	4,814
Total Funding	**73,161**	**61,430**	**58,385**	**192,976**

6. TOP STRATEGIC RISKS

Detailed below are the top 5 strategic risks that the Council is currently managing.

<table>
<tr><td>Risk overview</td><td><u>Council finances</u>

Council finances continue to be under pressure after several years of reducing income from central government. The councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.</td></tr>
<tr><td>Internal controls / Mitigation measures</td><td>A five year financial strategy is in place and is regularly refreshed. The strategic strands of property investment, commercial income, digital, and temporary accommodation acquisition are progressing well, evidenced in various reports to committee. However there are uncertain additional pressures ahead, for example from budget cuts expected at West Sussex, and the outcome to the 4 year fairer funding settlement in 2019.

Following the recent LGA Finance Peer Review, an action plan is being developed to:

1. Release strategic finance capacity by modernising financial management processes and systems
2. Apply suggested technical accounting measures to release capacity in the budget to commit to reserves and use cash flow to reduce the borrowing requirement
3. Review the existing plan for strategic initiatives, and make the case for additional resources on an invest to save basis to bring delivery of some projects forward

An experienced business coach has recently been commissioned to provide commercial support and skills building for all senior managers, helping them develop business plans for 2020/21.</td></tr>
<tr><td>Risk Rating:</td><td>Impact = Major, Likelihood = Likely
Risk Assessment: High Risk</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Risk overview</td><td><u>Welfare reform:</u>

'Welfare Reform' is used to cover a range of issues in particular:
• Changes to how benefits are paid to those who are working to incentivise work.
• Changes to the maximum level of benefits paid to families and individuals who are not working
• Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC)

Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities.</td></tr>
</table>

Risk overview (contd)	• Benefits for young people and single people reduced • Benefits for larger families reduced The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully, the following effects have been reported. • 5-6 weeks gap before UC is paid (in some cases longer) Note: DWP are trialling a system in Brighton of offering advance payments to **all new UC claimants.** This is new and claimants can access up to 100% of their claim immediately, repayable over 12 months. This is a huge improvement on the previous rules. More than 95% of claimants had accepted the advance when offered. • Local systems unable to track individuals in need, as the system is centralised and data is no longer available • Housing costs not being met by the level of out of work benefits The impact for the Councils of this is potentially on two fronts: increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.
Internal controls / Mitigation measures	March 2019 • Multi-agency welfare reform group still in place • Continued partnership work to identify and work with those most at risk, embedded in work such as 'Preventing Homelessness' ; Going Local - Social prescribing and • Internal service reviews The Government has announced that from April 2019 the digital and budgeting support that's provided to residents will be provided nationally by Citizens' Advice and funded directly by the Government. Currently, the Councils are providing this service until the end of March 19. Discussions have been held with Citizens' Advice locally to enable this transition to run smoothly. A video is available on the Councils' web pages to help local communities better understand the new benefit. The DWP roll out of UC has been further delayed (for the transfer of existing claimants onto the new benefit) and timetables for this are still awaited.
Risk Rating:	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**Housing supply** Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams. Emergency/Temporary Accommodation (EA/TA) - the lack of EA/TA supply at affordable rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations. The lack of move on accommodation at affordable rates means there are blockages in TA The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in 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.
Internal controls / Mitigation measures	EA/TA • Several long term lease arrangements have been agreed and more are being explored. • Two properties have been purchased and others are being explored Other • Councils are supporting other projects - e.g Lyndhurst Rd and using the empty homes grants to support landlords to bring on line more properties • Opening Doors - pilot project with local landlords is to be extended in 2019/20 • Adur Homes – Procurement process being undertaken for the construction works for Cecil Norris House and Albion Street developments. • The Council is reviewing its own land for use • MHCLG funding to support Rough Sleepers Local Plans The Local Plan highlights the constraints placed upon further outward growth, although we continue to work with registered providers and developers to bring forward new homes as quickly as possible.
***Risk Rating*:**	Impact = Major, Likelihood = Very Likely **Risk Assessment:** High Risk

Risk overview	**<u>IT disaster recovery</u>** Hosting applications locally carries increasing risks given the pace of technological change. We have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.
Internal controls / Mitigation measures	Business Continuity plans are in place for every service detailing what actions will be taken in the event of IT failure, and a Business Continuity working group meets regularly to drive continuous improvement of our response plans and incident readiness. Reports to the Joint governance Committee (JGC) on a regular basis. Power outage Disaster Recovery (DR) test successfully completed in June 2018. Recommendations for improvements from that test are being implemented. Results of DR test and future Risk Management plans reported to JGC in July 2018 and in September 2018. Annual Network security test carried out successfully and any recommended improvements are being implemented. The cloud migration project is progressing well, which involves moving applications out of the Town Hall data centre and into secure hosting with Amazon Web Services. We plan to migrate all document storage to Google Team Drive, taking the opportunity to review files and address GDPR compliance.
***Risk Rating*:**	Impact = Extreme Likelihood = Moderate **Risk Assessment:** High Risk
Risk overview	**<u>Major project delivery</u>** Major projects remain undelivered and strategically important sites such as Teville Gate and Union Place remain vacant. Considerable potential for reputational damage given the high priority attached to these programmes by local communities.
Internal controls / Mitigation measures	A solution based approach to working with key partners in the development sector to unlock challenging sites. The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets. An innovative approach to partnership will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver. The Councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development. The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.
***Risk Rating*:**	Impact = Major, Likelihood = Likely **Risk Assessment:** High Risk

Full details about the Council's risks can be found in the report to the Joint Governance Committee report "Risk and Opportunity Management updates" which was considered on the 30th May 2019. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

This is a challenging time for the whole of Local Government. The Council has faced a considerable reduction in central Government funding and emerging cost pressures from issues such as affordable housing.

The overall underspend is most welcome at this time to help the Council build its reserves to manage the risks associated with the financial climate which currently grappling with, to build capacity it is to manage service reductions over the next year and fund future service developments.

Looking ahead, 2020/21 is a difficult year with uncertainty due to changes in how funding is allocated to Local Government together with new emerging cost pressures. The outturn position will inform the development of the 2020/21 budget. The intention is to build in recurring under spends into the 2020/21 budget where possible and so avoid the need for unnecessary service reductions.

FURTHER INFORMATION

Further information on Adur District Council's accounts is available from the 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 for their endeavours during the financial year.

Sarah Gobey

Sarah Gobey, Chief Financial Officer, CPFA

EXPLANATION OF FINANCIAL 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 2019. It comprises of core 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 2018/19 (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.

Collection Fund 110-112

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 NDR received. The Adur 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 2018/19:

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 increased by £5.4m 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 professional 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

The Council has provided for contingencies and these are laid out in Note 38.

There are no material income or expenditure items to disclose in 2018/19. Note 5 to the 2018/19 accounts confirms that there have been no material events after the Balance Sheet date. The provisions made in 2018/19 are laid out in Note 20.

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 2018/19 Code of Practice Guidance Notes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2019

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 2018/19 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, 2019.

The Chief Financial 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 "true and fair" view of the financial position of the Council.

In preparing the statement of accounts the Chief Financial Officer has 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, 2019 and its income and expenditure for the year ended on that date.

SARAH GOBEY
Chief Financial Officer **Dated: 30/07/2019**

Certificate of Approval by Joint Governance Committee

I confirm that these Accounts were approved by the Joint Governance and Audit Committee of Adur District Council and Worthing Borough Council on 31st July 2019.

KEVIN BORAM
Chairman, Joint Governance Committee **Dated: 30/07/2019**

MOVEMENT IN RESERVES STATEMENT

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

Single Entity (England and Wales)	**General Fund Balance £'000**	**Earmarked GF Reserves £'000**	**Housing Revenue Account £'000**	**Earmarked HRA Reserves £'000**	**Capital Receipts Reserves £'000**	**Major Repairs Reserve £'000**	**Capital Grants Reserve £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Authority Reserves £'000**
Balance at 31st March 2017	**(408)**	**(915)**	**(2,074)**	**(2,051)**	**(3,424)**	**-**	**(2,804)**	**(11,676)**	**(102,662)**	**(114,338)**
Movement in Reserves during 2017/18 - Restated										
Surplus or (deficit) on provision of services	1,552	-	802	-	-	-	-	2,354	-	2,354
Other Comprehensive Expenditure & Income	(1)	-	-	-	-	-	-	(1)	(10,392)	(10,393)
Total Comprehensive Expenditure Income	**1,551**	**-**	**802**	**-**	**-**	**-**	**-**	**2,353**	**(10,392)**	**(8,039)**
Adjustments between accounting and funding basis under Regs.	(2,059)	-	(602)	-	637	(1,677)	(87)	(3,788)	3,788	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(508)**	**-**	**200**	**-**	**637**	**(1,677)**	**(87)**	**(1,435)**	**(6,604)**	**(8,039)**
Transfers to/from Earmarked Reserves (Note 8)	398	(398)	(65)	65	-	-	-	-	-	-
Increase/Decrease in Year	**(110)**	**(398)**	**135**	**65**	**637**	**(1,677)**	**(87)**	**(1,435)**	**(6,604)**	**(8,039)**
Restated Balance at 31st March 2018 c/fwd	**(518)**	**(1,313)**	**(1,939)**	**(1,986)**	**(2,787)**	**(1,677)**	**(2,891)**	**(13,111)**	**(109,266)**	**(122,377)**
Movement in Reserves during 2018/19										-
Surplus or (deficit) on provision of services	342	-	703	-	-	-	-	1,045	-	1,045
Other Comprehensive Expenditure & Income	-			-	-	-	-	-	(17,527)	(17,527)
Total Comprehensive Expenditure and Income	**342**	**-**	**703**	**-**	**-**	**-**	**-**	**1,045**	(17,527)	(16,482)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(641)	-	(395)	-	(210)	(1,652)	(3,124)	(6,022)	6,022	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(299)**	**-**	**308**	**-**	**(210)**	**(1,652)**	**(3,124)**	**(4,977)**	(11,505)	(16,482)
Contribution to Major Repairs Reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Transfers to/from Earmarked Reserves (Note 8)	298	(298)	(121)	121	-	-	-	-	-	-
Increase/Decrease in Year	**(1)**	**(298)**	**187**	**121**	**(210)**	**(1,652)**	**(3,124)**	**(4,977)**	(11,505)	(16,482)
Balance at 31st March 2019	**(519)**	**(1,611)**	**(1,752)**	**(1,865)**	**(2,997)**	**(3,329)**	**(6,015)**	**(18,088)**	(120,771)	(138,859)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2018/19 Gross Expenditure	2018/19 Gross Income	Note	2018/19 Net Expenditure	2017/18 Restated Gross Expenditure	2017/18 Restated Gross Income	2017/18 Restated Net Income/ Expenditure
	£'000	£'000		£'000	£'000	£'000	£'000
The Leader	688	(58)		630	958	(339)	619
Environment	5,866	(2,663)		3,203	7,781	(3,438)	4,343
Health & Wellbeing	2,153	(699)		1,454	1,837	(712)	1,125
Customer Services	21,978	(20,458)		1,520	23,534	(21,747)	1,787
Regeneration	2,531	(4,038)		(1,507)	3,009	(1,391)	1,618
Resources	3,905	(858)		3,047	3,432	(953)	2,479
Net Cost of General Fund Services	37,121	(28,774)		**8,347**	**40,551**	**(28,580)**	**11,971**
Housing Revenue Account	9,676	(13,239)		(3,563)	9,185	(13,129)	(3,944)
Net Cost of Services	46,797	(42,013)		**4,784**	**49,736**	**(41,709)**	**8,027**
Other Operating Expenditure			9	1,562			2,582
Financing and Investment Income and Expenditure			10	3,924			3,056
Taxation and non-specific grant income			11	(9,225)			(11,311)
(Surplus) or Deficit on Provision of Services				**1,045**			**2,354**
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			22	(21,020)			(3,435)
(Surplus)/Deficit from investments in equity instruments designated at fair value			15	25			-
(Surplus)/Deficit arising on revaluation of available for sale financial assets			15	-			32
Remeasurements of the net defined pension benefit liability			22	3,468			(6,989)
Other				-			(1)
Other Comprehensive Income and Expenditure				**(17,527)**			**(10,393)**
Total Comprehensive Income and Expenditure				**(16,482)**			**(8,039)**

BALANCE SHEET

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

	See Note No:	As at 31st March 2019	Restated As at 31st March 2018
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	12	241,644	214,799
Heritage Assets	13	226	224
Investment Property	14	37,013	12,121
Intangible Assets		234	209
Long Term Investments	15	1,037	1,048
Long Term Debtors	16	51	106
Total Long Term Assets		**280,205**	**228,507**
Current Assets:			
Short Term Investments	15	6,064	9,053
Inventories		105	100
Short Term Debtors	16	5,159	5,629
Cash & Cash Equivalents	17	4,747	1,037
Total Current Assets		**16,075**	**15,819**
Current Liabilities:			
Short Term Borrowing	15	(6,384)	(3,247)
Short Term Creditors	19	(5,226)	(5,962)
Provisions	20	(802)	(853)
Grants Received in Advance Revenue	32	(270)	(410)
Total Current Liabilities		**(12,682)**	**(10,472)**
Long Term Liabilities:			
Long Term Borrowing	15	(110,708)	(82,717)
Other Long Term Liabilities	36	(34,031)	(28,760)
Total Long Term Liabilities		**(144,739)**	**(111,477)**
Net Assets		**138,859**	**122,377**
Financed By Reserves:			
Usable Reserves	21	(18,088)	(13,111)
Unusable Reserve	22	(120,771)	(109,266)
Total Reserves		**(138,859)**	**(122,377)**

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:	2018/19	Restated 2017/18
		£'000	£'000
Net (surplus) or deficit on provision of services	23	(1,045)	(2,354)
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	9,886	7,163
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(5,250)	(3,396)
Net cash flows from Operating Activities	23	**3,591**	**1,413**
Investing Activities	24	(30,662)	(14,499)
Financing Activities	25	30,781	8,206
Net increase or decrease in cash and cash equivalents		**3,710**	**(4,880)**
Cash and cash equivalents at the beginning of the reporting period		1,037	5,917
Cash and cash equivalents at the end of the reporting period	17	**4,747**	**1,037**

NOTES TO THE ACCOUNTS

NOTE 1: ACCOUNTING POLICIES

GENERAL PRINCIPLES

The accounts comply with the Code of Practice on Local Authority Accounting (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and used having regard to the accounting principles and concepts set out in International Financial Reporting Standards *Framework for the Preparation of Financial Statements*, specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understandability
- Materiality
- Accruals
- Going concern

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS

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. The current de minimis is £1,000.

COUNCIL TAX AND BUSINESS RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards, that the amount of council tax, and NDR collection could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and repayments and appeals.

REVENUE RECOGNITION

Revenue recognition has been accounted for in accordance with IFRS 15. 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. The majority of the Councils transactions are 'non exchange' and the impact of IFRS 15 is not material to the accounts.

SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

JOINT OPERATIONS

Jointly controlled operations are activities undertaken by the Council in conjunction with other operators 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 arrangement and income that it earns from the activity of the operation.

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.

Grants and contributions for capital purposes are recognised as income on receipt as long as there is no condition for their use that has not been satisfied. Where there is a condition the amount will be held as a receipt in advance until the condition is satisfied at which point the amount is recognised as income.
Where capital grants are recognised as income they are reversed out of the General Fund in the Movement in Reserves Statement and held as unapplied reserves until used to finance 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.

A de minimis value of £10,000 per leased asset within a lease contract has been applied to all items obtained by lease. Leased assets valued below these limits are treated as revenue expenditure. Software rentals are not treated as leases.

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.

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 repayment of borrowing undertaken to finance the 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 benefiting 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 (e.g. 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.

The Council as Lessor - Finance Leases:

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.

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.

Expenditure and Valuation principles

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 and at the end of each financial year the market value of each category of assets is reviewed. If there has been an increase of 5% over the year, the relevant asset category is revalued in line with the valuation change. The Council's Housing stock is revalued at the end of each financial year in line with the market movement over the year. 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.

- 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 are 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 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 2018/19 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 and some of its financial instruments such as shareholding for policy purposes 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.

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.

<u>Disposals</u>
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	15-60 years (except when impairment has occurred)
Vehicles	7-10 years
Equipment	>1 to <25 years
Intangible Assets, Software	>1 to <7 years
Infrastructure assets	5 - 50 years
Community assets	Held in perpetuity
Assets (Finance Leases)	Up to 10 years

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.

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.

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 economic life (UEL) of the component.

In accordance with the Code, significant components are recognised as assets as 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 and useful lives are used:

- Land
- Main building structures - 60 years
- Replaceable building structures - 25 years
- Services - 20 years
- External works - 35 years

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:

- The asset must be identifiable
- The asset must lack physical substance.

- The asset is controlled by the Authority which will realise future economic benefits. Intangible assets are measured at cost.
- Intangible assets are amortised over their useful lives.

Intangible assets are either internally generated or purchased. Software licences are capitalised as intangible assets and amortised on a straight line basis over the expected life of the asset.

HERITAGE ASSETS

Definition

- ➢ 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

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

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

Tangible heritage assets are not depreciated as the assets are considered to have very long or infinite lives. Amortisation of 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

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

INVESTMENT PROPERTIES

Investment Properties are those held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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. The Council's policy is to capitalise the interest where it is material.

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

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into 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 non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

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 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.

A provision is made for business rates 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.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

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.

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 (CIES) 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.

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 CIES, 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. The reconciliation of amounts charged to the CIES 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payments of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets 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

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.

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

The Council has two small shareholdings acquired for policy purposes, which are designated as FVOCI:

- shares in the UK Municipal Bonds Agency, which was set up to help local councils finance their investment in projects
- deferred shares in Boom! Credit Union, which supports people who live or work in Surrey, West Sussex or Kingston

The Council will recognise losses on these shareholdings to the extent that the underlying assets of the organisation are no longer sufficient to promote its purpose.

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 that when soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

The Council issues soft loans to employees in respect of car loans, cycle loans and professional fees 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.

DEBT REDEMPTION

Statutory Guidance issued under s21(1A) of the Local Government Act 2003 places 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 Provision (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. Where appropriate, the Council may also make overpayments of MRP, which can be offset in future years.

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.

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, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made where the adjustment will have a material effect on the accounts for the cost of holiday entitlements (or any form of leave, eg.time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Any accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The Council's annual cost of accumulated absences as defined by the IFRS code of practice is not considered material and therefore has chosen not to accrue these costs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council (unless they choose to opt out). This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

The Local Government Pension Scheme

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

- The liabilities of the West Sussex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie 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 returns on bonds.

- The assets of the West Sussex 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.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:

  - 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 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;

  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;

- Re-measurements comprising:

  - ➢ 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;

  - ➢ Return on plan assets – excluding amounts included in net interest on the net defined benefit liability(asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to the West Sussex County Council Pension Fund – cash paid as contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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:

- ➢ 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.

- ➢ 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) 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 by the 2018/19 Code.

- **IFRS 9 *Financial Instruments:* Prepayment features with negative compensations** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

- **IAS40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be classified as investment property. This will have no impact on the Council as it already complies.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on single entity accounts.

- Annual improvements to IFRS Standards 2014-2016 Cycle

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified.

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 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Building 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 building 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 building assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. 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. For example the additional cost for Land and Buildings (excluding council dwellings) would be £18k. There would also be a corresponding decrease in the carrying amount of the assets. Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.
Pensions Liability	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. In 2018/19 the assumptions include an estimation of the impact of the McCloud judgement.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension liability has increased by a net £5.271m, of this a £1.8m increase is as a result of estimates being corrected as a result of experience and an increase of £3.5m attributable to updating of the assumptions. Refer to note 37 for further details.

Arrears	At 31st March 2019 the Council had a net balance of debtors due (excluding government departments) of £4.84m. A review of significant balances suggested that an impairment of doubtful debt of £1.49m was appropriate.	Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment. An increase in the net balance of debtors (excluding government departments) by 10% would increase the impairment for bad debts by £24k
Business Rate Appeals Provision	At March 2019 the total provision for the impact of appeals on business rate income is £0.639m, the Council share of this is £0.255m. 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 appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level of appeals. If the success rate was to increase by 1% the impact on the provision would be an increase of £186k. The Council share of this would be £74k.

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 2019 and the date when the Statement of Accounts is authorised for issue 30th July 2019.

As at 31st March 2019 the actual value of scheme assets within the West Sussex Local Government Pension Fund varied materially to the assumptions made by the actuaries within their 2018/19 year end IAS19 reports. Revised reports were commissioned to reflect this position.

Additionally, the impact of the judgement in relation to the legal case (McCloud) concerning alleged age discrimination was not initially factored into the IAS19 actuary reports but disclosed as a contingent liability. Since 31st March 2019 further developments have meant that the impact on the administration of public sector pension schemes nationally is more likely and therefore this assumption has been included in the revised IAS19 reports.

The impact of these changes has been reflected in the 2018/19 core statements and the relevant disclosure notes.

NOTE 6: EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note that shows how annual expenditure is used and funded from resources (government grants, rents, 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.

	2018/19 Net Expenditure Chargeable to the General Fund Balance	2018/19 Adjustments between Funding and Accounting Basis	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18 Restated Expenditure Chargeable to the General Fund Balance	2017/18 Restated Adjustments between Funding and Accounting Basis	2017/18 Restated Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
The Leader	572	58	630	574	45	619
Environment	1,970	1,233	3,203	2,167	2,176	4,343
Health & Wellbeing	1,214	240	1,454	1,038	87	1,125
Customer Services	636	884	1,520	812	975	1,787
Regeneration	(1,893)	386	(1,507)	1,095	523	1,618
Resources	2,493	554	3,047	2,158	321	2,479
HRA	(2,709)	(854)	(3,563)	(2,850)	(1,094)	(3,944)
Net Cost of Services	**2,283**	**2,501**	**4,784**	**4,994**	**3,033**	**8,027**
Other income and expenditure	(2,274)	(1,465)	(3,739)	(5,301)	(372)	(5,673)
(Surplus) or deficit on provision of services	**9**	**1,036**	**1,045**	**(307)**	**2,661**	**2,354**
Other	-	-	-	(1)	-	(1)
Opening General Fund & HRA Reserve Balance at 31st March	(5,756)			(5,448)		
Deficit/(surplus) in Year	9			(307)		
Closing General Fund & HRA Reserve Balance at 31st March *	**(5,747)**			**(5,756)**		

* For a split of this balance between the General Fund and HRA – see the Movement in Reserves Statement.

2018/19 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	3	55	-	58
Environment	869	364	-	1,233
Health & Wellbeing	33	207	-	240
Customer Services	594	290	-	884
Regeneration	59	327	-	386
Resources	336	218	-	554
Housing Revenue Account	(434)	(420)	-	(854)
Net Cost of Services	**1,460**	**1,041**	**-**	**2,501**
Other income and expenditure from the Funding Analysis	(2,556)	762	329	(1,465)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**(1,096)**	**1,803**	**329**	**1,036**

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	10	35	-	45
Environment	1,967	209	-	2,176
Health & Wellbeing	1	86	-	87
Customer Services	912	63	-	975
Regeneration	376	147	-	523
Resources	266	55	-	321
Housing Revenue Account	(403)	(691)	-	(1,094)
Net Cost of Services	**3,129**	**(96)**	**-**	**3,033**
Other income and expenditure from the Funding Analysis	(1,359)	876	111	(372)
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit (Note 7)	**1,770**	**780**	**111**	**2,661**

Income and Expenditure analysed by nature	2018/19	2017/18 Restated
	£'000	£'000
Employee Expenses*	4,190	4,735
Depreciation, amortisation, impairment	6,242	5,182
Precepts	405	385
Payments to the Government Housing Capital Receipts Pool	384	865
Other service expenditure	44,739	45,369
Total Expenditure	55,960	56,536
Grants and contributions	(1,109)	(3,954)
Fees, charges and other service income	(43,388)	(40,780)
(Gain)/loss on disposal of non current assets	(427)	(346)
Income from council tax and business rates	(8,116)	(7,972)
Interest and Investment Income	(1,875)	(816)
Surplus on Business Combination - Pension Fund*	-	(314)
Total Income	(54,915)	(54,182)
Deficit or surplus on Provision of Services	1,045	2,354

*2017/18 employee costs include the pension costs of staff that have transferred from the CenSus partnership.

These are partially 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 Council’s share of the Joint Service costs including the employee expenses.

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

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

2018/19 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non current assets (Note 12 and 22)	(1,258)	(3,867)	-	-	-	**5,125**
Revaluation losses on Property Plant and Equipment (Note 22)	128	467	-	-	-	**(595)**
Movements in the market value of investment Properties (Note 14)	(1,640)	-	-	-	-	**1,640**
Amortisation of intangible assets (Note 22)	(62)	(9)	-	-	-	**71**
Capital grants and contributions applied (Note 22)	159	-	-	-	-	**(159)**
Revenue Expenditure funded from capital under statute (Note 22)	(729)	-	-	-	-	**729**
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 22)	(85)	(1,769)	-	-	-	**1,854**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory and voluntary provision for the financing of capital investment (Note 22)	1,016	-	-	-	-	**(1,016)**
Capital expenditure charged against the General Fund and HRA balances	44	121	-	-	-	**(165)**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,989	-	-	-	(3,989)	**-**
Repayment of Capital Grant	-	-	-	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account (Note 22)	-	-	-	-	865	**(865)**

2018/19 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Receipts Reserve Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21	1,062	(1,083)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 34)	-	-	490	-	-	**(490)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool (Note 9)	(384)	-	384	-	-	**-**
Transfer from **Deferred Capital Receipts Reserve** upon receipt of cash	-	-	(1)	-	-	**1**
Adjustments involving the Major Repairs Reserve						**-**
Transfer of depreciation to the Major Repairs Reserve (HRA Note 5)	-	3,876	-	(3,876)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,224	-	**(2,224)**
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	1	-	-	-	-	**(1)**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override (Note 14)	15	-	-	-	-	**(15)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	(4,537)	(276)	-	-	-	**4,813**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 37)	3,010	-	-	-	-	**(3,010)**

2018/19 USABLE RESERVES	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	HRA Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and NDR income credited to the CI&ES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	(329)	-	-	-	-	**329**
TOTAL ADJUSTMENTS 2018/19	**(641)**	**(395)**	**(210)**	**(1,652)**	**(3,124)**	**6,022**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment A/ct:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets (Note 12 and 22)	(1,364)	(4,539)	-	-	-	**5,903**
Revaluation losses on property plant and equipment	33	642	-	-	-	**(675)**
Movements in the market value of investment properties	111	-	-	-	-	**(111)**
Amortisation of intangible assets	(58)	(7)	-	-	-	**65**
Capital grants and contributions applied	1,386	-	-	-	-	**(1,386)**
Movement in the Donated Assets Account	-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Revenue Expenditure funded from capital under statute	(2,293)	-	-	-	-	**2,293**
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	(213)	(1,920)	-	-	-	**2,133**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	712	-	-	-	-	**(712)**
Capital expenditure charged against the General Fund & HRA	57	-	-	-	-	**(57)**
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,189	-	-	-	(1,189)	**-**
Repayment of Capital Grant	-	-	-	-	1,102	**(1,102)**
Application of grants to capital financing transferred to the Capital Adjustment Accounts	-	-	-	-	-	**-**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Receipts Reserve Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	55	757	(812)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	584	-	-	**(584)**
Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(865)	-	865	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	**-**
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA (HRA Note 5)	-	4,546	-	(4,546)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure (HRA note 5)	-	-	-	2,869	-	**(2,869)**
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements.	1	-	-	-	-	**(1)**
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22)	(3,537)	(81)	-	-	-	**3,618**
Employers Pension Contributions and direct payments to pensioners payable in the year (Note 22)	2,838	-	-	-	-	**(2,838)**

2017/18 USABLE RESERVES COMPARATIVE FIGURES Restated	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£000	£000	£000	£000	£000	£000
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(111)	-	-	-	-	**111**
TOTAL ADJUSTMENTS 2017/18	**(2,059)**	**(602)**	**637**	**(1,677)**	**(87)**	**3,788**

NOTE 8: MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

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

Movement in Earmarked Reserves	Balance at 01.04.17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31.03.18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31.03.19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves							
Capacity Issues Fund	121	(107)	444	458	(227)	194	425
Insurance Fund	181	(36)	30	175	(53)	31	153
New Technology Fund*	22	(22)	-	-	-	-	-
Special & Other Emergency	86	(5)	-	81	(21)	-	60
Business Rates Smoothing	-	-	-	-	-	402	402
Health and Safety*	33	(33)	-	-	-	-	-
Investment Property Maintenance Fund	38	-	-	38	(38)	-	-
Election Reserve	8	-	-	8	-	-	8
Grants & Contributions	426	(168)	295	553	(174)	184	563
Total General Fund	**915**	**(371)**	**769**	**1,313**	**(513)**	**811**	**1,611**
Housing Revenue Account							
New Development & Acquisition Reserve	1,761	-	-	1,761	(121)	-	1,640
Discretionary Assistance Fund	116	-	-	116	-	-	116
Business Improvement Reserve	174	(65)	-	109	-	-	109
Total Housing Revenue Account	**2,051**	**(65)**	**-**	**1,986**	**(121)**	**-**	**1,865**
Total Earmarked Reserves	**2,966**	**(436)**	**769**	**3,299**	**(634)**	**811**	**3,476**

*These small reserves have been consolidated into the Capacity Issues Fund.

RESERVE	PURPOSE OF RESERVE
Special and Other Emergency Expenditure Reserve	This will be used to cover future risks, including legal costs, liabilities arising on contractor bankruptcy etc.
Business Rates Smoothing Reserve	This reserve is intended to smooth the impact of changes to reliefs in-year.
Capacity Issues Fund	To cushion the impact of the recession and fund one-off initiatives for the community.
Insurance Fund	To fund uninsured losses.
New Technology	To fund additional IT equipment. This small reserve has been consolidated into the Capacity Issues Fund.
Health and Safety	To offset unexpected costs arising from Health and Safety legislation. This small reserve has been consolidated into the Capacity Issues Fund.
Investment Property Maintenance Fund	Fund to offset future maintenance costs of investment property.
Elections	To replace and update election equipment that previously had been funded by government.
Grants and Contributions	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.
Housing Revenue Account – Working Balance	A ring fenced reserve for Housing Revenue Account surplus.
New Development & Acquisition Reserve	Earmarked reserve specifically for new development and refurbishment of council housing**.**
Business Improvement Reserve	A new reserve to fund new digital technologies and business transformation to generate efficiencies in the Adur Homes service.
Discretionary Assistance Fund	Earmarked reserve to provide financial assistance to tenants who may require support not otherwise available.

NOTE 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2018/19	2017/18
	£'000	£'000
Parish Council Precepts	405	385
De-recognition of Assets	1,200	1,678
Payments to the Government Housing Capital Receipts Pool	384	865
(Gains)/losses on the disposal of non-current assets	(427)	(346)
TOTAL	**1,562**	**2,582**

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2018/19	Restated 2017/18
	£'000	£'000
Interest payable & similar charges	3,397	3,198
Pensions interest cost & expected return on pensions assets	762	875
Interest receivable & similar income	(193)	(170)
Income and expenditure in relation to investment properties	(1,514)	(600)
Changes in fair value of investment properties	1,640	(111)
Other investment income (Trading Operations Note 26)	(168)	(136)
TOTAL	**3,924**	**3,056**

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2018/19	2017/18
	£'000	£'000
Council Tax Income (including Parish Council Precepts)	(6,466)	(6,239)
Non Domestic Rates income and expenditure	(1,650)	(1,733)
Non-ringfenced Government Grants	(916)	(1,545)
Capital Grants and Contributions	(193)	(1,794)
TOTAL	**(9,225)**	**(11,311)**

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

Movements in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1st April 2018	171,883	31,333	6,012	6,188	1,764	-	4,467	221,647
Prior Year Adjustment	-	-	(1)	-	-	-	-	(1)
Additions	2,153	135	382	414	-	-	9,174	12,258
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13,800	1,012	22	1	-	-	- 760	15,595
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	19	378	-	-	-	54	-	451
Derecognition	(1,231)	(27)	(584)	(71)	-		-	(1,913)
Assets reclassified (to)/from Held for Sale	(588)	-	-	-	-	-	-	(588)
Reclassifications to Intangible Assets	-	-	-	-	-	-	(47)	(47)
Reclassifications between PPE asset classes	(620)	(233)	-	93	-	1,336	(576)	-
As at 31st March 2019	**185,416**	**32,598**	**5,831**	**6,625**	**1,764**	**1,390**	**13,778**	**247,402**
Accumulated Depreciation and Impairment								
1st April 2018	-	(1,406)	(3,148)	(2,265)	-	-	(29)	(6,848)
Depreciation charge	(3,764)	(601)	(550)	(210)	-	-	-	(5,125)
Depreciation written out to the Revaluation Reserve	3,691	1,741	(7)	-	-	-	-	5,425
Deprecation written out to the Surplus/Deficit on the Provision of Services	5	139	-	-	-	-	-	144
Derecognition	55	2	518	71	-	-	-	646
Reclassifications between PPE asset classes	13	12	-	-	-	(10)	(15)	-
As at 31st March 2019	**-**	**(113)**	**(3,187)**	**(2,404)**	**-**	**(10)**	**(44)**	**(5,758)**
Net Book Value at 31st March 2019	**185,416**	**32,485**	**2,644**	**4,221**	**1,764**	**1,380**	**13,734**	**241,644**
Net Book Value at 31st March 2018 Restated	**171,883**	**29,927**	**2,864**	**3,923**	**1,764**	**-**	**4,438**	**214,799**

OPERATIONAL ASSETS

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

Movements in 2018/19	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	**£'000**	**£'000**
Cost			
1st April 2018	5,190	275	5,465
Additions	311	(67)	244
Reclassifications	-	(9)	(9)
Derecogniton - Other	(584)	-	(584)
at 31st March 2019	**4,917**	**199**	**5,116**
Accumulated Depreciation and Impairment			
1st April 2018	(2,659)	-	(2,659)
Transfer out of Joint Account	-	-	-
Depreciation charge	(486)	-	(486)
Derecognition - Other	517	-	517
at 31st March 2019	**(2,628)**	**-**	**(2,628)**
Net Book Value at 31st March 2019	**2,289**	**199**	**2,488**
Net Book Value at 31st March 2018	**2,531**	**275**	**2,806**

Comparative Movements 2017/18

Movements in 2017/18 - Restated	Council Dwellings	RESTATED Other and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Assets Under Const-ruction	Restated TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2017	173,794	29,649	5,643	6,273	1,764	1,864	218,987
Additions	2,797	404	1,638	16	-	1,984	6,839
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,142	756	-	13	-	-	- 2,911
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,809)	595	-	-	-	-	(3,214)
Derecognition	(1,520)	(227)	(1,270)	(2)	-	-	(3,019)
Assets reclassified (to)/from Held for Sale	(388)	-	-	-	-	-	(388)
Reclassifications to other categories - Intangible Assets and Revenue Expenditure Funded from Revenue Sources	-	-	-	(112)	-	(357)	(469)
Reclassifications between PPE asset classes	(1,133)	156	1	-	-	976	-
As at 31st March 2018	**171,883**	**31,333**	**6,012**	**6,188**	**1,764**	**4,467**	**221,647**
Accumulated Depreciation and Impairment							
At 1st April 2017	-	(839)	(3,797)	(2,054)	-	-	(6,690)
Depreciation charge	(4,422)	(656)	(612)	(213)	-	-	(5,903)
Depreciation written out to the Revaluation Reserve	522	1	-	-	-	-	523
Deprecation written out to the Surplus/Deficit on the Provision of Services	3,810	79	-	-	-	-	3,889
Derecognition	61	9	1,261	2	-	-	1,333
Reclassifications between PPE asset classes	29	-	-	-	-	(29)	-
As at 31st March 2018	**-**	**(1,406)**	**(3,148)**	**(2,265)**	**-**	**(29)**	**(6,848)**
Net Book Value **As at 31st March 2018**	**171,883**	**29,927**	**2,864**	**3,923**	**1,764**	**4,438**	**214,799**
As at 31st March 2017	**173,794**	**28,810**	**1,846**	**4,219**	**1,764**	**1,864**	**212,297**

Comparative Movements 2017/18

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

Movements in 2017/18	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
	£'000	£'000	£'000
Cost			
At 1st April 2017	4,852	102	4,954
Transfer out of Joint Account	(16)	-	(16)
Additions	1,617	184	1,801
Reclassifications	1	(11)	(10)
Derecogniton - Other	(1,264)	-	(1,264)
As at 31st March 2018	**5,190**	**275**	**5,465**
Accumulated Depreciation and Impairment			
At 1st April 2017	(3,377)	-	(3,377)
Transfer out of Joint Account	16	-	16
Depreciation charge	(553)	-	(553)
Derecognition - Other	1,255	-	1,255
As at 31st March 2018	**(2,659)**	**-**	**(2,659)**
Net Book Value at 31st March 2018	**2,531**	**275**	**2,806**
Net Book Value at 31st March 2017	**1,475**	**102**	**1,577**

Depreciation

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

- Council Dwellings: 15 – 60 years
- Other Land and Buildings: 1 – 60 years
- Vehicles, Plant, Furniture and Equipment: 1 – 25 years
- Infrastructure: 5 - 25 years

Capital Commitments

At 31st March 2019 the Council has entered into 7 significant contracts for the acquisition, development and enhancement of assets in future years estimated to cost £18.056m. The significant commitments at 31st March 2018 were £8.886m. The significant commitments at 31st March 2019 are:

- ICT Computers: £183,223
- Refuse / Recycling / Street Cleansing Vehicle Replacements: £110,766
- Grant to Sussex Yacht Club for the relocation of their club house: £3,300,000
- Housing Stock fire doors – Extendable on an annual basis for 5 years £300,000 per annum.
- Adur Civic Centre Redevelopment Phase 1 - £8,302,696
- Acquisition of Erskin Court: £5,675,000
- Financial Management System Replacement: £183,986

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, GSE Harbord MA MRICS IRRV (Hons). 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 Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

	Council Dwellings	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Const-ruction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,644	4,221	1,764	-	13,734	22,363
Valued at current value as at:								
31st March 2019	185,416	15,377	-	-	-	1,255	-	202,048
31st March 2018	-	1,272	-	-	-	-	-	1,272
31st March 2017	-	2,962	-	-	-	-	-	2,962
31st March 2016	-	12,874	-	-	-	125	-	12,999
Total Cost or Valuation	**185,416**	**32,485**	**2,644**	**4,221**	**1,764**	**1,380**	**13,734**	**241,644**

NON-OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (SURPLUS ASSETS)

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2019:

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 31st March 2019
	£'000	**£'000**	**£'000**	**£'000**
Land	-	1,255	-	1,255
Public Convenience	-	125	-	125
TOTAL	-	**1,380**	**-**	**1,380**

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.

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.

There were no surplus assets at 31st March 2019.

NOTE 13: HERITAGE ASSETS

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

Movements in 2018/19	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2018	11	28	185	224
Revaluations	1	1	-	2
As at 31st March 2019	**12**	**29**	**185**	**226**
As at 31st March 2018	**11**	**28**	**185**	**224**

COMPARATIVE MOVEMENTS 2017/18

Movements in 2017/18	Civic Regalia	Fine Art/ Furniture	Monuments	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2017	11	28	185	224
As at 31st March 2018	**11**	**28**	**185**	**224**

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

Fine Art/Furniture

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

Monuments

The war memorial at The Green, Southwick is reported in the Balance Sheet at historical cost as it is not practical to provide a valuation

NOTE 14: INVESTMENT PROPERTIES

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

	2018/19	2017/18
	£'000	**£'000**
Rental income from investment property	(1,814)	(1,055)
Direct operating expenses arising from investment property	300	545
Net (gain)/loss	**(1,514)**	**(510)**

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

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

	2018/19	Restated 2017/18
	£'000	**£'000**
Balance at start of the year	12,121	431
Additions:		
New Lease Granted	-	72
Acquisitions	26,532	11,579
Net gains/losses from fair value adjustments:		
General Fund	(1,640)	39
Balance at end of the year	37,013	12,121

Fair Value Measurement of Investment Property

Details of the authority’s investment properties and information about the fair value hierarchy as at 31st March 2019 and 31st March 2018 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 31st March 2019
	£'000	**£'000**	**£'000**	**£'000**
Land	-	544	-	544
Office	-	22,030	-	22,030
Petrol Filling Station	-	2,729	-	2,729
Retail	-	11,710	-	11,710
TOTAL	-	37,013	-	37,013

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Restated Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Restated Fair value as at 31st March 2018
	£'000	£'000	£'000	£'000
Land	-	12,121	-	12,121
TOTAL	-	12,121	-	12,121

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 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.

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 15: FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Fair Value through Profit and Loss	983	968	-	-	-	-	-	-	**983**
Amortised Cost - Principal and adjustments	4	5	51	106	6,000	9,000	2,062	1,775	**8,117**
Amortised Cost - Cash and Cash Equivalents	-	-	-	-	4,747	1,037	-	-	**4,747**
Amortised Cost - accrued interest	-	-	-	-	64	53	-	-	**64**
Fair Value through other comprehensive income	50	75	-	-	-	-	-	-	**50**
Total Financial Assets	**1,037**	**1,048**	**51**	**106**	**10,811**	**10,090**	**2,062**	**1,775**	**13,961**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**3,097**	**3,854**	**3,097**
Total	**1,037**	**1,048**	**51**	**106**	**10,811**	**10,090**	**5,159**	**5,629**	**17,058**

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Amortised Cost - Principal	(110,708)	(82,717)	**-**	**-**	(5,886)	(2,849)	(1,930)	(2,420)	**(118,524)**
Amortised cost - accrued interest	-	-	-	-	(498)	(398)	-	-	**(498)**
Total Financial Liabilities	**(110,708)**	**(82,717)**	**-**	**-**	**(6,384)**	**(3,247)**	**(1,930)**	**(2,420)**	**(119,022)**
Non-financial liabilities	-	-	-	-	-	-	**(3,296)**	**(3,542)**	**(3,296)**
Total	**(110,708)**	**(82,717)**	**-**	**-**	**(6,384)**	**(3,247)**	**(5,226)**	**(5,962)**	**(122,318)**

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

The Non-financial assets and liabilities are the balances which do not meet the definition of a financial instruments, such as tax-based debtors and creditors.

Classification of Assets and Liabilities

Most of the Council's investments are fixed term deposits with UK banks and building societies, which are still valued on an amortised basis. They are included in Long Term Investments and Short Term Investments on the Balance Sheet, although as at 31 March 2019 they are all Short Term Investments. The Council's investments in money market funds are valued at amortised cost and are included in Cash and Cash Equivalents.

The Council's other investments continue to be carried on the Balance Sheet at fair value, assessed on a recurring basis, and the following classifications have been used from 1 April 2018:

The Council's investment in the Local Authorities' Property Fund has been reclassified from Available for Sale Financial Assets to Fair Value through Profit or Loss and the current value of £983k is included in the Long Term Investments on the Balance Sheet. However due to statutory override, any unrealised gain or loss (shown in the table below) is not charged to the revenue account. - it is posted to the Financial Instrument Revaluation Reserve. This investment is classified as a Level 1 input, as explained in the Accounting Policies (Note1), and the valuation technique used is the bid value of the units in the Fund as at 31 March 2019. Dividends are received quarterly and are credited to the revenue account.

The Council holds two investments for policy purposes, which have been designated as Fair Value through Other Comprehensive Income, because they are not held in order to collect contractual cash flows and no income has been received:

- reclassified from loans and receivables: £25,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- reclassified from Available for Sale Financial Assets: 75,000 ordinary shares with the UK Municipal Bonds Agency, which was set up to provide financing choices for UK local authorities.

These investments are classified as Level 2 inputs, using "other significant observable inputs" to arrive at the fair value. On this basis the Boom Credit Union holding is valued at cost and the UK Municipal Bonds Agency holding has been written down from £50,000 to £25,000, due to uncertainty regarding its future activity. The loss is shown in the table below. These assets are included in Long Term Investments on the Balance Sheet.

There were no transfers between input levels during the year and no changes in the valuation technique used.

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:

	2018/19	2018/19	2017/18	2017/18
	Surplus or Deficit on the Provision of Services	**Other Comprehensive Income and Expenditure**	**Surplus or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Net gains/(losses) on:				
financial assets measured at fair value through profit or loss (Local Authorities' Property Fund)	15	-		(32)
financial assets measured at amortised cost	57	-	(58)	-
financial assets measured at fair value through other comprehensive income (Municipal Bonds Agency)	-	(25)	-	-
Total net gains/(losses)	**72**	**(25)**	**(58)**	**(32)**
Interest revenue:				
financial assets measured at amortised cost	136	-	129	-
other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	43	-	41	-
Total interest revenue	**179**	**-**	**170**	**-**
Interest expense	**(3,398)**	**-**	**(3,198)**	**-**
Fee expense on financial liablilities that are not at fair value through profit or loss	**(10)**	**-**	**(5)**	**-**

The losses and gains in assets measured at amortised cost relate to the change in the provisions for losses on trade debtors calculated in accordance with accounting policies.

Capitalisation of Borrowing Costs

The Council capitalised £85,563 of borrowing costs, at an average rate of 2.11%, relating to the development of an office building on the Civic Centre car park site in Shoreham.

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 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.

The fair value of the reported carrying amounts at 31st March 2019 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.

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

	31st March 2019		31st March 2018	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	(98,666)	(115,779)	(67,536)	(81,828)
Non-PWLB Debt	(18,426)	(33,249)	(18,428)	(32,967)
Short Term Creditors	(1,930)	(1,930)	(2,420)	(2,420)
Total	**(119,022)**	**(150,958)**	**(88,384)**	**(117,215)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above 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.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £170.32m, which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
The fair values for Financial Assets are compared with the carrying amounts as follows:

Financial Assets - valued at amortised cost	31st March 2019		at 31st March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	6,064	6,065	9,053	9,070
Long term investments	4	4	5	5
Cash and cash equivalents	4,747	4,747	1,037	1,037
Short term debtors	2,062	2,062	1,775	1,775
Long term debtors	51	51	106	106
Total	**12,928**	**12,929**	**11,976**	**11,993**

The fair value of the financial assets is almost the same as the carrying amount because the Council's fixed rate loans held at 31st March, 2019 are at interest rates similar to the rates for similar loans in the market at the Balance Sheet date.

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

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 is available on the Council's website at https://www.adur-worthing.gov.uk/media/media.152368.en.pdf.

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy and particular regard is given to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria

- UK institutions provided with support from the UK Government and support rating AA- for other countries

- 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 2018/19 was approved by the Council on 22nd February 2018 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.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk in relation to its total investments of £9.5m in banks 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 2019 that this was likely to crystallise and there is no material Expected Credit Loss.

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-19	Estimated Maximum Exposure to Loss 31-Mar-19	Estimated Maximum Exposure 31-Mar-18
	£'000	£'000	£'000
Lease debtors	169	61	88
Sundry debtors	1,893	666	815

Excluding statutory debtors – Council Tax/NNDR

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2019 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 16.

Credit Risk Exposure

At 31st March 2019 the Council the Council held £1m of bank investments at credit rating A+ and £5m at rating A. £3.5m classified as Cash and Cash Equivalents was held in AAA rated money market funds. There has been no significant increase in credit risk since initial recognition and no credit impairment. No credit limits were exceeded during the reporting period. All of these investments are due to be repaid within 12 months.

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.

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 procedures, 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 provides 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by the Council in the Treasury Management Strategy):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2019	Actual 31 March 2019	Actual 31 March 2018	Actual 31 March 2018
				£'000s		£'000s
Maturing within one year	0%	20%	6%	6,384	4%	3,247
Maturing in 1-2 years	0%	25%	5%	5,892	3%	2,854
Maturing in 2-5 years	0%	30%	14%	16,904	10%	8,176
Maturing in 5-10 years	0%	50%	19%	22,622	16%	13,558
Maturing in 10-20 years	0%	60%	27%	31,430	26%	22,557
Maturing in 20-30 years	0%	60%	4%	5,202	8%	6,904
Maturing in more than 30 years	0%	45%	25%	28,658	33%	28,668
TOTAL			**100%**	**117,092**	**100%**	**85,964**

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

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure 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 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.

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 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 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments - impact on Surplus or Deficit on the Provision of Services	37
Share of overall impact credited or debited to the HRA	10
Decrease in fair value of fixed rate investment assets - impact on Other Comprehensive Income and Expenditure	5
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	17,874

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.

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 £1m in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. Due to statutory override, any gains or losses are not charged to the General Fund.

Foreign Exchange Risk

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

NOTE 16: DEBTORS

Amounts falling due in one year net of bad debt impairment provision:	**31-Mar-19** **£'000s**	**31-Mar-18** **£'000s**
Central Government Bodies	315	904
Other Local Authorities	1,098	1,068
NHS Bodies	26	30
*Other Entities and Individuals	3,720	3,627
	5,159	5,629
*** Of which £1.6m relates to net Housing Benefit overpayment arrears**		

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

Overall Aged Debt Analysis	**31-Mar-19**	**31-Mar-18**
	£'000	**£'000**
Under 1 year	4,917	5,337
1 - 2 years	44	42
2 - 3 years	30	27
Over 3 years	168	223
	5,159	5,629

Long Term Debtors

Long term debtors disclosed in the balance sheet comprise of:

Long Term Debtors	**31-Mar-19**	**31-Mar-18**
	£'000s	**£'000s**
Council house purchase	-	1
Car loans	51	105
TOTAL	**51**	**106**

NOTE 17: CASH AND CASH EQUIVALENTS

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

	31-Mar-19	31-Mar-18
	£'000	**£'000**
The balance is made up of the following elements:		
Cash held/(overdrawn) by the Council	1	1
Bank Current Accounts	1,232	236
Call Accounts and Money Market Funds	3,514	800
Total Cash & Cash Equivalents	**4,747**	**1,037**

NOTE 18: ASSETS HELD FOR SALE

	Current 2018/19	Current 2017/18	Non Current 2018/19	Non Current 2017/18
	£'000	**£'000**	**£'000**	**£'000**
Balance outstanding at start of year 1st April 2018	-	58	-	-
Assets newly classified as held for sale:				
From Property, Plant and Equipment	588	388	-	-
Assets sold:	(588)	(446)	-	-
Balance outstanding at year-end	**-**	**-**	**-**	**-**

The Authority recognised the following assets as held for sale during 2018/2019

- 9 Council Dwellings being sold under 'Right to Buy' Regulations were reclassified as held for sale.
- 9 sales of 'Right to Buy' Council Dwellings completed in 2018/2019.

NOTE 19: CREDITORS

	31-Mar-19	31-Mar-18
	£'000s	**£'000s**
Central Government Bodies	(1,089)	(1,813)
Other Local Authorities	(1,937)	(1,482)
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	(2,200)	(2,667)
TOTAL	**(5,226)**	**(5,962)**

NOTE 20: 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-18	Additional provisions made in 2018/19	Amounts used in 2018/19	Balance at 31-Mar-19
	£'000	**£'000**	**£'000**	**£'000**
Census Partnership	(69)	(69)	-	(138)
Courtfields Major works	(358)	(17)	-	(375)
Insurance Provision	(25)	-	-	(25)
Land Charges Provision	(8)	-	-	(8)
Business Rates Appeals	(393)	-	137	(256)
	(853)	**(86)**	**137**	**(802)**

Land Charges Provision:

The Council is involved in litigation, concerning fees charged since 2005, for property searches. Local authorities have charged for property searches, but private search companies have now complained that the fees set are incompatible with the Environmental Information Regulations 2004.

These regulations provide that environmental information should be made available for personal inspection at no charge. Numerous private property search companies have now issued and/or threatened claims against authorities for charges levied from 1st January 2005 onwards. In March 2011, central government provided £40,000 to each authority to cover potential claims for refunds. Several claims have now been settled, leaving just interest and legal costs to be agreed.

Courtfields Major Works:

This Reserve is a provision for the cost of works that the Council is obliged to undertake at Courtfields, which has been increased by £17,275. No major works are currently programmed for the properties but it is highly likely that some major works will need to be undertaken in the next few years.

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 £638,557, Adur Council’s share is £255,423, being 40% of the total.

Census Partnership cessation costs:

A provision has been made for the impact of the withdrawal from the CenSus Revenues & Benefits contract.

Insurance Provision – A provision for outstanding claims at year end.

NOTE 21: USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 28

NOTE 22: UNUSABLE RESERVES

UNUSABLE RESERVES	31st March 2019	Restated 31st March 2018
	£'000s	**£'000s**
Revaluation Reserve	(99,134)	(79,142)
Available for Sale Financial Instruments Reserve	-	32
Capital Adjustment Account	(56,807)	(59,684)
Financial Instruments Adjustment Account	430	431
Financial Instruments Revaluation Reserve	42	-
Deferred Capital Receipts Reserve	-	(1)
Pension Reserve	34,023	28,752
Collection Fund Adjustment Account	675	346
TOTAL UNUSABLE RESERVES	**(120,771)**	**(109,266)**

Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 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	2018/19	2017/18
	£'000	**£'000**
Balance at 1st April	(79,142)	(76,538)
Upward revaluation of assets	(21,608)	(8,005)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	588	4,570
Surplus or deficit on revaluation of non-current assets charged to other comprehensive income and expenditure	**(21,020)**	**(3,435)**
Difference between fair value depreciation and historical cost depreciation	773	655
Accumulated gains on assets sold	255	176
Amount written off to Capital Adjustment Account	**1,028**	**831**
Balance at 31st March	**(99,134)**	**(79,142)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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	2018/19	Restated 2017/18
	£'000	£'000
Balance at 1st April	**(59,684)**	**(61,752)**
Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure		
Charges for depreciation and impairment of non-current assets	5,125	5,903
Revaluation losses and reversals of previous revaluation losses on property, plant and equipment	(595)	(675)
Amortisation of intangible assets	71	65
Revenue expenditure funded from capital under statute Current Year	728	1,834
Revenue expenditure funded from capital under statute Prior Years	1	459
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	1,854	2,133
Net written out amount of the cost of non-current assets consumed in the year	**7,184**	**9,719**
Adjusting amounts written out of the Revaluation Reserve	(1,028)	(831)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(490)	(583)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,224)	(2,869)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(159)	(1,386)
Application of grants to capital financing from the Capital Grants Unapplied Account	(865)	(1,102)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,016)	(712)
Capital expenditure charged against the General Fund and HRA balances	(165)	(57)
	(5,947)	**(7,540)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1,640	(111)
Balance at 31st March	**(56,807)**	**(59,684)**

Financial Instruments Adjustment Account

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

Pension Reserve

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

Pensions Reserve	2018/19	2017/18
	£'000	£'000
Balance at 1st April	28,752	34,961
Remeasurements of the net defined benefit liability / (asset)	3,468	(6,989)
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	4,813	3,618
Employer's pension contributions and direct payments to pensioners payable in the year	(3,010)	(2,838)
Balance at 31st March	34,023	28,752

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2018/19	2017/18
	£'000	£'000
Balance at 1 April	346	235
Amount by which council tax income recognised in the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	27	28
Amount by which non domestic rates income recognised in the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	302	83
Balance at 31 March	**675**	**346**

NOTE 23: CASH FLOW - OPERATING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	183	159
Interest paid	(3,298)	(3,138)
Total	**(3,115)**	**(2,979)**

Cash Flow – Net Cash Flow From Operating Activities

	Net 2018/19	Net 2017/18
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(1,045)**	**(2,354)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	5,125	5,903
Impairment and downward valuations	(595)	(675)
Amortisation	71	65
Increase/(Decrease) in Creditors	(502)	(636)
(Increase)/Decrease in Debtors	565	(120)
(Increase)/Decrease in Inventories	(5)	(1)
Movement in Pension Liability	1,803	779
Contributions to/(from) Provisions	51	(172)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,854	2,133
Movement in Investment property values	1,519	(113)
	9,886	**7,163**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,095)	(822)
Net capital Grants credited to surplus or deficit on the provision of services	(4,155)	(2,574)
	(5,250)	**(3,396)**
Net Cash Flows from Operating Activities	**3,591**	**1,413**

NOTE 24: CASH FLOW - INVESTING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(39,045)	(17,898)
Purchase of short-term and long-term investments	(98,283)	(103,120)
Other payments for investing activities	(21)	(100)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,745	822
Proceeds from short-term and long-term investments	101,283	103,120
Other receipts from investing activities	3,659	2,677
Net cash flows from investing activities	**(30,662)**	**(14,499)**

NOTE 25: CASH FLOW - FINANCING ACTIVITIES

	Net 2018/19	Net 2017/18
	£'000	£'000
Cash receipts of short- and long-term borrowing	35,035	13,368
Repayments of short- and long-term borrowing	(4,007)	(2,782)
Other payments for financing activities	(247)	(2,380)
Net cash flows from financing activities	**30,781**	**8,206**

NOTE 26: TRADING OPERATIONS

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

	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	2017/18 Net Expenditure
	£'000	£'000	£'000	£'000
Trade Refuse	431	(599)	(168)	(136)
	431	**(599)**	**(168)**	**(136)**

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

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

NOTE 27: AGENCY SERVICES

Adur District Council has entered into an Agency Agreement with West Sussex County Council to provide the Parking Enforcement for the District. In 2018/19 income collected was £173,941 (2017/18 £143,425) and expenditure was £173,495 (2017/18 £173,128). West Sussex County Council contributes £50,000 towards this contract, with the balance being funded by Adur District Council.

The Council also has Agency Agreements with other Local Authorities for Treasury Management, and Insurance Provision to provide Value for Money, relying on expertise within particular authorities. These Agency Agreements are deemed by Adur Council to be immaterial.

NOTE 28: MEMBERS' ALLOWANCES

The total allowances paid to Members were as follows:

2018/19	2017/18
£	**£**
205,510	200,180

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.

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:-

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

Remuneration Bands	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 to £54,999	13	6
£55,000 to £59,999*	3	4
£60,000 to £64,999	4	5
£65,000 to £69,999	3	4
£70,000 to £74,999*	4	6
£75,000 to £79,999	4	2
£80,000 to £84,999	1	1
£90,000 to £94,999	-	3
£95,000 to £99,999	3	1
£115,000 to £119,999	1	-
£120,000 to £124,999	-	1
	36	**33**

* These include redundancy, efficency of service and settlement payments relating to 2018/19 and 2017/18. Please see the exit packages table at the end of this note and Note 30 termination benefits for a breakdown of these payments.

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 2018/19 and in 2017/18.

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

Note 2: The Chief Executive, Directors and Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing Borough Council as part of a formally agreed partnership arrangement where costs are shared and included in the support service allocations to the authorities.

There were no bonuses paid to these staff in either 2018/19 or 2017/18.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above							
Postholder	**Salary, Fees and Allowances**	**Compensation for loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contribution - Employer Only**	**Total Remuneration including Pension Contributions**	**Net Cost bourne by Worthing B.C. and paid to Adur D.C.**	**Net Cost borne by Adur D.C. Employing Authority**
Chief Executive							
2018/19	118,824	-	118,824	25,072	143,896	71,948	71,948
2017/18	120,438	-	120,438	25,412	145,850	72,925	72,925
Director for Communities							
2018/19	99,750	-	99,750	21,047	120,797	72,478	48,319
2017/18	92,920	-	92,920	19,606	112,526	60,201	52,325
Director for Digital & Resources							
2018/19	99,750	-	99,750	21,047	120,797	66,740	54,057
2017/18	95,726	-	95,726	20,198	115,924	62,715	53,209
Director for the Economy							
2018/19	99,750	-	99,750	21,047	120,797	82,142	38,655
2017/18	93,849	-	93,849	19,802	113,651	77,283	36,368
Director for Customer Services							
2018/19	-	-	-	-	-	-	-
2017/18	50,326	44,000	94,326	9,559	103,885	62,331	41,554
Head of Finance ***S151 Officer***							
2018/19	77,090	-	77,090	16,266	93,356	54,053	39,303
2017/18	73,448	-	73,448	15,498	88,946	48,209	40,737
Head of Legal ***Monitoring Officer***							
2018/19	69,522	-	69,522	14,831	84,353	47,816	36,537
2017/18	68,144	-	68,144	14,540	82,684	40,912	41,772
Head of Planning & ***Strategic Planning***							
2018/19	70,288	-	70,288	14,831	85,119	43,411	41,708
2017/18	70,465	-	70,465	14,868	85,333	43,520	41,813
Head of Housing ***Strategic Housing***							
2018/19	66,860	-	66,860	13,955	80,815	29,093	51,721
2017/18	72,586	-	72,586	15,316	87,902	10,548	77,354

NOTE 30 OFFICERS' 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)	
Exit package cost band (including special payments)	**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**	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
							£	**£**
£0 - £20,000	6	2	9	2	15	4	148,079	28,931
£20,000 - £40,000	3	1	4	4	7	5	188,290	151,380
£40,000 - £60,000	-	-	1	2	1	2	52,065	96,065
£60,000 - £80,000	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings	9	3	14	8	23	11	388,434	276,376
Total cost included in CIES	9	3	14	8	23	11	388,434	276,376

These redundancy costs are shared between Adur & Worthing Councils in proportion to the service allocation. The total cost of £388,424 in the table above includes **£161,176** for exit packages that have been charged to Adur's Comprehensive Income and Expenditure Statement in the current year.

TERMINATION BENEFITS

	Adur
	£
Redundancy costs	161,176
Enhanced Pension Benefits	99,571
Total termination benefit 2018/19	260,747
Termination benefits 2017/18	186,499

Of this total, £161,176 is payable in the form of compensation for loss of office and £99,571 is the 2018/19 cost of enhanced pension benefits which is 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 Ernst and Young) relating to external audit.

	2018/19	2017/18
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	37	48
Fees payable to external auditors for the certification of grant claims and returns for the year	15	27
TOTAL	**52**	**75**

NOTE 32: GRANT INCOME

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

	2018/19	2017/18
	£'000s	£'000s
Credited to Taxation and Non specific Grant Income		
Council Tax Transition Grant	-	(73)
New Homes Bonus Scheme	(202)	(557)
Revenue Support	-	(271)
Section 31 Grant	(714)	(644)
	(916)	**(1,545)**
Credited to Taxation and Non specific Grant Income		
S106 Other Contributions	(62)	(613)
	(62)	**(613)**
Capital Grants & Donations - Specific		
Local Enterprise Partnership Funding	(86)	(1,113)
MHCLG Disabled Facilities Grant	(650)	(615)
Local Enterprise Partnership Funding via Worthing BC	(3,285)	(90)
Other Grants & Donations	(73)	(144)
	(4,094)	**(1,962)**
Credited to Services - General Fund Grants		
Brighton & Hove City Council - Heat Delivery Unit	-	(30)
Cabinet Office - IER s31 grant	(13)	(13)
Department of Work and Pensions	(89)	(67)
MHCLG - Growth Point for Shoreham Harbour	-	(259)
MHCLG - Flexible Homelessness Support	(206)	(184)
MHCLG - Other	(160)	(70)
Other Grants	-	(1)
WSCC - LEAP Funding	(71)	(55)
Grants recognised in the Joint Committee	(532)	(474)
	(1,071)	**(1,153)**
TOTAL	**(6,143)**	**(5,273)**

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

	2018/19	2017/18
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Brighton& Hove City Council - Heat Network Delivery Unit	-	(51)
MHCLG - Other	(16)	(63)
WSCC - LEAP funding	(17)	(87)
Grants recognised in the Joint Committee	(237)	(209)
TOTAL	**(270)**	**(410)**

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). Grants received from government departments are set out in Note 32. Grant receipts which remain to be used at 31st March 2019 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 2018/19 is shown in Note 28. During 2018/19 there were no related party transactions declared by Councillors. In 2018/19 all contracts were entered into in full compliance with the Council's standing orders. Details of all members' transactions are recorded in the Register of Members' Interests, open to public inspection on the Council's website.

There were no related party transactions declared by officers in 2018/19.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Council

The Council has a 30 year agreement with Impulse Leisure Trust to manage two leisure centres and one community swimming pool.

Payment of a subsidy of £145,000 was made to Impulse Leisure Trust in 2018/19. The value of this receipt is material to the Leisure Centre Trust.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2018/19	Restated 2017/18
	£'000	**£'000**
Opening Capital Financing Requirement	88,603	75,012
Capital Investment		
Property, Plant and Equipment	12,258	6,839
Investment Properties	26,532	11,579
Intangible Assets	47	49
Revenue Expenditure Funded from Capital Under Statute	729	1,834
Sources of Finance		
Capital receipts	(490)	(584)
Government grants and other contributions	(1,024)	(2,488)
Sums set aside from revenue:		
Direct revenue contributions	(44)	(51)
MRP/loans fund principal	(1,016)	(712)
Revenue funding	(2,345)	(2,875)
Closing Capital Financing Requirement	**123,250**	**88,603**
Explanation of movements in year		
Increase/ (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	34,647	13,591
Increase/(decrease) in Capital Financing Requirement	**34,647**	**13,591**

NOTE 35: LEASES

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
- as part of the Council's Strategic Investment Policy to maximise rental income for the Authority (see note 14).

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

	31-Mar-19	31-Mar-18
	£'000	**£'000**
Not later than one year	2,416	1,311
Later than one year and not later than five years	7,322	1,936
Later than five years	11,903	3,075
	21,641	6,322

Operating Leases - Lessee

The Authority is the lessee of a number of properties which it sublets to tenants of Adur Homes. The non-cancellable rentals due for lessor and lessee rents cannot be quantified with certainty, but are deemed not to be material and therefore excluded from the tables above.

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities		31-Mar-19	31-Mar-18
	See Note No.	**£'000s**	**£'000s**
Commuted Sums		(8)	(8)
Pension Reserve Liability	37	(34,023)	(28,752)
TOTAL		**(34,031)**	**(28,760)**

NOTE 37: DEFINED BENEFIT PENSION PLANS

Participation in Pension Plans

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

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

Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Adur 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
	£'000s	£'000s	£'000s	£'000s
Cost of services				
Current service cost	(628)	(2,558)	(3,186)	(3,122)
Past service cost	(179)	(686)	(865)	(46)
Effect of business combination	-	-	-	425
Financing & Investment Income & Expenditure				
Net Interest cost	(749)	(13)	(762)	(875)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(1,556)**	**(3,257)**	**(4,813)**	**(3,618)**
Other post employment benefit charged to the CI&E Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	2,749	1,897	4,646	4,444
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(3,643)	(4,395)	(8,038)	2,101
Other (if applicable)	(76)	-	(76)	444
Total remeasurements recognised in the other comprehensive income	**(970)**	**(2,498)**	**(3,468)**	**6,989**
Total post-employment benefits charged to the CI&E statement	**(2,526)**	**(5,755)**	**(8,281)**	**3,371**

Transactions Relating to Post-employment Benefits

	Adur 2018/19	Joint Committee 2018/19	Total 2018/19	Total 2017/18
	£'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	(1,556)	(3,257)	(4,813)	(3,618)
Actual amounts charged against the General Fund balance for pensions in the year:				
Employer's contributions payable to the scheme	1,412	1,445	2,857	2,685
Retirement benefits payable to pensioners	153	-	153	153
Total charged against the General Fund balance	1,565	1,445	3,010	2,838

Pension Assets and Liabilities

Pensions Assest and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint Cttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(94,897)	(51,033)	(145,930)	(91,639)	(42,232)	(133,871)
Fair value of plan assets	64,756	47,151	111,907	62,459	42,660	105,119
Net liability arising from defined benefit obligation	**(30,141)**	**(3,882)**	**(34,023)**	**(29,180)**	**428**	**(28,752)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
Opening fair value of scheme assets	62,459	42,660	105,119	60,503	37,582	98,085
Interest income	1,595	1,170	2,765	1,483	1,008	2,491
Remeasurement gain / (loss):			-			-
The return on plan assets, excluding the amount included in the net interest expense	2,749	1,897	4,646	2,731	1,713	4,444
Contributions from employer	1,565	1,445	3,010	1,498	1,340	2,838
Contributions from employees into the scheme	102	438	540	92	427	519
Benefits paid	(3,715)	(458)	(4,173)	(3,848)	(394)	(4,242)
Effect of Business Combination	-	-	-	-	984	984
Closing fair value of scheme assets	**64,755**	**47,152**	**111,907**	**62,459**	**42,660**	**105,119**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1st April	(91,639)	(42,232)	(133,871)	(94,106)	(38,941)	(133,047)
Current service cost	(628)	(2,558)	(3,186)	(587)	(2,535)	(3,122)
Interest cost	(2,345)	(1,182)	(3,527)	(2,312)	(1,054)	(3,366)
Contributions from scheme members	(102)	(438)	(540)	(92)	(427)	(519)
Remeasurement (gains) and losses:						
Actuarial gains / losses arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	(3,643)	(4,395)	(8,038)	1,183	918	2,101
Other experience	(76)	-	(76)	444	-	444
Past service cost	(179)	(686)	(865)	(17)	(29)	(46)
Benefits paid	3,715	458	4,173	3,848	395	4,243
Liabilities extinguished on settlements	-	-	-	-	(559)	(559)
Closing balance 31st March	**(94,897)**	**(51,033)**	**(145,930)**	**(91,639)**	**(42,232)**	**(133,871)**

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					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,784.9	1,299.6	3,084.5	1,607.4	1,097.9	2,705.3
Equity instruments:						
Consumer	6,307.9	4,593.0	10,900.9	8,885.6	6,068.9	14,954.5
Manufacturing	3,721.6	2,709.8	6,431.4	5,708.8	3,899.1	9,607.9
Energy and Utilities	1,971.4	1,435.4	3,406.8	3,016.4	2,060.2	5,076.6
Financial Institutions	7,769.2	5,657.0	13,426.2	10,173.0	6,948.2	17,121.2
Health and Care	3,116.6	2,269.3	5,385.9	4,327.7	2,955.8	7,283.5
Information Technology	4,193.2	3,053.2	7,246.4	8,535.2	5,829.6	14,364.8
Other	3,700.1	2,694.2	6,394.3	2,877.7	1,965.4	4,843.1
Sub-total equity	**30,780.0**	**22,412.0**	**53,192.0**	**43,524.4**	**29,727.2**	**73,251.6**
Debt Securities:						
UK Government	1,837.5	1,337.9	3,175.4	1,158.2	791.0	1,949.2
Investment Funds and Unit Trusts:						
Bonds	21,834.6	15,898.6	37,733.2	7,826.3	5,345.4	13,171.7
Property:						
UK Property	0.0	0.0	0.0	4,925.6	3,364.2	8,289.8
Overseas Property	-	-	-	-	-	-
Sub-total property	**0.0**	**0.0**	**0.0**	**4,925.6**	**3,364.2**	**8,289.8**
Private equity	0.0	0.0	0.0	2,685.0	1,833.9	4,518.9
Other investment funds	691.1	503.2	1,194.3	732.1	500.0	1,232.1
Total assets	**56,928.1**	**41,451.3**	**98,379.4**	**62,459.0**	**42,659.6**	**105,118.6**

Local Government Pension Scheme assets comprised (quoted prices are not in active markets)	Fair value of scheme assets					
	2018/19			2017/18		
	Adur	Joint C'ttee	Total	Adur	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	1,799.1	1,310.0	3,109.1	-	-	-
Real Estate:						
UK Property	6,028.8	4,389.8	10,418.6	-	-	-
Total assets	**7,827.9**	**5,699.8**	**13,527.7**	**0**	**0**	**0**

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, 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	**2017/18**
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	23.6	23.6
Female	25.0	25.0
Longevity at 65 for future pensioners		
Male	26.0	26.0
Female	27.8	27.8
Rate of inflation		
Rate of increase in salaries	3.2%	3.1%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

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.

Change in assumptions at 31st March 2019	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	7%	6,472
0.5% increase in Salary Increase Rate	0%	128
0.5% increase in the Pension Increase Rate	7%	6,295

Included within the actuary assumptions is the potential impact to the Council of the ongoing legal case concerning alleged age discrimination in the administration of public sector pension schemes at a national level. The Court of Appeal has issued a decision regarding transitional arrangements for the benefit changes. The ruling has implications for the Local Government Pension Scheme and Firefighters Pension Scheme since similar reforms have been implemented by these schemes.

The outcome for the employer liabilities is not clear, since the Government may appeal and timescales for resolution may be lengthy. Any remediation process, including cost cap considerations, may also affect the resolution, and so the financial impact at an overall scheme level cannot be estimated at this time. Should an obligation arise, any increase in current or past service costs may affect employer pension contributions in future years, potentially as part of a deficit recovery plan.

Impact on the Council's Cash Flow:

The Council anticipates paying £1,442,000 contributions to the scheme in 2019/20 and approximately £1,350,000 contributions to the Adur-Worthing Joint Services scheme (40% share).

NOTE 38: CONTINGENT ASSETS and LIABILITIES

Contingent Liabilities

Pension Guarantees - The Council entered into a long term contract for the provision of Leisure Services with Impulse 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.

Contract Dispute – Adur District Council is in dispute regarding a boiler replacement and servicing contract for Adur Homes regarding indexation applied to the contract since 2010.

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.

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

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

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

NOTE 40: TRUST FUNDS

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

NOTE 41: JOINT BUDGETS

All Services (except for services relating to the Housing Revenue Account) that can operate as a shared service have now moved across to the Joint Strategic Committee. The Joint Strategic Committee accounts are proportionately consolidated into the Council's financial statements.

	Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19
	£'000	**£'000**	**£'000**
NET EXPENDITURE ON SERVICES			
Net Cost Of General Fund Services	21,137	(4,631)	16,506
Holding Accounts	11,232	(622)	10,610
NET COST OF SERVICES	**32,369**	**(5,253)**	**27,116**
Financing and Investment income and expenditure			18
Funded by:			
Adur District Council			(9,567)
Worthing Borough Council			(14,075)
(Surplus) or deficit on provision of services			**3,492**
Remeasurement of the net defined pension benefit liability			6,976
Other Comprehensive Income & Expenditure			**6,976**
Total Comprehensive Income and Expenditure			**10,468**

NOTE 42: PRIOR YEAR ADJUSTMENT

In 2018/19 the following error has been identified which affects 2018/19. One of the Councils assets, Highdown House, was misclassified. The result was an overstatement of Property, Plant and Equipment of £11.4m, an understatement of Investment Properties of £11.5m and the capital adjustment account was understated by £90k. An amendment has been made and the 2017/18 accounts have been restated.

The effect on the Balance Sheet at 31 March 2018:

	As previously Stated 2017/18	Amendment	Restated 2017/18
	£'000	£'000	£'000
Property, Plant & Equipment	226,288	(11,489)	214,799
Investment Property	542	11,579	12,121
Long Term Assets	228,417	90	228,507
Net Assets	**122,287**	**90**	**122,377**
Total Unusable Reserves	(109,176)	(90)	(109,266)
Total Reserves	**(122,287)**	**(90)**	**(122,377)**

The impact on the Comprehensive Income and Expenditure Statement is a reduction in the costs charged to the Financing and Investment Income and Expenditure of £90k. The amendment to the Movements in Reserves is £90,000 against the Adjustments between accounting basis and funding basis under regulations. Related disclosure notes have been corrected accordingly.

HOUSING REVENUE ACCOUNT (HRA)
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	HRA Note	2018/19 Net Expenditure		2017/18 Net Expenditure	
INCOME		**£'000**	**£'000**	**£'000**	**£'000**
Dwelling rents		(11,941)		(12,122)	
Non-dwelling rents		(552)		(524)	
Charges for services and facilities		(746)		(483)	
Total Income			**(13,239)**		**(13,129)**
EXPENDITURE					
Repairs and maintenance		2,914		2,855	
Supervision and management		3,211		2,325	
Rents, rates, taxes and other charges		51		24	
Depreciation	5&9	3,876		4,546	
Revaluation and impairment of non-current assets	10	(467)		(642)	
Movement in the allowance for bad		91		77	
Total Expenditure			**9,676**		**9,185**
Net (Income) / Cost of HRA Services as included in the whole authority CI&E Statement			**(3,563)**		**(3,944)**
HRA services share of Corporate and Democratic Core			666		588
Net (Income) / Cost of HRA Services			**(2,897)**		**(3,356)**
HRA share of the operating income and exp'iture included in the CI&E Statement					
(Gain) or loss on sale of HRA non-current assets	1	(474)		(311)	
Derecognition of assets	1	1,181		1,474	
Interest payable and similar charges		2,243		2,268	
HRA Interest and Investment income		(46)		(46)	
Net interest on the net defined benefit liability (asset)		696		773	
			3,600		4,158
Deficit / (surplus) for the year on HRA Services			**703**		**802**

HOUSING REVENUE ACCOUNT (HRA) NOTES

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement above shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The increase or decrease in the HRA Balance in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement, as follows:

Statement of Movement on the HRA Balance	2018/19	2017/18
	£'000s	**£'000s**
Balance on the HRA at the end of the previous reporting period	(1,939)	(2,074)
Surplus or (deficit) for the year on the HRA Income and Expenditure Account	703	802
Adjustments between accounting basis and funding basis under statute	(394)	(602)
Net (Increase) or Decrease before transfers to reserves	309	200
Net transfers to or (from) Earmarked Reserves		
Contribution from the New Development & Acquisition Reserve	(121)	-
Transfer to/(from) HRA Business Improvement Reserve	-	(65)
Total net transfers to/from earmarked reserves	(121)	(65)
Balance on the HRA at the end of the current reporting period	**(1,751)**	**(1,939)**

The Statement of Movement on the HRA Balance reconciles the reported surplus or deficit for the year shown on the Comprehensive Income and Expenditure Statement with the HRA balance at the end of the year, and is calculated in accordance with the Local Government and Housing Act 1989.

Part of the reconciliation includes adjustments between accounting basis and funding basis under statute to ensure that the HRA balance is determined in accordance with proper practices. These adjustments are disclosed in Note 1.

NOTE 1: STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT

	2018/19	2017/18
	£'000s	£'000s
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA statement for the year.		
Gain or loss on sale of HRA non-current assets	474	311
Derecognition of assets	(1,181)	(1,474)
HRA share of contributions to or from the Pensions Reserve	(276)	(81)
Transfers to/(from) Capital Adjustment Account	(3,408)	(3,904)
Voluntary Provision for Repayment of Debt	-	-
Transfers to/(from) Major Repair Reserve	3,876	4,546
	(515)	**(602)**
Amounts not included in the Income and Expenditure Account, but required by statute to be included when determining the Movement on the Housing Revenue Account for the year		
Amortisation of Premiums	-	-
Capital expenditure funded by the HRA	121	-
Net additional amount required to be debited or (credited) to the Housing Revenue Account balance for the year.	**(394)**	**(602)**

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

	31st March 2019	31st March 2018
	Number	Number
Houses	1,001	1,009
Bungalows	169	169
Flats	1,382	1,413
TOTAL DWELLINGS	**2,552**	**2,591**

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

	31st March 2019	31st March 2018
	£'000s	£'000s
Council Dwellings	185,415	171,883
Other Land and Buildings	5,935	5,588
Infrastructure	23	24
Assets Under Construction	2,638	1,171
Total Balance Sheet Value of Land, Houses and the Other Property	**194,011**	**178,666**

NOTE 4: VACANT POSSESSION VALUE OF DWELLINGS WITHIN THE HRA

	2018/19	2017/18
	£	£
Vacant Possession Value of Dwellings within the HRA	520,858	526,648

The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost of providing council housing at less than market rents.

NOTE 5: MOVEMENTS ON THE MAJOR REPAIRS RESERVE

	2018/19	2017/18
	£'000s	£'000s
Balance at 1st April	1,677	-
Capital expenditure funded from Major Repairs Reserve	(2,224)	(2,869)
Statutory provision equal to the annual depreciation charges to finance future capital expenditure or borrowing	3,876	4,546
Transfer from the MRR to abate the depreciation charge to the value of the Notional Major Repairs Allowance	-	-
Balance of Major Repairs Reserve at 31st March	**3,329**	**1,677**

From 2017/18 contributions made to the Major Repairs Reserve are equivalent to the depreciation charge made. This is a cash backed reserve that can be used to fund capital expenditure or repay debt.

NOTE 6: HRA DISCRETIONARY ASSISTANCE FUND

The Discretionary Assistance Fund was established in 2013/14 for the purpose of providing temporary financial assistance to tenants who may require support that is not otherwise available. The primary purpose is intended for home improvements or repairs that are the responsibility of the tenant, although other purposes may be considered when mutually beneficial.

Discretionary Assistance Fund	2018/19	2017/18
	£'000s	£'000s
Balance at 1st April	116	116
Expenditure in the year	-	-
BALANCE AT 31ST MARCH	**116**	**116**

NOTE 7: CAPITAL EXPENDITURE AND FINANCING WITHIN THE HRA

	2018/19	2017/18
EXPENDITURE	£'000s	£'000s
Council Dwellings	2,152	2,797
Other Properties	12	17
Assets Under Construction	769	105
Equipment (Including Intangible Assets)	60	18
TOTAL CAPITAL EXPENDITURE	**2,993**	**2,937**
FINANCING		
Capital Grants and Contributions	265	48
HRA usable Capital Receipts	383	20
HRA Revenue Contributions to capital	121	-
Major Repairs Reserve	2,224	2,869
TOTAL CAPITAL EXPENDITURE FINANCED	**2,993**	**2,937**

NOTE 8: CAPITAL RECEIPTS

	2018/19	2017/18
Capital Receipts from the disposal of HRA property	£'000s	£'000s
Sale of Council Dwellings	1,074	767
Less Administration Costs	(12)	(10)
Mortgage Receipts received from previous years sale of Council Dwellings	1	-
	1,063	**757**
Retained for capital investment	679	490
Paid to central government	384	267
	1,063	**757**

NOTE 9: DEPRECIATION FOR THE LAND, HOUSES, OTHER PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS WITHIN THE HRA IN YEAR

	2018/19	2017/18
	£'000s	£'000s
Council Dwellings	3,764	4,422
Other Land and Buildings	72	86
Infrastructure	1	1
Equipment	30	30
Intangible Assets	9	7
TOTAL DEPRECIATION IN YEAR	**3,876**	**4,546**

NOTE 10: REVALUATIONS

In 2018/19 the revaluation of the Housing Revenue Account dwellings by external valuers at 1st April, 2018 resulted in an increase in the Authorities housing stock value by £7.6m. This was due to a higher increase in market values during 2017/18 than originally estimated at 31st March 2018. At 31st March 2019 the external valuers advised that residential properties had risen by 4% during the financial year and this increase has been reflected in the Authority's HRA.

Revaluations of Council dwellings in 2018/19 totalled £17.5m; £17.489m was added to the HRA Revaluation Reserve and an upward revaluation of £24,216 was included in the HRA income and expenditure account. Revaluations in 2018/19 for HRA other land and property totalled £504,396; £61,210 was added to the Revaluation Reserve and £443,186 was included in the HRA income and expenditure account.

NOTE 11: HRA SHARE OF CONTRIBUTIONS TO OR FROM THE PENSION RESERVE

Under the provisions of IAS19, £692,600 has been debited to the Housing Revenue Account in respect of the portion/share of contributions allocated to the Pension Reserve.

NOTE 12: RENT ARREARS

	31st March 2019	31st March 2018
	£'000s	£'000s
Gross arrears as at 31st March	827	714
Bad Debt provision for uncollectable debts	368	305

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

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 realised. Administration costs are borne by the General Fund.

Adur District Council

COLLECTION FUND - COUNCIL TAX AND BUSINESS RATES

	2018/19			2017/18		
	Business Rates	Council Tax	TOTAL	Buiness Rates	Council Tax	TOTAL
INCOME (A)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax Receivable	-	37,518	37,518	-	35,606	35,606
Business Rates Receivable	17,391	-	17,391	17,172	-	17,172
TOTAL INCOME (C) = (A+B)	**17,391**	**37,518**	**54,909**	**17,172**	**35,606**	**52,778**
EXPENDITURE (D)						
Contrib'n From Previous Year Surplus						
Central Government	57	-	57	217	-	217
Adur District Council	46	4	50	175	34	209
West Sussex County Council	11	19	30	43	146	189
Sx Police & Crime Commissioner	-	2	2	-	18	18
	114	**25**	**139**	**435**	**198**	**633**
Precepts, Demands & Shares (E)						
Central Government	9,133	-	9,133	8,782	-	8,782
Adur District Council:	7,306		7,306	7,025	-	7,025
Adur DC (Excl. Parish Precept)	-	6,084	6,084	-	5,848	5,848
Lancing Parish Council	-	322	322	-	302	302
Sompting Parish Council	-	83	83	-	83	83
West Sussex County Council	1,827	27,572	29,399	1,756	26,000	27,756
Sussex Police and Crime Commissioner	-	3,471	3,471	-	3,187	3,187
	18,266	**37,532**	**55,798**	**17,563**	**35,420**	**52,983**
Charges to Collection Fund (F)						
Less: Write off of uncollectable amounts	(1)	-	(1)	87	125	212
Less: Inc / Dec (-) in Bad Debt Provision	22	118	140	11	35	46
Less: Inc / Dec (-) in Provision for Appeals	(344)	-	(344)	(802)	-	(802)
Less: Cost of Collection	87	-	87	85	-	85
	(236)	**118**	**(118)**	**(619)**	**160**	**(459)**
TOTAL EXPENDITURE (G) = (D+E+F)	**18,144**	**37,675**	**55,819**	**17,379**	**35,778**	**53,157**
Sur. / Def. (-) arising during the year (C-G)	**(753)**	**(157)**	**(910)**	**(207)**	**(172)**	**(379)**
Surplus / Deficit (-) b/fwd. 01.04.18	**(816)**	**(124)**	**(940)**	**(609)**	**48**	**(561)**
Surplus / Deficit (-) c/fwd. 31.03.19	**(1,569)**	**(281)**	**(1,850)**	**(816)**	**(124)**	**(940)**

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 2018/19 was 20923.2 band D equivalents.

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

	Demand or Precept £		Council Tax Base	Average Band D Council Tax £
West Sussex County Council	£27,572,174.50	÷	20,923.2	1,317.78
Sussex Police & Crime Commissioner	£3,471,368.11	÷	20,923.2	165.91
Adur District Council	£6,084,257.33	÷	20,923.2	290.79

NOTE 2: BUSINESS RATES

From 1 April 2014, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Adur District Council, Worthing Borough Council, Arun District Council, Chichester District Council and West Sussex County Council. The levy for 2018/19 is paid into the West Sussex County Council Pool and used to fund economic regeneration initiatives throughout the County area. Without the Pool, the levy would be paid to MHCLG and not retained for the benefit of the residents of West Sussex.

The total amount retained by the Pool in 2018/19 is £3.2m. The amount the Council contributed into the pool was £476k. The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the Local Economic Partnerships (LEPS) and other invest to save initiatives. The levy payment 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 48.0p in 2018/19 (46.6p in 2017/18) and local rateable values. The total non-domestic rateable value at the end of the year for the district was £46.5m (£46.7m in 2017/18).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £1,020k and £364k for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2018/19 in line with Adur District Council's accounting policy for maintaining the provision.

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.

Apportionment of Balances to Major Preceptors				
	West Sussex County Council	**Sussex Police & Crime Commissioner**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Demand on Collection Fund 2019/20	29,324,766	4,025,142	6,751,319	**40,101,227**
Apportionment based on 2018/19	73.13%	10.04%	16.84%	**100%**
Council Tax Arrears	1,705,060	234,027	392,555	**2,331,642**
Provision for Bad Debts	(831,976)	(114,193)	(191,546)	**(1,137,715)**
Receipt in Advance	(475,906)	(65,320)	(109,567)	**(650,793)**
(Surplus)/Deficit	205,326	28,182	47,272	**280,780**
Balance as at 31st March 2019	**602,504**	**82,696**	**138,714**	**823,914**

NOTE 5: APPORTIONMENT OF BUSINESS RATES BALANCES TO MAJOR PRECEPTORS

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

Apportionment of Business Rates Balances to Major Preceptors				
	Department of Communities and Local Govt	**West Sussex County Council**	**Adur District Council**	**TOTAL**
	£	**£**	**£**	
Business Rates Arrears	349,925	69,984	279,940	**699,849**
Provision for Bad Debts	(192,952)	(38,590)	(154,361)	**(385,903)**
Provision for Appeals	(319,279)	(63,856)	(255,423)	**(638,558)**
Receipt in Advance	(959,711)	(191,942)	(767,769)	**(1,919,422)**
(Surplus)/Deficit	784,681	156,936	627,745	**1,569,362**
Balance as at 31st March 2019	**(337,336)**	**(67,468)**	**(269,868)**	**(674,672)**

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

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 at www.adur.gov.uk or www.adur-worthing.gov.uk or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 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 2019 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 Councils 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 reviewing and approving the Councils 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 Councils' 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 2018/19.

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**
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• The Constitution • The Monitoring Officer • Section 151 Officer • Codes of conduct • Whistleblowing Policy • Bribery Act 2010 policy guidance • Corporate anti-fraud work • Procurement Strategy
Principle B Ensuring openness and comprehensive stakeholder engagement	• Consultations • Terms of reference for partnerships • Freedom of information requests • Complaints procedure
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	• Organisational goals • Service planning • Performance Management • Community Strategy • Procurement Strategy
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	• Service planning • Performance Management • Options appraisals • Whole life costing
Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it	• Robust interview and selection process • Training and development • Workforce planning • Succession planning • Performance development reviews • Talent management • HR Policies & procedures
Principle F Managing risks and performance through robust internal control and strong public financial management	• 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)
Principle G	• Reports are held on the website

Implementing good practices in transparency reporting and audit to deliver effective accountability	- Annual audited financial statements are publically available - Annual Governance Statement - Effective Internal Audit Service

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 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 Worthing borough 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, the 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.

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 2018) 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 to 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.

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 (FoI) 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, tenant associations, 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.

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 2018/19 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.

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.

Together, partners have produced a collective vision for 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, increasing income from commercial activity and efficiency savings the Council has made significant savings over the past five years and needs to find a further £2.6m by 2023/24 in a climate of reducing funding from Central Government and rising demand for many of the Councils 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**.**

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. 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 regular performance development reviews, which seek 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 it’s 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 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 area. The JOSC's findings are reported to the Joint Strategic Committee or 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 ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have recently been revised by the s151 Officer so that the Council can meet all of its responsibilities under various laws. 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 CLT 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 their 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.

For 2018/19 the Head of Internal Audit's opinion stated that:

"We have noted an improvement in Adur District Council's control environment during the 2018/19 audit year.

During 2018/19, 20 (74.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 18 (62.1%) in the prior year. Two 'Full assurance' opinions were issued in 2018/19 compared to none in 2017/18.

We have issued no 'No assurance' opinions compared to one in
2017/18. Five reports (18.5%) have been issued with 'limited assurance' opinions compared with ten (34.5%) in the previous year."

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

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

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

- the Joint Strategic Committee, 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. Overall the Committee assessed that the governance framework was fit for purpose apart from the issues detailed below. 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 contact procedures and contract management arrangements. Actions have been 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

- The use of the Orbis partnership (East Sussex County Council, Surrey County Council, and Brighton and Hove City Council) to support procurement activity in the Council.

A review of progress following the appointment of Orbis will be undertaken in 2019/20 with a view to removing this item as a significant governance issue next year

ii) Housing management procedures and processes;

The Council has previously identified the need to improve its management of the Housing Repairs Service and other key housing management policies and processes such as those governing leaseholder charges following an in depth review. An internal working group was convened. To support the work of this group, several additional audits were commission from the Internal Audit team by the working group in conjunction with the Head of Housing. Actions are being taken to improve the service by way of:

- Improvements to the internal control environment to ensure that all works are properly commissioned and paid for;
- A major review of all the inspection regimes.
- A review of the staffing and management of the service.
- A review of the contractual arrangements for the housing repairs service including letting new contracts for services where appropriate.
- A review of all of the policies and procedures relating to service and leaseholder charges

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2018 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 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 Neil Parkin
Leader of the Council
Adur District Council

Dated: 31st May 2019

Signed: ______________________

Alex Bailey
Chief Executive of
Adur & Worthing Councils

Dated: 31st May 2019

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

Opinion

We have audited the financial statements of Adur District Council for the year ended 31 March 2019 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;
- The related notes 1 to 42;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 12; and
- Collection Fund and the related notes 1 to 5.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2019 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 2018/19.

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 Council 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 Council'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 2018/19, 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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Responsibilities for the Statement of Accounts 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council'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 Council either intends to cease operations, or have no realistic alternative but to do so.

The Council 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 Comptroller and Auditor General (C&AG) in November 2017, as to whether Adur District 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Adur District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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, Adur District 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 Council 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 Council 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 Council'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 Adur District 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 Adur District 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter.
Ernst + Young LLP.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2019

The maintenance and integrity of Adur District 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 2018/19 which means the year commencing 1st April 2018 and ending 31st March 2019. 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	Actuarial gains and losses which may result from: (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 are not determined.
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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