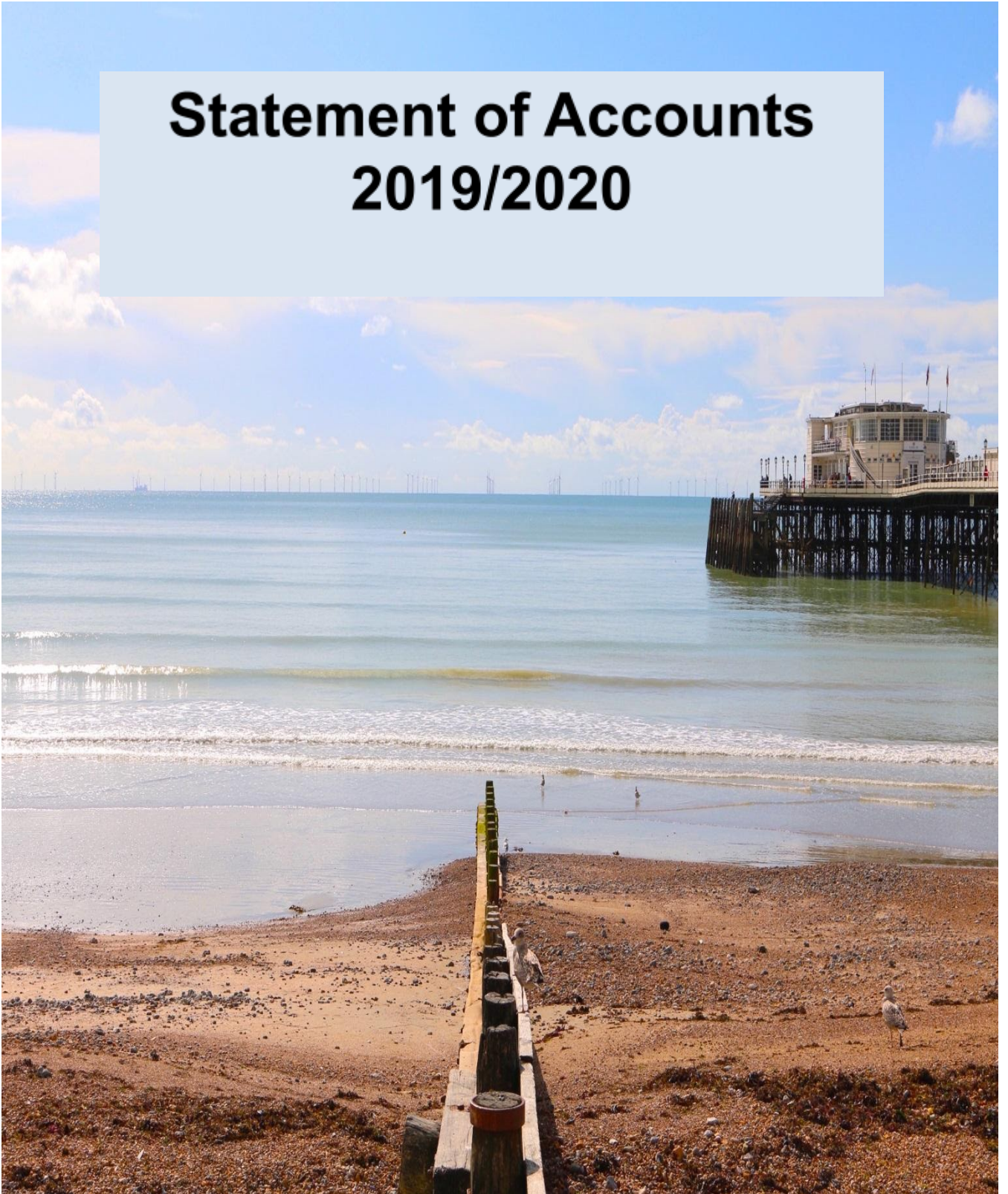




WORTHING BOROUGH
COUNCIL

Statement of Accounts 2019/2020



WORTHING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

for the year ended 31st March, 2020

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NARRATIVE REPORT

INTRODUCTION

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

- Understand the financial position of the Council in 2019/20;
- 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 2020. It provides a summary of the financial position as at 31st March 2020 and is structured as below:

- Introduction To Worthing as a place
- Key information about the Council
- The Council plan and non-financial achievements of the Council in 2019/20
- The 2019/20 revenue budget process and medium term financial plan
- Financial Overview of the Council 2019/20
 - * Revenue spend in 2019/20
 - * Capital strategy and Capital Programme 2019/20 to 2022/23
- Top strategic risks
- Summary position

This is followed by an explanation of the Financial Statements

1. AN INTRODUCTION TO WORTHING AS A PLACE

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



Population:

Worthing has a population of approximately 110,570 according to the Office of National Statistics with an age profile of:

Age range	Worthing Borough Council	Nationally
0 - 15	17.8%	19.0%
16 - 64	59.6%	62.5%
65+	22.6%	18.5%

There are 3,760 businesses within the area. Business rate income was £30.6m in 2019/20 of which the Council keeps £2.7m (9%). 55% of the income is paid to the County Council with the remainder paid to the Government.

2. KEY INFORMATION ABOUT WORTHING BOROUGH COUNCIL

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

Political Structure in the 2019/20 Municipal Year

Worthing has 37 Councillors representing 13 wards. In 2019/20 the political make-up of the Council was:

Conservative Party	23 Councillors
Labour	10 Councillors
Liberal Democrat Party	3 Councillors
UK Independent Party	1 Councillor

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of portfolio responsibilities and the delegation of Executive Functions. Scrutiny of the Executive decisions for 2019/20, including the financial strategy, has been undertaken by the Joint Overview and Scrutiny Committee

The current leader of the Council is Councillor Daniel Humphreys.

Management Structure

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



Worthing Borough Council:

- √ Holds £236m of assets to support services and provide income to fund service delivery
- √ Generates £20m of income from fees and charges and other service 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 2019/20 government funding (New Homes Bonus) made up 5% of total income (excluding Housing Benefit Subsidy).

Working in partnership

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

The shared single officer structure, which was introduced in April 2008, includes all of the services that were intended to operate as shared Adur & Worthing services with a net budget of £22.3m for 2019/20. 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 within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Covid-19 pandemic and the Council

The Coronavirus pandemic is the largest global emergency that the country has had to face since 1945. The outbreak of the Coronavirus has been recognised as a pandemic by the World Health Organisation affecting many countries. The speed of the pandemic has led to unprecedented disruption globally with many countries requiring residents to stay at home and businesses to temporarily close. As a result of the pandemic, life within the UK became very restricted from 23rd March 2020 when UK residents were asked to stay at home and to not travel where possible. These measures only began to ease at the end of May. The Office for Budget Responsibility (OBR) has predicted that the economy could shrink by 13% if the lock down continues for 3 months, and this could increase to 35% if the lock down continues for a further 3 months.

During 2019/20, the pandemic had only a marginal impact on the Council's finances due to the timing of government measures. However, the Council expects that the impact on 2020/21 will be much more significant resulting in increased costs from homelessness, leisure and rises in benefit take-up, and reducing income streams from a number of services such as car parking. Currently, the Council expects additional budget pressures of £2.7m. Towards these new pressures the Council has received government grant of £1.1m and so the Council is expecting a net loss in the current year.

The final impact for 2020/21 is not yet known due to a number of factors that the Council cannot quantify at this time, including:

- The extent and duration of the pandemic;
- The pace of any economic recovery from the resultant recession; and
- The extent of any government funding.

The pandemic is also expected to continue to impact the Council's budgets in future years and a full report titled '*Impact of Covid 19 on the Council's finances - Update on current financial performance and developing a revenue budget for 2021/22*' was considered by the Joint Strategic Committee on 7th July 2020.

Officers have had to take a number of urgent decisions to incur expenditure or take urgent action over the past few months. These have been reported to members through the Joint Strategic Committee on 9th June 2020 and Council on 14th July 2020 in accordance with the Councils constitution.

The financial effects are covered more fully in the relevant sections below.

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. More recently updated priorities have been agreed for 2020 - 2023 in Platforms for our Places: Going Further.

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 makes 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 2019/20

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

- **Worthing Theatres & Museum Cultural Trust:** The new Cultural Trust came into being on the 1st November - in time for the panto season. The Trust is preparing an exciting programme for next year and will be working closely with the Borough Council on the 'Let the Light in' project for the Museum.
- **Fulbeck Avenue, Worthing:** We completed a formal development agreement with Boklok UK to agree a plan for approximately 150 new homes at Fulbeck Avenue, Worthing, together with an overarching agreement to deliver 500 further homes in collaboration. This potential for a modular approach to help people enter the housing market has attracted a great amount of public interest nationally and internationally.
- **A new plan for Worthing:** Preparation of a new Local Plan for Worthing which will govern development in the town took a step forward over the past six months with the completion of the 'issues and options' stage
- **Public realm and seafront:** Worthing Pier has been voted Pier of the Year 2019 by the National Pier Society. The 'Big Wheel' had its first season on Worthing seafront.



- **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. Additional funding has been secured from Coast to Capital and the West Sussex business rate pool to expand the public sector scheme, creating 90 council sites with full fibre connections across our area. This has been followed by the announcement of a £25m scheme for fibre to 50,000 homes, with construction work now underway from 2019-2022.

Platform 2: Our Social Economies

- **Preventing homelessness** - Our innovative social lettings agency “Opening Doors” now has more than 20 properties with more in the pipeline. All tenancies to date have been successful with no evictions or bad debts.

We continue to work across boundaries to maintain a systemic focus on preventing homelessness, and over the past year we have prevented or relieved homelessness for 131 households in Worthing.

- **Rough Sleepers** - In November, the Rough Sleeper count across Adur and Worthing stood at seven, the lowest it has been for some years. The work we are leading with partners to support these vulnerable people is recognised nationally and team members have been invited to present their work to the next MHCLG Rough Sleepers Initiative partners meeting.

We have also been working with WSCC, Turning Tides, Coastal CCG, and other partners and we have secured more than £340,000 from Public Health England to support access to health services for those rough sleeping.

- **Regulating private tenancies** - We responded to 174 enquiries about housing conditions across Adur and Worthing, issued 31 enforcement notices including three Prohibition Orders and two Emergency Prohibition Orders, and issued four Civil Penalty Notices for a total of over £40,000
- **Bereavement Services:** Our bereavement services team, for the first time held an Open Day at the Worthing Crematorium, welcoming more than 100 visitors, hosting talks and workshops on many aspects of end of life care and supporting the bereaved.

Platform 3: Stewarding our natural resources

- **Travel discount scheme** - The development of easit Adur & Worthing, a travel discount scheme for employees of the councils and businesses across Adur & Worthing is now available to 25,000 employees.
- **Becoming Plastic Free:** Following the commitment to become Plastic Free and reduce the use of single use plastics, the Councils have delivered a range of actions including supporting the launches of a further three community campaigns: Plastic Free Worthing , Refill Shoreham-by-Sea and Refill Lancing.
- Developed a draft Adur & Worthing **Local Cycling and Walking Infrastructure Plan** as first steps towards developing safer and easier cycling and walking provision across Adur and Worthing.
- **Decarbonising our fleet** - In July 2019 JSC approved the purchase of the first vans for the Council fleet as part of the planned transition to ultra low emission vehicles as part of the fleet replacement programme.

Platform 4: Services and solutions for our places

- **Improving our customer services:** Our “Effortless” customer services programme has driven a wide range of improvements in how we support our customers. There are now 45 customer champions across the organisation, helping to deliver a range of improvements and working to meet our new Good Service Standards. Training has been developed for complaints handling, Plain English and good customer service, and customer satisfaction ratings in the contact centre are very high, with 94% feeling their query was handled fairly, and 98% reporting our agents as dealing with them politely. The percentage of calls answered has markedly improved, supported by the delivery of online self service in several areas.
- **Digital solutions for improved customer services:** Our digital team has worked well with service areas to deliver online services, notably a new improved garden waste service, accompanied by a number of improvements to route optimisation and delivery scheduling that have significantly supported the transition to alternative weekly collections. The Revenues & Benefits transformation programme has made good progress with a text message payment reminder service about to launch.

Platform 5: Leadership of our places

- **LGA Awards 2020:** Shortlisted as one of six finalists for Council of the Year, in recognition of our innovative way in delivering services and leadership within our communities based on our Platforms approach.
- **Engaging our Communities:** The Councils published principles and staff toolkit to inform our communities understanding, and assist the Councils’ staff in how the Councils design, manage and conclude engagement activities.
- **Improving access to Council information:** The Councils launched the Modern.Gov Committee System including a new website to display information about committees and Elected Members. This will make it easier to search for information on the website and provide a publicly available app which makes the use of tablets at meetings (and prior to them) a much more accessible option.

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 2019/20 may be viewed at:

Joint Strategic Committee report 9th July 2019 (6 month progress update)

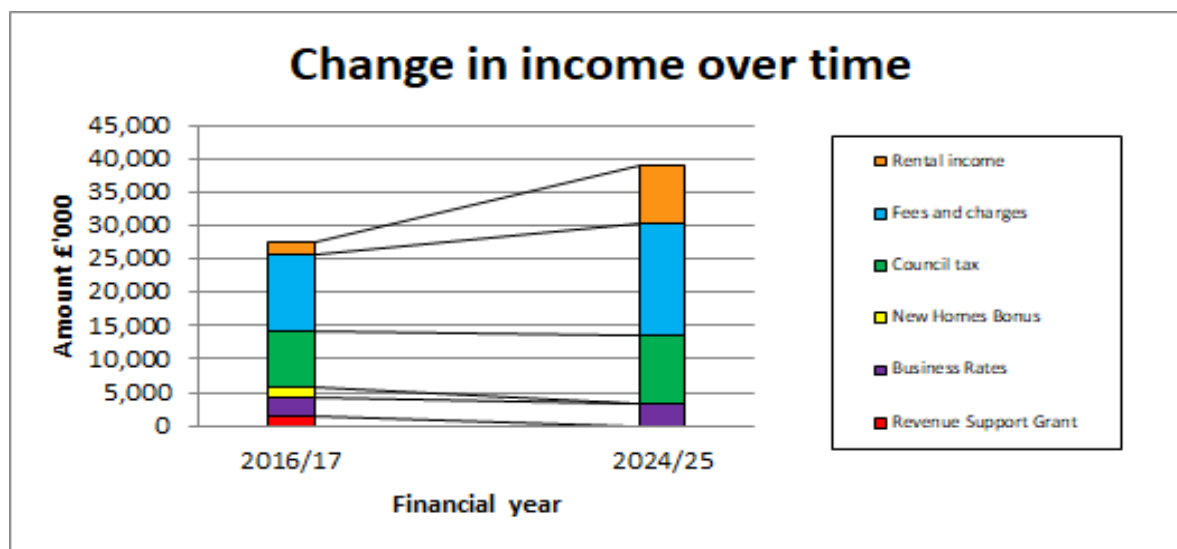
Joint Strategic Committee report 3rd December 2019

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

4. THE REVENUE BUDGET 2019/20 PROCESS AND THE MEDIUM TERM FINANCIAL PLAN (MTFP)

Revenue Budget 2019/20

The budget for 2019/20 was compiled within the context of the Government's last Comprehensive Spending Review, the Chancellor's Budget and the local government funding settlement. The Council has seen a significant decline in recent years in overall government funding with increasing amounts of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property. This trend is expected to continue for at least the next 5 years in line with the Council 5-year forecast.



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

- inflation, the largest source of cost pressure
- income generated by the Council which may be affected by lack of demand;
- 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 2019/20 through 4 major work streams – developing commercial income, investing in property, tackling homelessness, 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 2019/20 budget round and ensured that service delivery was protected from any significant cuts. The Council set a balanced budget in February 2019.

Council Tax

The Council chose to increase Council Tax for 2019/20 by 2.80%

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

Band D Council Tax	2018/19	2019/20	Change
	£	£	%
Worthing Borough Council	231.30	237.78	2.80
West Sussex County Council	1,317.78	1,383.57	4.99
Sussex Police & Crime Commissioner	165.91	189.91	14.47
	1,714.99	1,811.26	5.61

Council Tax base

The Council Tax base for 2019/20 was 38,504.30 which was an increase of 138.4 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 and in part due to a reduction in Council Tax discounts following a fundamental review of Single Persons Discount.

Band D Council Tax	2018/19	2019/20
	£	£
Number of Band D equivalent dwellings	38,365.90	38,504.30

Overall the Council collected £70.4m of Council Tax during 2019/20 on behalf of the Council, West Sussex County Council and Sussex Police and Crime Commissioner, generating £9.2m of income for the Council.

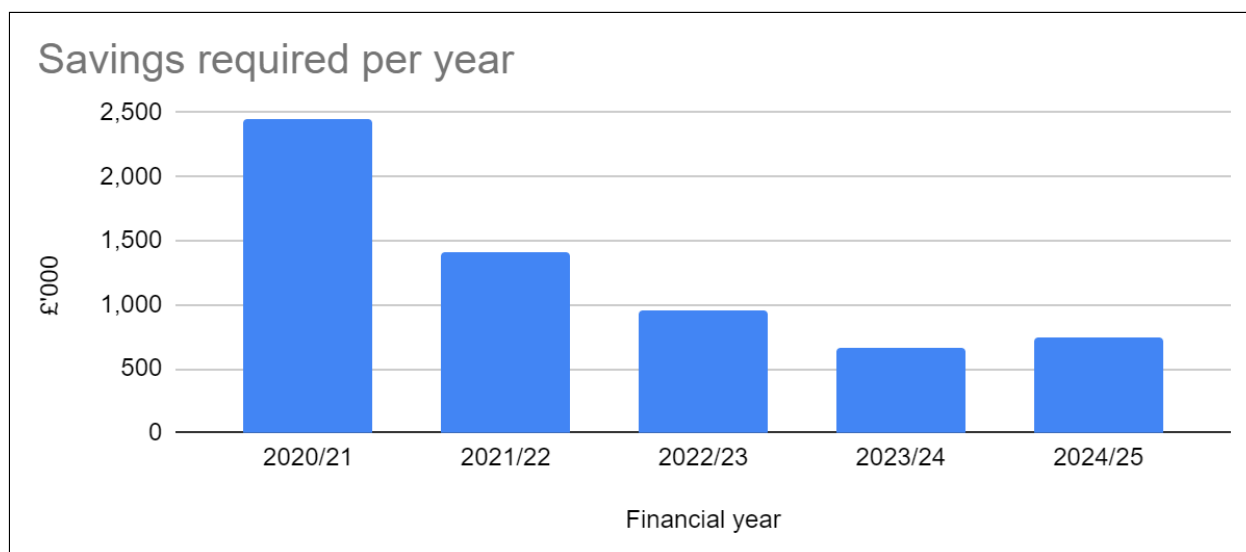
Budget Strategy for 2020/21 to 2024/25

In preparing the budget strategy for 2020/21 to 2024/25, 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 2020/21 budget was approved by Council on 9th July 2019 and it set the strategic direction to address the significant challenges not only for 2020/21 but onwards.

The fall in government funding combined with the impact of County Council decisions regarding support to housing and recycling credits 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;
4. To tackle the cost of homelessness through prevention work and commissioning better, more affordable accommodation

The Council has had to identify significant budget reductions of £6.2m over the five years with a significant challenge expected in 2020/21 as follows:



The council successfully set a balanced budget for 2020/21 identifying £2.5m of savings. Further details around the most recent forecasts for both Councils will be contained in the report 'Impact of Covid 19 on the Council's finances - Update on current financial performance and developing a revenue budget for 2021/22', which is due to be considered on 7th July 2020 at the Joint Strategic Committee. The strategy has been updated to reflect the impact that the Covid 19 pandemic is having on the Council's budgets. 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 the subject of detailed scrutiny by the relevant Portfolio holder at 'budget hotspot' meetings. In addition, the Joint Overview and Scrutiny Committee can add areas of concern to their work programme.

5. FINANCIAL OVERVIEW

A comprehensive summary of the financial performance of the partnership authorities (Adur District Council, Worthing Borough Council and the Joint Strategic Committee) is contained in the reports on financial performance for 2019/20 considered on 7th July 2020 by Joint Strategic Committee. There are two separate reports titled:

- Revenue Outturn; and
- Capital and Projects Outturn.

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 Borough over a number of years.

Revenue Spend in 2019/20

A more detailed summary of the Council's financial results for 2019/20 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 2019/20 Worthing Borough Council reported an underspend of £982,248 against a budget of £13,704,010.

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

2019/20 Outturn	Worthing Outturn £000
Over/(under)spend in operational services	879
Underspend against Supported Housing contingency budget	(210)
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2019/20, due to reprofiling of the capital programme already adjusted for in 2020/21 budget.	(337)
Budgeted contributions to reserves:	
Unused inflation provisions	(294)
Allowance for Investment Property voids	(150)
Commercial Property Portfolio - Additional rental for 2019/20	(655)
<u>Budget provision related to timing differences:</u>	
Project funding to Carry forward to 2020/21 for projects that have yet to commence or will complete next year.	(157)
Net over/(under) spend before contributions to/from Reserves	(924)
Net contribution from reserves	(183)
Revenue contribution to capital financing	125
Net underspend after reserve movements	(982)

Where such items were identified when the 2020/21 budget was being prepared, an allowance for any impact on the future years was built into the budget.

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

How the money was spent and how services were funded

EXECUTIVE MEMBER PORTFOLIOS	CURRENT ESTIMATE 2019/20	OUTTURN 2019/20	UNDER/ OVERSPEND
	£	£	£
Leader	802,300	770,406	(31,894)
CM for Digital & Environment	2,991,380	3,736,133	744,753
CM for Health & Wellbeing	1,729,230	1,739,403	10,173
CM for Customer Services	5,172,460	5,406,394	233,934
CM for Regeneration	1,907,660	2,885,345	977,685
CM for Resources	2,232,160	859,966	(1,372,194)
Holding Accounts	513,690	-	(513,690)
Total Cabinet Members	15,348,880	15,397,647	48,767
Credit Back Depreciation	(3,224,030)	(3,638,521)	(414,491)
Minimum Revenue Provision	1,492,910	1,456,805	(36,105)
Other grants	-	(36,269)	(36,269)
	13,617,760	13,179,662	(438,098)
Transfer to/from reserves:			
Transfer from reserves to fund specific expenditure	86,250	(457,900)	(544,150)
Net Underspend Transferred to Reserves	-	982,248	982,248
Total Budget requirement before External Support from Government	13,704,010	13,704,010	(0)

Approved Use of Underspends	£'000
Unspent 2019/20 budget approved for use in 2020/21	158
Underspend transferred to Working balance	1,143
Underspend transferred to/(from) Business Rates Smoothing Reserve	(469)
Underspend transferred to Investment Property future Maintenance Reserve	150
Net Underspend Transferred to Capacity Issues Reserve	-
Underspend declared in year	982

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

1. Funding from Central Government Support

The Council received no Revenue Support Grant in 2019/20. However the Council did receive £1,042,000 of New Homes Bonus as well as other grants related to business rates of £809,000.

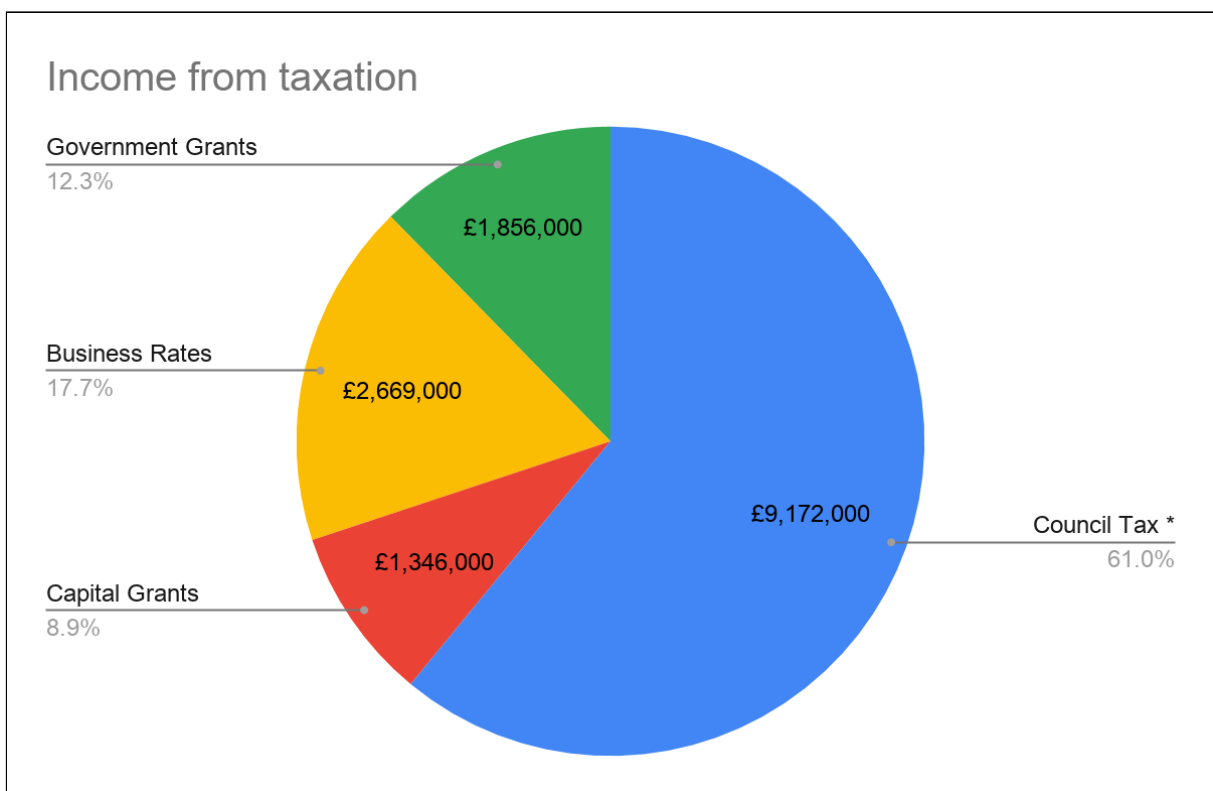
2. Funding from Local Taxpayers

The Council collected £69m of Council Tax due in 2019/20, this represented 97.4% of the total Council Tax due to be collected. In addition, Council Tax Benefit totalled £5.43m. Council Tax is collected by Worthing Borough Council on behalf of the following preceptors in the proportions detailed: West Sussex County Council 76.48% Sussex Police & Crime Commissioner 10.63% and Worthing Borough Council 12.89% The Council retained £9.2m in 2019/20.

3. Funding from Local Businesses

The Council also collects Business Rates from local businesses. Of the £30.6m collected, after allowing for exemptions, reliefs, provisions and the tariff payments, the Council keeps 10%, 55% is paid to the County Council and the remaining 35% is paid over to the government's national pool. The Council locally retained £2.7m of Business Rate income in 2019/20.

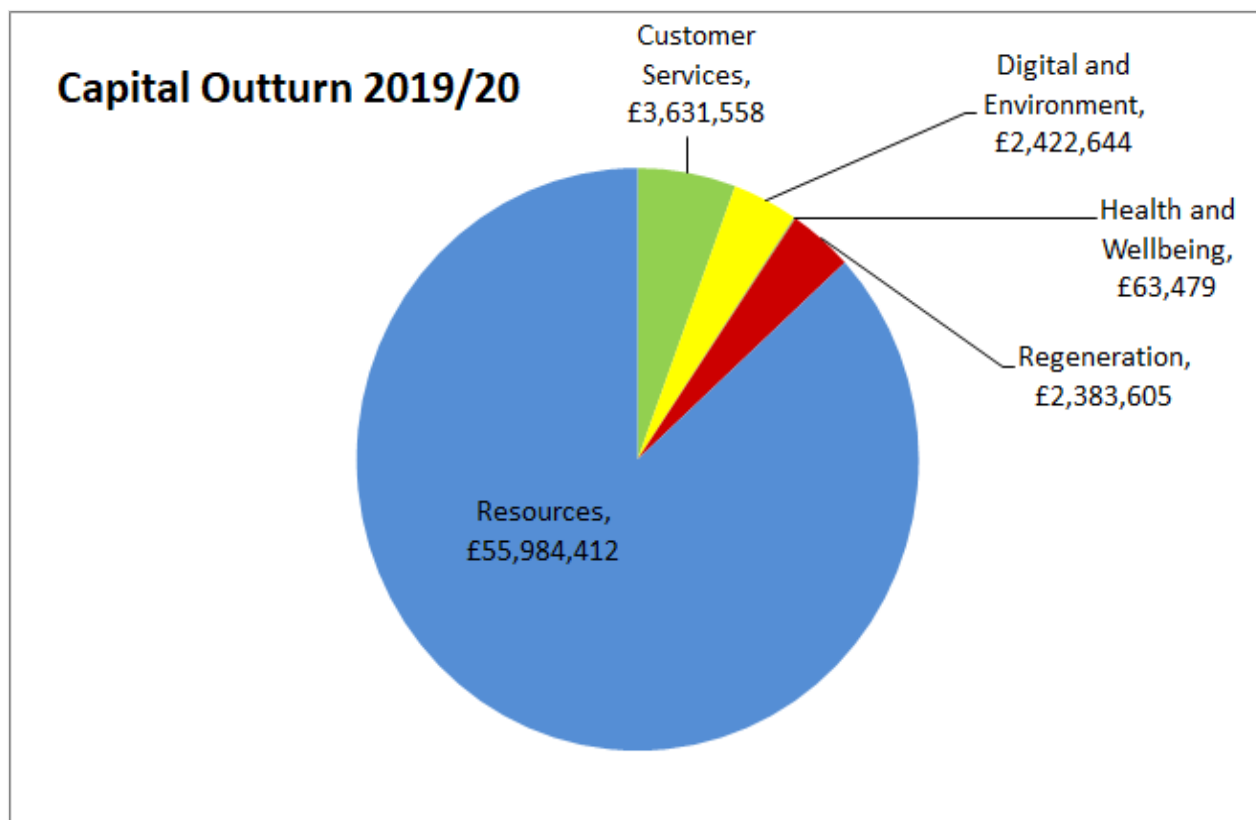
Income from Taxation



In 2019/20, the Council participated in a Business Rate pilot with neighbouring Councils and the County Council. This enables the area to retain approximately £21m of Business Rate income in 2019/20 to fund digital infrastructure improvements and 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 Worthing Portfolios was originally estimated at £32,203,430. Subsequent approvals and re-profiling of budgets produced a total revised budget of £66,389,870. Actual expenditure in the year totalled £64,485,698, a decrease of £1,904,172 on the revised estimate, comprising a net carry forward of £1,604,330 and a net underspend of £299,842. The major factors contributing to the re-profiling and carry forward of budget 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 and contractors.
5. The impact of Covid 19 on the ability to deliver some projects at the year end.

The re-profiling of schemes was on-going throughout the year and in total 29 schemes did not complete as planned in 2019/20.

Expenditure in 2019/20 was financed as follows:

	£'000
Government grants and other contributions	2,471
Capital receipts	2,247
Borrowing	59,556
Revenue contribution	197
	64,471

The Council's asset values have been increased as a result of the above capital investment. Significant investments in 2019/20 included:

- Redevelopment and refurbishment of two properties which are being converted into small homes for the purpose of providing temporary and emergency accommodation to residents who become homeless.
- Disabled adaptations to residents homes
- Purchase of six commercial properties to deliver a long-term income stream to the Council.
- Provision of new burial spaces at Durrington Cemetery.
- Improvements to Brooklands and Highdown Gardens
- Continued repairs and improvements to the multi storey car parks.

Each Council's capital programme outturn and financing is explained in more detail in the Joint Strategic Committee report "Financial Performance 2019/20 - Capital and Projects Outturn" which was considered on the 7th July 2020. 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 7th July 2020 Joint Strategic Committee report "Financial Performance 2019/20 - Capital and Projects Outturn". This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

Investment Plans 2020/21 – 2022/23

The Council plans to invest £88m in its capital assets over the next 3 years.

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

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

Expenditure by Portfolio	3-year plan			Total
	2020/21	2021/22	2022/23	
	£,000	£,000	£,000	£,000
Customer Services	6,070	2,870	5,815	14,755
Environment and Digital	5,633	809	998	7,440
Health and Wellbeing	282	50	380	712
Regeneration	9,344	929	4,067	14,340
Resources	49,133	1,077	815	51,025
Total Expenditure	70,462	5,735	12,075	88,272
Funded by:				
Capital grants and contributions	7,566	1,175	3,496	12,237
Revenue contributions and reserves	532	179	149	860
Borrowing	58,307	4,381	8,430	71,118
Capital receipts	4,057	-	-	4,057
Total Funding	70,462	5,735	12,075	88,272

6. TOP STRATEGIC RISKS

Detailed below are the most significant risks that the Council is currently managing.

<p>Risk overview</p>	<p><u>Covid-19</u></p> <p>Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. The Government, on the advice of medical experts, has introduced social distancing measures, emergency legislation and economic packages to mitigate the effects of the crisis.</p> <p>This will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery effort which may last 12 months or more before we reach a stage of “relative normality”.</p> <p>A future social and economic landscape will be significantly different and our ability to adapt will require careful consideration.</p>
<p>Commentary / Mitigation measures</p>	<p>The duration of the pandemic is unclear. The duration is dependent on a number of unknowns at this stage. Until a vaccine has been produced and distributed, emergency measures will continue in one form or another. This will continue to disrupt “normal” life. Any relaxation of social distancing at the wrong time runs the risk of a second wave of infection with an additional and potentially significant escalation of infection rates.</p> <p>The impacts arising from the prolonged crisis will be managed through the recovery effort which ultimately aims to return to “relative normality”. The timescale is uncertain.</p> <p>Key recovery objectives for Sussex are in the following key areas;</p> <ul style="list-style-type: none"> ● Community and staff welfare ● Infrastructure ● Economy <p>Internally the risk will continue to increase as the crisis extends. The impacts as an organisation will cover a number of areas including:</p> <ul style="list-style-type: none"> ● Economic impacts through loss of income and wider demands relating to increased benefit claims, business rate relief and a reduction of business operating within the local authority area. ● Staff welfare - Prolonged lockdown measures will increase the risk of mental health concerns and general welfare concerns.
<p>Risk Rating:</p>	<p>Impact = Major, Likelihood = Likely Risk Assessment: High Risk</p>
<p>Risk overview</p>	<p><u>Council finances</u></p> <p>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 2021/22. The Councils’ reserves position is in the lower quartile of SE Districts and the position needs improvement.</p>

<p>Commentary / Mitigation measures</p>	<p>There are currently significant costs and loss of income being borne as a result of the COVID-19 crisis and lockdown measures. These include financial pressures in leisure trusts, the costs of housing the homeless, and impacts on a range of income streams such as car parking income.</p> <p>A further tranche of funding from central government - £1.6bn - was recently announced and the Council received £1.1m of additional support for 2020/21.</p> <p>The Councils' Leadership Team is receiving regular reports on the financial position and has initiated a strategic review over the next months, as well as immediate spend control measures, whilst ensuring continued work to deliver against the Platforms for our Places strategy.</p> <p>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 the outcome of the fairer funding settlement which is now due in 2021.</p>
<p>Risk Rating:</p>	<p>Impact = Major, Likelihood = Likely Risk Assessment: High Risk</p>
<p>Risk overview</p>	<p><u>Welfare reform:</u></p> <p>'Welfare Reform' is used to cover a range of issues in particular:</p> <ul style="list-style-type: none"> ● 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. ● Benefits for young people and single people reduced ● Benefits for larger families reduced <p>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.</p> <ul style="list-style-type: none"> ● 5-6 weeks gap before UC is paid (in some cases longer) ● 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 <p>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.</p>

<p>Commentary / Mitigation measures</p>	<p>The rollout of Universal Credit continues to have a limited impact in reducing the number of live Housing Benefit claims. However, the COVID-19 situation has resulted in:</p> <ol style="list-style-type: none"> 1. A significant number of new claims for Council Tax Support 2. The Government announcing increased awards of Housing Benefit and Council Tax Support (LHA rates have been increased for private sector tenants and the value of income not taken into account has been increased) 3. The Government announcing discretionary awards of £150 for working-age Council Tax Support customers <p>For the DWP overall there has been a 6 fold increase in the number of UC claimants during March for Adur and Worthing (combined) the majority of which (85%) are self employed people. DWP is managing to deal with most UC claims within 5 weeks.</p> <p>The number of UC claimants in Adur Homes has increased from 16% to 19%</p> <p>There is therefore likely to be an increase in rent arrears which would impact on homelessness. There is an Adur Homes Improvement plan in place to focus on rent arrears which is being monitored by the Head of Service. Work is also taking place with the Wellbeing Team to promote budgeting and financial inclusion strategies. The team is also recruiting a specialist rent arrears officer.</p>
<p>Risk Rating:</p>	<p>Impact = Major, Likelihood = Very Likely Risk Assessment: High Risk</p>

<p>Risk overview</p>	<p><u>Housing supply</u></p> <p>Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging their 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.</p> <p>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.</p> <p>The lack of move on accommodation at affordable rates means there are blockages in TA.</p> <p>The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets.</p> <p>Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.</p>
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Commentary / Mitigation measures	<p>EA/TA</p> <ul style="list-style-type: none"> • COVID-19 pressure has seen a significant increase in EA/TA demand and cost in 20/21 • Increase in EA/TA demand likely to continue due to challenges with move on and lifting of restriction on evictions by landlords. • Increase waiting time for housing advice and casework • More long term lease arrangements are being explored with 2 new ones in the pipeline. • A new campaign to attract more private sector properties to the Opening Doors Scheme is being planned, with 13 signed up to the scheme in the last 2 months <p>Other</p> <ul style="list-style-type: none"> • Increased competition for limited affordable housing supply • Work is continuing to help unlock new sites for housing delivery.
Risk Rating:	<p>Impact = Major, Likelihood = Very Likely Risk Assessment: High Risk</p>

Risk overview	<p>IT disaster recovery</p> <p>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.</p>
Internal controls / Mitigation measures	<p>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.</p> <p>Rapid response to home working in response to Covid-19 has tested resilience and business continuity. Overall transition has gone very well and the Councils are reviewing where further improvements are needed.</p> <p>Work continues to migrate services to the cloud and out of the Town Hall data centre, providing in-built and often seamless disaster recovery services. The Councils' strategy to adopt Google services and its cloud based low code platform among other modern technologies has served us well in the crisis.</p>
Risk Rating:	<p>Impact = Extreme Likelihood = Moderate Risk Assessment: High Risk</p>
Risk overview	<p>Major project delivery</p> <p>Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.</p>

<p>Internal controls / Mitigation measures</p>	<p>Covid19 impact will add a degree of uncertainty to the property market but the extent of this is not known at this stage.</p> <p>The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This 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. A different approach has been taken on the former Aquarena site and former Adur Civic Centre Site where the sites' disposal was favoured as the best route to deliver new homes and regeneration. Direct delivery was the favoured development approach in the construction of Focus House in Shoreham.</p> <p>Both 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 public funding in the future.</p> <p>The Councils have provided clear and unambiguous signals to the development sector about their intentions and commitment to deliver. A dedicated team has been established to manage the major projects and capital budgets adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings take place to oversee progress.</p>
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Full details about the Council's risks can be found in the report to the Joint Governance Committee "Risk and Opportunity Management updates" which was considered on the 28th May 2020. This report is available on the joint Adur District Council and Worthing Borough Council website www.adur-worthing.gov.uk.

SUMMARY

The current pandemic is creating new challenges and opportunities for the Council to address. 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 the impact of the current emergency.

The overall underspend for 2019/20 is most welcome at this time to help the Council build its reserves to manage the impact of the pandemic on its finances. The Council continues to balance the need to invest in future service developments with the inevitable financial pressures from the pandemic and the continued changes to government funding.

Looking ahead, 2021/22 is another 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 2021/22 budget. The intention is to build recurring under spends into the 2021/22 budget where possible and so avoid the need for unnecessary service reductions.

FURTHER INFORMATION

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

ACKNOWLEDGEMENTS

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



Sarah Gobey, Chief Financial Officer, CPFA

EXPLANATION OF ACCOUNTING STATEMENTS

The statement of accounts sets out the Council's income and expenditure for the year and its overall financial position as at 31st March 2020. It comprises cost 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 2019/20 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

The Statements are listed and explained in the next section.

The Statement of Accounts consists of:

	Page No:
Statement of Responsibilities	29
This statement sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of the Council's accounts. This statement confirms that the accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the given financial year.	
Movement in Reserves Statement	30
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and "unusable reserves".	
Comprehensive Income and Expenditure Statement	31
This statement provides a summary of the resources generated and consumed by the Council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).	
The Balance Sheet	32
This statement summarises the Council's assets and liabilities as at 31st March 2020 in its top half. The bottom half of the statement sets out the reserves split into the 2 categories of 'usable' and 'unusable' Reserves.	
The Cash Flow Statement	33
This statement summarises the flows of cash and cash equivalents of the Council that have taken place over the financial year.	
Notes to the Accounts	34-99
Collection Fund	100-102
The Council is required to maintain a separate Collection Fund to detail monies received as a billing authority in relation to the Council Tax and Business Rates and accounts for the distribution of Council Tax to preceptors (West Sussex County Council and The Police and Crime Commissioner) and the Council's own General Fund.	

The Business Rate Retention Scheme allows the Council to retain a proportion of the total Business Rates received. The Worthing share is 20% with the remainder paid to other bodies - West Sussex County Council (55%) and Department of Communities and Local Government (25%).

MAIN CHANGES TO THE ACCOUNTS AND SIGNIFICANT TRANSACTIONS IN 2019/20:

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 the liabilities of West Sussex Local Government Pension Fund and comply fully with the requirements of IAS19.

To comply with these relevant accounting standards, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year. Therefore the cost of post-employment (retirement) benefits shown in Note 37 are notional and are reversed out of the General Fund via the Movement in Reserves Statement.

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have decreased by £26m 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

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

There are no material income or expenditure items to disclose in 2019/20, note 5 refers to the Coronavirus pandemic which has been a post balance sheet event but has not had a material impact on the statement of accounts. The provisions made in 2019/20 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 reviewed to ensure compliance with the 2019/20 Code of Practice Guidance Notes. There were no changes to policies in 2019/20.

STATEMENT OF RESPONSIBILITIES FOR THE

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2020

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 2019/20 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.

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

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

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

The Chief Financial Officer also has to keep proper accounting records which are up to date and to take reasonable steps to prevent and detect fraud and other irregularities.

This Statement of Accounts is prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

This Statement of Accounts presents a true and fair view of the financial position of the Council at 31st March, 2020 and its income and expenditure for the year ended on that date.

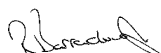


SARAH GOBEY
Chief Financial Officer

Dated: 8th February 2021

Certificate of Approval by Joint Governance Committee

I confirm that these Accounts were approved by the Joint Governance Committee of Adur District Council and Worthing Borough Council on 24th November 2020.



Roy Barraclough
Chairman, Joint Governance Committee

Dated: 8th February 2021

MOVEMENT IN RESERVES STATEMENT

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

Single Entity	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31.03.18	(844)	(3,091)	(5,460)	(4,172)	(13,567)	(79,163)	(92,730)
Movement in Reserves during 2018/19							
Total Comprehensive Expenditure and Income	4,091	- -	-		4,091	(6,831)	(2,740)
Adjustments between accounting and funding basis under regulation (Note 7)	(4,979)	-	1,409	1,018	(2,552)	2,552	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(888)	-	1,409	1,018	1,539	(4,279)	(2,740)
Transfers to/from Earmarked Reserves (Note 8)	863	(863)	-	-	-	-	-
(Increase)/Decrease in Year	(25)	(863)	1,409	1,018	1,539	(4,279)	(2,740)
Balance at 31.03.19 c/fwd	(869)	(3,954)	(4,051)	(3,154)	(12,028)	(83,442)	(95,470)
Movement in Reserves during 2019/20							
Total Comprehensive Expenditure and Income	6,120	-	-	-	6,120	(29,285)	(23,165)
Adjustments between accounting basis and funding basis under regulation (Note 7)	(6,168)		1,868	(95)	(4,395)	4,395	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(48)	-	1,868	(95)	1,725	(24,890)	(23,165)
Transfers to/from Earmarked Reserves (Note 8)	(626)	626	-	-	-	-	-
(Increase)/Decrease in Year	(674)	626	1,868	(95)	1,725	(24,890)	(23,165)
Balance at 31.03.20 c/ fwd	(1,543)	(3,328)	(2,183)	(3,249)	(10,303)	(108,332)	(118,635)

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

	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000	Note
NET EXPENDITURE ON SERVICES							
The Leader	1,112	(302)	810	971	(37)	934	
Digital and Environment	10,250	(5,676)	4,574	6,832	(5,580)	1,252	
Health and Wellbeing	3,104	(1,033)	2,071	3,213	(1,055)	2,158	
Customer Services	40,568	(36,790)	3,778	44,402	(41,250)	3,152	
Regeneration	10,663	(4,478)	6,185	10,805	(4,551)	6,254	
Resources	4,571	(1,329)	3,242	5,762	(1,272)	4,490	
Net Cost of Services	70,268	(49,608)	20,660	71,985	(53,745)	18,240	
Other operating expenditure			622			(77)	9
Financing and Investment Income and Expenditure			(119)			(4)	10
Taxation and non-specific grant income			(15,043)			(14,068)	11
(Surplus) or Deficit on Provision of Services			6,120			4,091	
(Surplus)/Deficit arising on revaluation of Property, Plant and Equipment Assets			(2,103)			(11,789)	22
(Surplus)/Deficit from investments in equity instruments designated at fair value			25			25	15
Remeasurements of the net defined pension benefit liability			(27,207)			4,933	22
Other Comprehensive Income and Expenditure			(29,285)			(6,831)	
Total Comprehensive Income and Expenditure			(23,165)			(2,740)	

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

		As at 31 March	As at 31 March
	Note	2020	2019
		£'000	£'000
Long Term Assets:			
Property, Plant & Equipment	12	148,528	140,140
Heritage Assets	13	12,491	12,491
Investment Properties	14	74,450	31,513
Intangible Assets		412	124
Long Term Investments	15	1,414	566
Long Term Debtors	16	15,009	10,009
Total Long Term Assets		252,304	194,843
Current Assets:			
Short Term Investments	15	3,524	7,051
Assets Held For Sale	18	-	-
Inventories		76	109
Short Term Debtors	16	9,928	7,327
Cash & Cash Equivalents	17	5,957	2,984
Total Current Assets		19,485	17,471
Current Liabilities:			
Short Term Borrowing	15	(10,997)	(10,431)
Short Term Creditors	19	(10,367)	(8,407)
Provisions	20	(185)	(772)
Grants Receipts In Advance - Revenue	32	(421)	(448)
Grants Receipts In Advance - Capital		-	(8)
Total Current Liabilities		(21,970)	(20,066)
Long Term Liabilities:			
Long Term Borrowing	15	(117,725)	(57,168)
Other Long Term Liabilities	36	(13,459)	(39,610)
Total Long Term Liabilities		(131,184)	(96,778)
Net Assets		118,635	95,470
Financed By Reserves:			
Usable Reserves		(10,303)	(12,028)
Unusable Reserves	22	(108,332)	(83,442)
Total Reserves		(118,635)	(95,470)

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.

	Note	2019/20	2018/19
		£'000	£'000
Net (surplus) or deficit on provision of services	23	(6,120)	(4,091)
Adjustments to net surplus or deficit on the provision of services for non cash movements	23	8,387	7,115
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(2,990)	(3,026)
Net cash flows from Operating Activities	23	(723)	(2)
Investing Activities	24	(57,368)	(24,623)
Financing Activities	25	61,064	23,947
Net increase or decrease in cash and cash equivalents		2,973	(678)
Cash and cash equivalents at the beginning of the reporting period		2,984	3,662
Cash and cash equivalents at the end of the reporting period	17	5,957	2,984

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
- Understand ability
- 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.

Accounting for Council Tax and NDR

The Balance Sheet includes the Councils 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 provision for 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 arm's 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 ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint 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 (e.g. 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 or decrease of 5% or more during the year, the relevant asset category is revalued in line with the valuation change. 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 to a sale without significant changes to the plan of sale, or that significant changes to the plan will be made or that the plan will be withdrawn.

For 2019/20 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 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.

Disposals

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

Charges to Revenue for Non-current Assets

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

Asset lives are established by reference to the expected timespan over which the Council expects to get economic benefits from that asset. This could be a valuer or the officer using the asset. The useful life of assets is determined as follows, excepting where there may be exceptional circumstances:

Buildings	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

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:

Disposals

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

Impairment

The value at which each category of assets is included in the balance sheet has been reviewed at the year-end, and there was 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 a 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 - no value is currently assigned to these shares
- 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 coins, 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 the 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 over £10,000 received from the sale of land or other capital assets which may be used to finance capital expenditure or repay debt.

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 THAT HAVE BEEN 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 2019/20 Code.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan.
- IAS 28 Investments in Associates and Joint Ventures Long-term Interests in Associates and Joint Ventures will not apply to this Local Authority.
- Annual Improvements to IFRS Standards 2015-17 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 provisions in the CIPFA/LASAAC Code of Practice of Local Authority Accounting 2019/20 and the Financial Reporting Council's Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, correspondence from MHCLG during Covid-19 is supportive of this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

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. The potential impact in the longer term of the Coronavirus (Covid-19) pandemic is not known. However, the Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.
- The Council holds a significant portfolio of investment property and although in general terms economic activity is fragile, the Council judges that its portfolio is robust and that the assets will not be impaired as a result of a decrease in economic activity.
- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates 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. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 37.
- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in Note 20 and contingent liabilities in Note 38.
- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 5% of the Council spending baseline which equates to £135k.

The Covid 19 pandemic began to have an impact late in 2019/20 but despite these pressures the Council reported a £1m underspend for the financial period ending 31st March 2020. The financial position has deteriorated in the early months of 2020/21, however the Government has provided substantial additional funding which has offset these new pressures.

An assessment has been made of the likely impact of Covid-19 on its financial position and performance during 2019/20, 2020/21 and beyond. This has included modelling scenarios that consider the impact on the following:

- Reductions in income
- Increased expenditure
- Cash Flow and liquidity
- General fund balances and reserves

In February 2020 the Council approved a balanced budget for 2020/21, but the emergence of Covid-19 has fundamentally changed the financial outlook. The Council has seen the impact of the pandemic on its finances, however it has received substantial emergency funding support from Government together with a range of specific grants to support key areas of the Resident and Business community. Factoring in this funding alongside the expected compensation from the Sales, Fees and Charges Compensation Scheme, the net outturn projection for 2020/21 is a marginal overspend of £9k.

The projected overspend in 2020/21 is well within the level of general usable revenue reserves of £4.8m. Work is ongoing in all service areas to review all budgets during 2020 to identify options for delivering efficiency savings and / or generating income, with the aim of setting a balanced budget in 2021/22 and reducing an overspend in 2020/21. The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services.

As at 31 March 2020 the Council has the following reserves to call on in delivering its services.

➤ General Fund Working Balance	£1.543m
➤ General Fund Earmarked Reserves	£3.328m
➤ Capital Grants	£3.249m
➤ Capital Receipts	£2.183m

In the event of a serious financial situation it will be prepared to 'un-earmark' certain reserves to meet its commitments.

Furthermore, the Council has a modest capital programme and could postpone non-essential capital projects that would further protect the levels of cash and usable reserves if the position further deteriorated. The programme focuses on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

As a result, the Council is satisfied that it can prepare its accounts on a going concern basis.

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 2020 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If the useful life of assets fell by one year there would be an increase in the depreciation charged in the C.I.E.S. For example the additional cost for Land and Buildings would be £81k.</p> <p>There would also be a corresponding decrease in the carrying amount of the assets.</p> <p>Depreciation is excluded when the movement in the general fund is determined. It does not impact on the setting of council tax.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. In 2019/20 the assumptions include an estimation of the impact of the McCloud judgement.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.</p> <p>During 2019/20, the Council's actuaries advised that the net pension liability has decreased by a net £26.15m. There was a £1.05m increase as a result of estimates being corrected as a result of experience, and a decrease of £27.2m attributable to updating of the assumptions.</p> <p>Refer to note 37 for more information.</p>
Impairment Loss Allowance	<p>At 31st March 2020 the Council had a net balance of debtors due (excluding government departments) of £9.2m. A review of significant balances suggested that an impairment for doubtful debt of £2.22m was appropriate.</p>	<p>Arrears collection rates are reviewed each year and if collection rates were to deteriorate or improve this would require an appropriate adjustment.</p> <p>An increase in the net balance of debtors (excluding government departments) by 10% would increase the impairment for bad debts by £64k</p>
Business Rate Appeals Provision	<p>At March 2020 the total provision for the impact of appeals on business rate income is £0.791m, the Council share of this is £0.157m. 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.</p>	<p>The appeals provision is reviewed each year and adjusted for the likely impact of any increase or decrease in the level of appeals and the estimated success rate.</p> <p>If the success rate was to increase by 1% the impact on the provision would be an increase of £28k .The Council share of this would be £11k.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Investments	<p>When the fair values of nonfinancial assets and financial assets/liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow (DCF) model). Where possible these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk for financial assets and rent growth for non-financial assets.</p> <p>Where Level 1 inputs are not available the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for Investment Property, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 1 and 14.</p>	<p>Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.</p>

Material Valuation Uncertainty.

The impact of the COVID-19 pandemic is a significant source of estimation uncertainty. It continues to cause major disruption and unprecedented volatility in markets and economies globally. This has implications for the property valuations included in these financial statements. The Council's property valuers, Wilks, Head and Eve have included a material valuation uncertainty clause with the valuations at 31 March 2020.

The valuer has stated that they consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and that the current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book global standards effective from 31 January 2020.

Consequently, less certainty and a higher degree of caution should be attached to their valuation than would normally be the case.

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 2020 and the date when the Statement of Accounts are authorised for issue 30th November 2020.

The UK has been affected by the global Covid-19 Coronavirus pandemic emergency since March 2020, the financial impact of this for Worthing Borough Council up to 31st March 2020 was not significant and is reflected in the accounts.

NOTE 6: EXPENDITURE AND FUNDING ANALYSIS

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

	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
	Net	Adjust -	Net	Net	Adjust -	Net
	Expenditure	ments	Expenditure	Expenditure	ments	Expenditure
	Chargeable	between	in the	Chargeable	between	in the
	to the	Funding	Comprehen-	to the	Funding	Comprehen-
	General	and	sive Income	General	and	sive
	Fund	Accounting	and	Fund	Accounting	Income and
	Balance	Basis	Expenditure	Balance	Basis	Expenditure
		(Note 7)	Statement		(Note 7)	Statement
	£000	£000	£000	£000	£000	£000
The Leader	763	47	810	833	101	934
Environment	2,238	2,336	4,574	2,087	(835)	1,252
Health & Wellbeing	1,717	354	2,071	1,788	370	2,158
Customer Services	3,388	390	3,778	2,926	226	3,152
Regeneration	1,877	4,308	6,185	1,649	4,605	6,254
Resources	3,621	(379)	3,242	3,109	1,381	4,490
Net Cost of Services	13,604	7,056	20,660	12,392	5,848	18,240
Other income and expenditure	(13,652)	(888)	(14,540)	(13,280)	(869)	(14,149)
Surplus or deficit	(48)	6,168	6,120	(888)	4,979	4,091
Opening balance on General Fund reserves as at 1 April	(4,823)			(3,935)		
Deficit/surplus on General Fund in Year	(48)			(888)		
Closing balance on reserves as at 31 March *	(4,871)			(4,823)		

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

Adjustments between Funding and Accounting Basis

2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Collection Fund Adjustment £000	Total Adjustments £000
The Leader	6	41	-	47
Environment	2,312	24	-	2,336
Health & Wellbeing	83	271	-	354
Customer Services	824	(434)	-	390
Regeneration	3,634	674	-	4,308
Resources	90	(469)	-	(379)
Net Cost of Services	6,949	107	-	7,056
Other income and expenditure from the Funding Analysis	(1,445)	953	(396)	(888)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	5,504	1,060	(396)	6,168

2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Collection Fund Adjustment £000	Total Adjustments £000
The Leader	17	84	-	101
Environment	(1,239)	404	-	(835)
Health & Wellbeing	33	337	-	370
Customer Services	824	(598)	-	226
Regeneration	3,821	784	-	4,605
Resources	1,342	39	-	1,381
Net Cost of Services	4,798	1,050	-	5,848
Other income and expenditure from the Funding Analysis	(2,402)	861	672	(869)
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	2,396	1,911	672	4,979

Expenditure and income analysed by nature

	2019/20	Restated 2018/19
	£'000	£'000
Employee Expenses *	5,499	6,047
Depreciation, amortisation, impairment	7,493	1,180
Other service expenditure	63,475	68,079
Total Expenditure	76,467	75,306
Grants and contributions	(3,308)	(1,924)
Fees, charges and other service income	(50,511)	(53,982)
(Gain)/loss on disposal of non current assets	(6)	(612)
Income from council tax and business rates	(11,735)	(12,144)
Interest and Investment Income	(4,787)	(2,553)
Total Income	(70,347)	(71,215)
Deficit or surplus on Provision of Services	6,120	4,091

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

* 2018/19 there has been a re-categorisation of costs between Employee and Other Service Expenditure of £1,167,000, employee costs did not previously include the full impact of IAS19.

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

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

2019/20 USABLE RESERVES	General Fund Balance £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserve £'000
Adjustments primarily involving the Capital				
Adjustment Account				
Charges for depreciation and impairment of non current assets (note 12 & 22)	(3,603)	-	-	3,603
Revaluation losses on Property Plant and Equipment (note 12 & 22)	(1,743)	-	-	1,743
Movements in the market value of investment Properties (note 14 & 22)	(2,110)	-	-	2,110
Amortisation of intangible assets (note 22)	(36)	-	-	36
Capital grants and contributions applied (note 22)	1,037	-	-	(1,037)
Revenue Expenditure funded from capital under statute (note 22)	(1,824)	-	-	1,824
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)	(659)	-	-	659

2019/20 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 22)	1,457	-	-	(1,457)
Capital expenditure charged against the General Fund (note 22)	197	-	-	(197)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	1,574	-	(1,574)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	1,434	(1,434)
Appropriation of S106 contributions to Fund revenue expenditure	(45)		45	-
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	379	(379)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 22 & 34)	-	2,247	-	(2,247)
Adjustments primarily involving the Financial Instruments Revaluation Reserve:				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override	(128)			128
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 37)	(5,421)	-	-	5,421
Employers' Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,361	-	-	(4,361)
Adjustments involving the Collection Fund				
Adjustment Account:				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (Note 22)	396	-	-	(396)
TOTAL ADJUSTMENTS 2019/20	(6,168)	1,868	(95)	4,395

2018/19 USABLE RESERVES	General Fund Balance £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserve £'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets (note 12 & 22)	(3,199)	-	-	3,199
Revaluation losses on Property Plant and Equipment (note 12 & 22)	3,121	-	-	(3,121)
Movements in the market value of investment Properties (note 22)	(1,039)	-	-	1,039
Amortisation of intangible assets (note 22)	(63)	-	-	63
Capital grants and contributions applied (note 22)	606	-	-	(606)
Revenue Expenditure funded from capital under statute (note 22)	(4,646)	-	-	4,646
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)	(900)	-	-	900
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (note 25)	1,111	-	-	(1,111)
Capital expenditure charged against the General Fund (note 22)	195	-	-	(195)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure A/c	1,296	-	(1,296)	-
Application of grants to capital financing transferred to the Capital Adjustment Accounts (note 22)	-	-	2,303	(2,303)
Appropriation of S106 contributions to Fund revenue expenditure	(11)	-	11	-
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	1,125	(1,125)	-	-
Use of the Capital Receipts Reserve to finance new and historic capital expenditure (note 34)	-	2,534	-	(2,534)
Adjustments primarily involving the Financial Instruments Revaluation Reserve				
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG override	8	-	-	(8)

2018/19 USABLE RESERVES	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserve
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement (note 37)	(6,419)	-	-	6,419
Employers Pension Contributions and direct payments to pensioners payable in the year (note 37)	4,508	-	-	(4,508)
Adjustments involving the Collection Fund				
Adjustment Account:				
Amount by which council tax and non domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements (note 22)	(672)	-	-	672
TOTAL ADJUSTMENTS 2018/19	(4,979)	1,409	1,018	2,552

NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

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

	Balance at 01/04/18 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31/03/19 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31/03/20 £'000
Movement in Earmarked Reserves							
Earmarked Revenue Reserves							
Capacity Issues Fund	1,441	(432)	633	1,642	(438)	157	1,361
Insurance	297	(54)	31	274	(57)	31	248
Joint Health Promotion	8	(5)	-	3	(2)	-	1
Leisure Lottery & Other Partnerships	78	(41)	-	37	(9)	-	28
Grants & Contributions	542	(111)	311	742	(101)	165	806
Museum Reserve	98	-	-	98	-	8	106
Business Rates Smoothing Reserve	425	-	480	905	(468)	-	437
Theatres Capital Maintenance Reserve	139	(59)	91	171	(69)	7	109
Property Investment Risk	-	-	50	50	-	150	200
Special & Other Emergency Expenditure	34	(31)	-	3	-	-	3
Total General Fund	3,062	(733)	1,596	3,925	(1,144)	518	3,299
Capital Expenditure Reserve	29	-	-	29	-	-	29
Total Earmarked Reserves	3,091	(733)	1,596	3,954	(1,144)	518	3,328

£28,399 relating to Highdown Gardens, previously held in Grants and Contributions, has now been transferred to the Highdown Trust.

- (i) The Capacity Issues Fund was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise in future years.
- (ii) The Insurance Reserve was established in 1993/94 to fund risk management initiatives, fund minor self-insurance and to achieve longer term revenue savings.
- (iii) The Joint Health Promotion Reserve was established in 2005 with funding received from the local teaching Primary Care Trust for health promotion projects.
- (iv) The Leisure, Lottery and Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies and other funding agencies and organisations.
- (v) The Grants and Contributions Reserve was created to comply with changes in accounting policy required by the Code of Practice. The reserve is used where the grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.
- (vi) The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.
- (vii) The Business Rates Smoothing Reserve was set up to smooth the impact of changes to reliefs in-year.
- (viii) The Theatres Capital Maintenance Reserve (formerly Theatres Ticket Levy) was set up in 2013/14, specifically to fund maintenance on Worthing Theatres.
- (ix) The Property Investment Risk Reserve was set up in 2018/19 to enable the Council to manage the income stream from the Strategic Properties, for example through the restructuring of leases or during void periods.
- (x) The Special and Other Emergency Expenditure Reserve was set up to fund expenditure such as seaweed removal, uninsured losses (i.e. storm damage) and any other strategic or unforeseen one-off expenditure which may arise.
- (xi) The Capital Expenditure Reserve was set up in 1993/94 to finance capital schemes which may have been delayed, to provide an alternative source of finance should the income from capital receipts decline and to assist in the financing of new or accelerated capital projects.

NOTE 9: OTHER OPERATING EXPENDITURE

Other Operating Expenditure	31-Mar-20	31-Mar-19
	£'000s	£'000s
Derecognition of assets	628	535
Gains/losses on the disposal of non-current assets	(6)	(612)
TOTAL	622	(77)

NOTE 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2019/20 £000	2018/19 £000
Interest Payable & similar charges (Note 15)	1,840	894
Net interest on net defined benefit liability (asset) (note 37)	953	861
Interest Receivable & similar income	(531)	(436)
Income and expenditure in relation to investment properties (Note 14)	(4,288)	(2,117)
Changes in fair value to investment properties (Note 14)	2,110	1,039
Changes in fair value to investments (note 15)	128	(7)
Trading Operations (note 26)	(331)	(238)
TOTAL	(119)	(4)

NOTE 11: TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income	2019/20 £'000s	2018/19 £'000s
Council Tax Income	(9,172)	(8,837)
Non Domestic Rates	(2,669)	(2,242)
Non-ringfenced Government Grants	(1,856)	(2,367)
Capital Grants and Contributions	(1,346)	(622)
TOTAL	(15,043)	(14,068)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT**OPERATIONAL ASSETS**

	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
Movements in 2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2019	104,483	8,876	6,812	4,963	8,023	14,348	147,505
Additions	7,498	812	212	788	-	3,205	12,515
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,083	6	1	-	234	-	1,324
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,543)	-	-	-	5	-	(2,538)
Derecognition	(608)	(422)	(61)	-	(24)	-	(1,115)
Reclassifications between asset classes, including transfers to intangible assets	980	-	22	195	-	(1,423)	(226)
At 31 March 2020	110,893	9,272	6,986	5,946	8,238	16,130	157,465
Accumulated Depreciation & Impairment							
At 1 April 2019	(499)	(4,743)	(2,119)	-	(4)	-	(7,365)
Depreciation charge	(2,542)	(775)	(285)	-	(1)	-	(3,603)
Depreciation recognised in the Revaluation Reserve	781	(2)	-	-	-	-	779
Deprecation written out to the Surplus/Deficit on the Provision of Services	795	-	-	-	-	-	795
Derecognition	29	413	10	-	5	-	457
At 31 March 2020	(1,436)	(5,107)	(2,394)	-	-	-	(8,937)
Net Book Value at 31 March 2020	109,457	4,165	4,592	5,946	8,238	16,130	148,528
Net Book Value at 31 March 2019	103,984	4,133	4,693	4,963	8,019	14,348	140,140

Comparative Movements 2018/19

	Other Land and Buildings	Vehicles, Furniture and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets Under Const- ruction	TOTAL
Movements in 2018/19 Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	95,278	9,417	5,908	4,963	6,585	10,628	132,779
Historic Cost Adjustment	-	-	-	-	-	-	-
Additions	1,977	458	667	-	2	3,788	6,892
Donated Assets	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,682	-	186	-	1,424	-	8,292
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,296	(47)	-	-	37	-	1,286
Derecognition	(445)	(883)	(47)	-	(25)	-	(1,400)
Reclassifications between asset classes, including transfers to intangible assets	(338)	-	-	-	-	-	(338)
Reclassifications between asset classes, including transfers to intangible assets	33	(69)	98	-	-	(68)	(6)
At 31 March 2019	104,483	8,876	6,812	4,963	8,023	14,348	147,505
Accumulated Depreciation & Impairment							
At 1 April 2018	(3,409)	(4,698)	(1,700)	-	(29)	-	(9,836)
Historic Depreciation Adjustment	-	-	-	-	-	-	-
Depreciation charge	(2,075)	(883)	(241)	-	-	-	(3,199)
Depreciation written out to the Revaluation Reserve	3,119	-	(122)	-	-	-	2,997
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,835	-	-	-	-	-	1,835
Derecognition	31	770	12	-	25	-	838
Reclassifications between asset classes, including transfers to intangible assets	-	68	(68)	-	-	-	-
At 31 March 2019	(499)	(4,743)	(2,119)	-	(4)	-	(7,365)
Net Book Value at 31 March 2019	103,984	4,133	4,693	4,963	8,019	14,348	140,140
Net Book Value at 31 March 2018	91,869	4,719	4,208	4,963	6,556	10,628	122,943

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

	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Movements in 2019/20 Cost or Valuation	£'000	£'000	£'000
At 1 April 2019	7,801	224	8,025
New assets	6	-	6
Additions	682	110	792
Reclassifications between asset classes, including transfers to intangible assets	-	-	-
De-recognition	(318)	(224)	(542)
At 31 March 2020	8,171	110	8,281
Accumulated Depreciation			
At 1 April 2019	(3,997)	-	(3,997)
Depreciation charge	(719)	-	(719)
Derecognition - Other	331	-	331
At 31 March 2020	(4,385)	-	(4,385)
Net Book Value at 31 March 2020	3,786	110	3,896
Net Book Value at 31 March 2019	3,804	224	4,028

Comparative Movements 2018/19

Movements in 2018/19	Vehicles, Furniture and Equipment	Assets Under Construction	TOTAL
Cost or Valuation	£'000	£'000	£'000
At 1 April 2018	8,130	305	8,435
Cost Adjustment			-
Additions	444	(74)	370
Reclassifications between asset categories		(7)	(7)
De-recognition	(773)	-	(773)
At 31 March 2019	7,801	224	8,025
Accumulated Depreciation			
At 1 April 2018	(3,876)	-	(3,876)
Depreciation charge	(781)	-	(781)
Derecognition - Other	660	-	660
At 31 March 2019	(3,997)	-	(3,997)
Net Book Value at 31 March 2019	3,804	224	4,028
Net Book Value at 31 March 2018	4,254	305	4,559

Depreciation

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

- Other Land and Buildings:** 15 – 60 years
- Vehicles, Plant, Furniture and Equipment:** 1 – 25 years
- Infrastructure:** 5 - 50 years

Capital Commitments

At 31st March 2020 the Authority had entered into 2 significant contracts for the acquisition and enhancement of assets. The significant contracts are estimated to cost £646,547. The significant commitments at 31st March 2019 were £3m. The significant commitments at 31st March 2020 were:

- Highdown Gardens Infrastructure Improvements: £537,547
- Worthing Crematorium provision of a walkway above the cremators to enable maintenance and ventilation to the roof area above the cremators: £109,000

Revaluations

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

As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2020 valuations due to the market volatility caused by the Coronavirus pandemic.

The significant assumptions applied in estimating the current values are:

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

	Other Land and Buildings £'000	Vehicles, Furniture and Equipment £'000	Infra- structure Assets £'000	Comm- unity Assets £'000	Surplus Assets £'000	Assets Under Const- ruction £'000	TOTAL £'000
Carried at historical cost	-	4,119	4,592	5,946	-	16,130	30,787
Valued at current value as at:							
31st March 2020	28,760	-	-	-	41	-	28,801
31st March 2019	21,515	46	-	-	-	-	21,561
31st March 2018	37,793	-	-	-	-	-	37,793
31st March 2017	21,331	-	-	-	7	-	21,338
31st March 2016	58	-	-	-	8,190	-	8,248
Total Cost or Valuation	109,457	4,165	4,592	5,946	8,238	16,130	148,528

NON-OPERATIONAL PROPERTY, PLANT EQUIPMENT (SURPLUS ASSETS)

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2020 and 31st March 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
Land	-	8,112	-	8,112
Office	-	7	-	7
Retail	-	41	-	41
Sub Stations	-	78	-	78
TOTAL	-	8,238	-	8,238

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019 £'000
Land	-	7,914	-	7,914
Office	-	20	-	20
Residential	-	7	-	7
Sub Stations	-	78	-	78
TOTAL	-	8,019	-	8,019

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Surplus Assets

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

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

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

Valuation Techniques

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

Valuation Process for Surplus Assets

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

As set out in note 4, the external valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2020 valuations due to the market volatility caused by the Coronavirus pandemic.

NOTE 13: HERITAGE ASSETS

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

Movements in 2019/20	Civic Regalia £'000	Art and Sculpture £'000	Costume and Jewellery £'000	Toys £'000	Social History £'000	Archaeology and Geology £'000	TOTAL £'000
Cost or Valuation							
At 1 April 2019	491	3,818	4,042	1,621	1,840	679	12,491
At 31 March 2020	491	3,818	4,042	1,621	1,840	679	12,491
Net Book Value at 31 March 2019	491	3,818	4,042	1,621	1,840	679	12,491

COMPARATIVE MOVEMENTS 2018/2019

Movements in 2018/2019	Civic Regalia £'000	Art and Sculpture £'000	Costume and Jewellery £'000	Toys £'000	Social History £'000	Archaeology and Geology £'000	TOTAL £'000
Cost or Valuation							
At 1 April 2018	491	3,659	3,874	1,553	1,763	651	11,991
Revaluations	-	159	168	68	77	28	500
At 31 March 2019	491	3,818	4,042	1,621	1,840	679	12,491
Net Book Value at 31 March 2018	491	3,659	3,874	1,553	1,763	651	11,991

Civic Regalia

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

Art and Sculpture

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

Costume and Jewellery

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

Toys

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

Social History

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

Archaeology and Geology

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

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

NOTE 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.

	2019/20	2018/19
	£'000	£'000
Rental income	(4,869)	(2,403)
Direct operating expenses	581	286
Net (gain)/loss	(4,288)	(2,117)

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

	2019/20	2018/19
	£'000	£'000
Balance at start of the year 1st April	31,513	5,855
Acquisitions:	45,047	26,697
Net gains/(losses) from fair value adjustments:	(2,110)	(1,039)
Balance at end of the year	74,450	31,513

Fair Value Measurement of Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31st March 2020 and 31st March 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
Car Parking	-	222	-	222
Community Facility	-	42	-	42
Office	-	46,691	-	46,691
Retail	-	16,861	-	16,861
Residential	-	90	-	90
Industrial	-	10,544	-	10,544
TOTAL	-	74,450	-	74,450

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000	£'000
Car Parking	-	220	-	220
Community Facility	-	42	-	42
Office	-	26,697	-	26,697
Retail	-	4,426	-	4,426
Residential	-	84	-	84
Industrial	-	44	-	44
TOTAL	-	31,513	-	31,513

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

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 on 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.

As set out in note 4, the valuer has invoked a 'material valuation certainty' clause in relation to their work undertaken for 31 March 2020 valuations due to the market volatility caused by the Coronavirus pandemic.

NOTE 15: FINANCIAL INSTRUMENTS

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

Financial Assets

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	
Fair Value through Profit and Loss	1,364	491	-	-	-	-	-	-	1,364
Amortised Cost - Investments and debtors	-	-	15,009	10,009	3,500	7,000	3,901	2,281	22,410
Amortised Cost - accrued interest	-	-	-	-	24	51	-	-	24
Amortised Cost - Cash and Cash Equivalents	-	-	-	-	5,957	2,984	-	-	5,957
Fair Value through other comprehensive income - designated equity instruments	50	75	-	-	-	-	-	-	50
Total Financial Assets	1,414	566	15,009	10,009	9,481	10,035	3,901	2,281	29,805
Non-financial assets	-	-	-	-	-	-	6,027	5,046	6,027
Total	1,414	566	15,009	10,009	9,481	10,035	9,928	7,327	35,832

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	31Mar20 £000	31Mar19 £000	
Amortised Cost - Principal	(117,725)	(57,168)	-	-	(10,346)	(10,082)	(4,357)	(3,739)	(132,428)
Amortised Cost - accrued interest	-	-	-	-	(651)	(349)	-	-	(651)
Total Financial Liabilities	(117,725)	(57,168)	-	-	(10,997)	(10,431)	(4,357)	(3,739)	(133,079)
Non-financial liabilities	-	-	-	-	-	-	(6,010)	(4,668)	(6,010)
Total	(117,725)	(57,168)	-	-	(10,997)	(10,431)	(10,367)	(8,407)	(139,089)

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

The long term debtors include a £10m loan to Worthing Homes for 10 years and a £5m loan to GB Met College repayable over 15 years, both of which are fully secured on property.

The Non-financial assets and liabilities are the balances which do not meet the definition of a financial instrument, 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, 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 2020 they are all Short Term Investments. The Council's investments in money market funds are valued at amortised cost and the principal is 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 is classified as Fair Value through Profit or Loss and the current value of £1.364m 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 Instruments 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 2020. 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:

- £50,000 of deferred shares in Boom Credit Union, which offers affordable loans in the West Sussex and Surrey area,
- 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 £25,000 to zero, 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.

Items of income, expense, gains and losses

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

	2019/20 Surplus or Deficit on the Provision of Services £'000	2019/20 Other Comprehensive Income and Expenditure £'000	2018/19 Surplus or Deficit on the Provision of Services £'000	2018/19 Other Comprehensive Income and Expenditure £'000
Net (gains)/losses on:				
financial assets measured at fair value through profit or loss (Local Authorities' Property Fund)	128	-	(7)	-
financial assets measured at amortised cost	64	-	(10)	-
financial assets measured at fair value through other comprehensive income (Municipal Bonds Agency)	-	25	-	25
Total net (gains)/losses	192	25	(17)	25
Interest revenue:				
financial assets measured at amortised cost	(441)	-	(415)	-
other financial assets measured at fair value through profit or loss (dividends from the Local Authorities' Property Fund)	(58)	-	(21)	-
Total interest revenue	(499)	-	(436)	-
Interest expense	1,840	-	894	-
Fee income on financial assets that are not at fair value through profit or loss	(32)	-	-	-
Fee expense on financial liabilities that are not at fair value through profit or loss	52	-	13	-

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.

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 investments 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 2020 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, prevailing market 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:

Financial Liabilities valued at amortised cost	31-Mar-20		31-Mar-19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	(111,645)	(110,015)	(61,532)	(62,396)
Non-PWLB Debt	(17,077)	(17,137)	(6,067)	(6,069)
Total Borrowing	(128,722)	(127,152)	(67,599)	(68,465)
Short Term Creditors	(4,357)	(4,357)	(3,739)	(3,739)
Total Liabilities	(133,079)	(131,509)	(71,338)	(72,204)

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders below current market rates.

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

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £150.766m, which is calculated using early repayment discount rates. The Council has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair values for financial assets are compared with the carrying amounts as follows:

Financial Assets valued at amortised cost	31-Mar-20		31-Mar-19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	3,524	3,524	7,051	7,054
Long Term investments	-	-	-	-
Cash and cash equivalents	5,957	5,957	2,984	2,984
Short term debtors	3,901	3,901	2,281	2,281
Long term debtors	15,009	15,009	10,009	10,009
Total	28,391	28,391	22,325	22,328

The fair value of the assets is the same as the carrying amount because the Council's fixed rate investments held at 31st March 2020 are at interest rates similar to the rates for similar investments in the market at the Balance Sheet date.

The long term debtors include a £10m loan to Worthing Homes for 10 years and a £5m loan to GB Met College repayable over 15 years, both of which are fully secured on property.

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

Nature and Extent of Risks Arising From Financial Instruments

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

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

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 limit for any one MMF and total investments in MMFs shall not exceed £9m for more than one week at any one time.

The full investment strategy for 2019/20 was approved by the Council on 26th February 2019 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 £8.9m 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 2020 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 uncollectibility.

Credit Risk Exposure	Carrying Amount at	Estimated Maximum	Estimated Maximum
	31/03/20	Exposure to Loss at	Exposure to Loss at
	£'000	31/3/20	31/3/19
		£'000	£'000
Lease debtors	170	40	36
Sundry debtors	3,731	245	186

The Council has made a loan of £10m to Worthing Homes to support the provision of housing. The loan is secured on property valued in excess of £10m and the Council receives quarterly accounts and other regular updates on the profitability of Worthing Homes. The Council has also made a loan of £5m to GB Met College which is also fully secured on property. Therefore there is no quantifiable credit risk to the Council.

The Council does not generally allow credit for its customers. Therefore all amounts outstanding (apart from those amounts raised as accruals at 31st March 2020 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 2020 the Council held £2m of bank investments at credit rating A+ and £1.5m with another Local Authority. £5.4m 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 Public Works Loan Board 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 procedure, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments 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 Council in the Treasury Management Strategy):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2020	Actual 31 March 2020	Actual 31 March 2019	Actual 31 March 2019
			£'000s			£'000s
Maturing within one year	0%	45%	9%	(10,997)	16%	(10,431)
Maturing in 1-2 years	0%	75%	15%	(19,349)	12%	(7,913)
Maturing in 2-5 years	0%	75%	11%	(14,698)	24%	(16,376)
Maturing in 5-10 years	0%	75%	33%	(42,663)	31%	(21,150)
Maturing in 10-20 years	0%	75%	21%	(26,425)	17%	(11,729)
Maturing over 20 years	0%	75%	11%	(14,590)	0%	-
TOTAL			100%	(128,722)	100%	(67,599)

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 variable and fixed interest rates would have the following effects:

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

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 the 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 2020, 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	48
Decrease in fair value of fixed rate investment assets - Impact on Other Comprehensive Income and Expenditure	-
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)	9,474

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. The Council has invested £1.5m 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 losses arising from movements in exchange rates.

NOTE 16: DEBTORS

	31-Mar-20	31-Mar-19
	£'000s	£'000s
Amounts falling due in one year net of the bad debt provision:		
Central Government Bodies	737	676
Other Local Authorities	2,749	1,700
NHS Bodies	70	36
Other Entities and Individuals	6,372	4,915
TOTAL	9,928	7,327

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Overall Aged Debt Analysis		
Less than 1 Year	9,761	7,212
1-2 Years	42	39
2-3 years	30	11
Over 3 years	95	65
	9,928	7,327

Long term debtors disclosed in the balance sheet comprises of:

Long Term Debtors	31-Mar-20 £'000s	31-Mar-19 £'000s
Council house purchase	7	7
Legal Charges	2	2
Worthing Homes Loan	10,000	10,000
GB Met Loan	5,000	-
TOTAL	15,009	10,009

NOTE 17: CASH AND CASH EQUIVALENTS

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

	31-Mar-20 £'000	31-Mar-19 £'000
The balance is made up of the following elements:		
Cash held by the Council	16	26
Bank Current Accounts	541	758
Call Accounts and Money Market Funds	5,400	2,200
Total Cash & Cash Equivalents	5,957	2,984

NOTE 18: ASSETS HELD FOR SALE

	Current 2019/20 £'000	Current 2018/19 £'000	Non Current 2019/20 £'000	Non Current 2018/19 £'000
Balance outstanding at start of year	-	337	-	-
Assets classified as Held for Sale:				
Transfers from Property, Plant and Equipment	-	-	-	-
Disposals	-	(337)	-	-
Balance outstanding at year-end	-	-	-	-

NOTE 19: CREDITORS

	31-Mar-20 £'000s	31-Mar-19 £'000s
Central Government Bodies	(244)	(410)
Other Local Authorities	(5,440)	(2,345)
Other Entities and Individuals	(4,683)	(5,652)
TOTAL	(10,367)	(8,407)

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-19	Additional Provisions made in 2019/20	Amounts used in 2019/20	Unused amounts reversed in 2019/20	Balance at 31-Mar-20
	£'000	£'000	£'000	£'000	£'000
HMRC Claims - Leisure Self Employed	(1)	-	-	-	(1)
Land Charges - Personal Search Fees	(13)	-	-	-	(13)
Leisure Contract Claim	(14)	-	-	-	(14)
Business Rate appeals	(744)	-	-	587	(157)
	(772)	-	-	587	(185)

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 are compatible 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.

Business Rates Appeals: A provision has been made for appeals which are likely to be settled in 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 £0.791m, Worthing Borough Council's share is £0.157m.

NOTE 21: USABLE RESERVES

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

NOTE 22: UNUSABLE RESERVES

Unusable Reserves	31-Mar-20	31-Mar-19
	£'000s	£'000s
Revaluation Reserve	(51,995)	(50,471)
Available for Sale Financial Instruments Reserve	-	-
Financial Instrument Revaluation Reserve	185	33
Capital Adjustment Account	(70,198)	(73,222)
Deferred Capital Receipts Reserve	(7)	(8)
Pension Reserve	13,293	39,440
Collection Fund Adjustment Account	390	786
TOTAL UNUSABLE RESERVES	(108,332)	(83,442)

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	2019/20	2018/19
	£'000	£'000
Balance at 1 April	(50,471)	(39,000)
Upward revaluation of assets	(3,868)	(11,805)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,765	16
Surplus or deficit on revaluation of non-current assets posted to Other Comprehensive Income and Expenditure	(2,103)	(11,789)
Difference between fair value depreciation and historical cost depreciation	561	312
Accumulated gains on assets sold or scrapped	18	6
Amount written off to the Capital Adjustment Account	579	318
Balance at 31 March	(51,995)	(50,471)

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

The 2019/20 Code of Practice on Local Authority Accounting has adopted IFRS9 Financial Instruments. As a result of the implementation of IFRS9, the Available for Sale Reserve has been decommissioned and any balance held transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

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	2019/20	2018/19
Balance at 1 April	(73,222)	(72,881)
Charges for depreciation and impairment of non-current assets	3,603	3,199
Revaluation gains and losses on Property, Plant and Equipment	1,743	(3,121)
Amortisation of intangible assets	36	63
Revenue expenditure funded from capital under statute	1,824	4,646
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	659	900
Net written out amount of the cost of non-current assets consumed in the year	7,865	5,687
Adjusting amounts written out of the Revaluation Reserve	(579)	(318)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,247)	(2,534)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,037)	(606)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,434)	(2,303)
Statutory provision for the financing of capital investment charged against the General Fund	(1,457)	(1,111)
Capital expenditure charged against the General Fund	(197)	(195)
	(6,951)	(7,067)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,110	1,039
	2,110	1,039
Balance at 31 March	(70,198)	(73,222)

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2019/20	2018/19
	£'000	£'000
Balance at 1 April	39,440	32,596
Remeasurements of the net defined benefit liability / (asset)	(27,207)	4,933
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	5,421	6,419
Employer's pension contributions and direct payments to pensioners payable in the year	(4,361)	(4,508)
Balance at 31 March	13,293	39,440

Collection Fund Adjustment Account

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

NOTE 23: CASH FLOW OPERATING ACTIVITIES

	Net	Net
	2019/20	2018/19
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	526	390
Interest paid	(1,547)	(793)
Dividends received	42	21
Total	(979)	(382)

	Net	Net
	2019/20	2018/19
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(6,120)	(4,091)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	3,603	3,199
Impairment and downward valuations	1,743	(3,121)
Amortisation	36	63
Increase/(Decrease) in Creditors	1,447	(695)
(Increase)/Decrease in Impairment for Bad Debts	-	(1)
(Increase)/Decrease in Debtors	(1,846)	3,908
(Increase)/Decrease in Inventories	33	22
Movement in Pension Liability	1,060	1,911
Carrying amount of non-current assets sold property plant and equipment, investment property and intangible assets	659	900
Other non-cash items charged to the net surplus or deficit on the provision of services	1,652	929
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	8,387	7,115
Capital Grants credited to surplus or deficit on the provision of services	(2,611)	(1,902)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(379)	(1,124)
	(2,990)	(3,026)
Net Cash Flows from Operating Activities	(723)	(2)

NOTE 24: CASH FLOW INVESTING ACTIVITIES

	Net 2019/20 £'000	Net 2018/19 £'000
Purchase of property, plant and equipment, investment, property and intangible assets	(57,114)	(34,543)
Purchase of short-term and long-term investments	(131,030)	(127,490)
Other payments for investing activities	(5,000)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	379	1,125
Proceeds from short-term and long-term investments	133,530	128,465
Other receipts from investing activities	1,867	7,820
Net cash flows from investing activities	(57,368)	(24,623)

NOTE 25: CASH FLOW FINANCING ACTIVITIES

	Net 2019/20 £'000	Net 2018/19 £'000
Cash receipts of short- and long-term borrowing	70,940	34,499
Repayments of short- and long-term borrowing	(10,119)	(8,814)
Other payments for financing activities	243	(1,738)
Net cash flows from financing activities	61,064	23,947

NOTE 26: TRADING OPERATION

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

	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Income £'000	2018/19 Net Income £'000
Trade Refuse	1,077	(1,408)	(331)	(321)
	1,077	(1,408)	(331)	(321)

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

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

NOTE 27: AGENCY SERVICES

Worthing Borough Council entered into an Agency Agreement with West Sussex County Council to provide the On-Street parking and Parking Enforcement for the Borough. In 2019/20 income collected was £2.262m (£2.324m 2018/19) and expenditure was £1.191m (£1.239m 2018/19). The surplus of £1,071,096 (£1,085,002 2018/19) is paid to West Sussex County Council.

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

NOTE 28: MEMBERS' ALLOWANCES

Total allowances paid to Members were as follows:

2019/20	2018/19
£	£
267,841	262,451

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:-

Remuneration Bands	Number of Employees	
	2019/20	2018/19
£50,000 to £54,999*	16	13
£55,000 to £59,999	6	3
£60,000 to £64,999	4	4
£65,000 to £69,999	1	3
£70,000 to £74,999	3	4
£75,000 to £79,999	5	4
£80,000 to £84,999	-	1
£90,000 to £94,999	1	-
£95,000 to £99,999	3	3
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
	40	36

* These include redundancy, efficiency of service and settlement payments relating to 2019/20. Please see note 30 Exit Packages and Termination Benefits for a breakdown of these payments.

There were no employees who earned more than £50,000 and were paid directly by Worthing Borough Council in 2019/20:

Remuneration Band	2019/20 Number of employees	2018/19 Number of employees
£50,000 to £54,999	-	1
£55,000 to £99,999	-	-
	-	1

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

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

Note 1: There were no staff whose salary was more than £150,000 in 2019/20 and in 2018/19.

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

Note 2: The Chief Executive, Directors and Heads of Services are employed by Adur District Council and provide services to both Adur District Council and Worthing.

There were no bonuses paid to these staff in either 2019/20 or 2018/19.

Remuneration Disclosures for Senior Officers whose salary is less than £150,000, but more than £50,000 per year - See Note 2 above

	Salary, Fees & Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution - Employer Only	Total Remuneration including Pension Contributions	Net Cost borne by Worthing B.C & paid to Adur D.C.	Net Cost borne by Adur D.C. Employing Authority
Chief Executive						
2019/20	124,240	124,240	26,215	150,455	75,228	75,227
2018/19	118,824	118,824	25,072	143,896	71,948	71,948
Director for Communities						
2019/20	97,411	97,411	20,554	117,965	70,779	47,186
2018/19	99,750	99,750	21,047	120,797	72,478	48,319
Director for Digital & Resources						
2019/20	99,750	99,750	21,047	120,797	66,740	54,057
2018/19	99,750	99,750	21,047	120,797	66,740	54,057
Director for the Economy						
2019/20	99,750	99,750	21,047	120,797	82,142	38,655
2018/19	99,750	99,750	21,047	120,797	82,142	38,655
Head of Finance (S151 Officer)						
2019/20	78,632	78,632	16,591	95,223	55,134	40,089
2018/19	77,090	77,090	16,266	93,356	54,053	39,303
Head of Legal (Monitoring Officer)						
2019/20	70,897	70,897	15,127	86,024	48,764	37,260
2018/19	69,522	69,522	14,831	84,353	47,816	36,537
Head of Planning & Development (Strategic Planning)						
2019/20	71,694	71,694	15,127	86,821	44,279	42,542
2018/19	70,288	70,288	14,831	85,119	43,411	41,708
Head of Housing (Strategic Housing)						
2019/20	75,513	75,513	15,933	91,446	32,920	58,526
2018/19	66,860	66,860	13,955	80,815	29,094	51,721

NOTE 30: OFFICER REMUNERATION - EXIT PACKAGES AND TERMINATION BENEFITS

Exit Packages

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

Exit package cost band (including special payments)	{a}		{b}		{c}		{d}		{e}	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band			
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
								£	£	
£0 - £20,000	-	7	5	6	5	13	56,752	121,424		
£20,000 - £40,000	-	3	-	4	-	7	-	188,290		
£40,000 - £60,000	-	-	-	1	-	1	-	52,065		
£60,000 - £80,000	-	-	-	-	-	-	-	-		
£80,000 - £100,000	-	-	-	-	-	-	-	-		
£100,000 - £150,000	-	-	-	-	-	-	-	-		
Total cost included in bandings	-	10	5	11	5	21	56,752	361,779		
Total cost included in CIES	-	10	5	11	5	21	56,752	361,779		

* These redundancy costs are shared between Worthing and Adur Councils in proportion to the service allocation. The total cost of £56,752 in the table above includes **£34,051** for exit packages that have been charged to Worthing's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

	Worthing
	£
Redundancy costs	34,051
Enhanced Pension Benefits	108,250
Total termination benefits 2019/20	142,301
Termination benefits 2018/19	379,266

A total £34,051 is payable in the form of compensation for loss of office for staff working for the Joint Strategic Committee and £108,250 is the 2019/20 working 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 the Ernst & Young) relating to external audit.

	2019/20	2018/19
	£'000s	£'000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	41	37
Fees payable to external auditors for the certification of grant claims and returns for the year	15	17
	56	54

NOTE 32: GRANT INCOME

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

	2019/20	2018/19
	£'000s	£'000s
Credited to Taxation and Non specific Grant Income:		
General Fund Grants & Donations		
Revenue Support	-	(8)
Council Tax Transition	-	(2)
New Homes Bonus Scheme	(1,042)	(1,221)
Section 31 Grant	(809)	(1,136)
Other	(5)	-
	(1,856)	(2,367)
Capital Grants & Donations		
S106 Developer Contributions: Affordable Housing	(95)	(382)
S106 Developer Contributions: Miscellaneous	-	(50)
Community Infrastructure Levy	(666)	(118)
Heritage Lottery Fund	(81)	(67)
Southdowns National Park	-	(5)
Local Enterprise Partnership	(477)	-
Clothworkers Grant	(2)	-
Coastal Revival Fund	(17)	-
Private Business	(8)	-
	(1,346)	(622)
	2019/20	2018/19
	£'000s	£'000s
Credited to Services:		
General Fund Grants		
Ministry of Housing, Communities and Local Government (MHCLG) - Flexible Homelessness	(152)	(207)
MHCLG - Rough Sleeping Initiative	(399)	(212)
MHCLG - Other Grants	(194)	(251)
Department of Works and Pensions Grants	(83)	(87)
Cabinet Office IER Grant	(23)	(25)
National Heritage - Cutting Edge	(12)	-
West Sussex County Council	-	(25)
Arun District Council - LEAP funding	(64)	(102)
Other Grants and Donations	(26)	(7)
Grants recognised in Joint Committee	(780)	(798)
	(1,733)	(1,714)
Capital Grants & Donations - Specific		
DEFRA/Environment Agency - Coast Protection	(15)	(16)
DCLG Better Care Fund - Disabled Facilities Grant	(1,250)	(1,265)
	(1,265)	(1,281)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that might require the monies or property to be returned to the giver. The balances at the end of the year were as follows:

	2019/20	2018/19
	£'000s	£'000s
Revenue Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government (MGCLG) - Coastal West Sussex Revival Funds	-	(49)
MHCLG Rough Sleeping Initiative	-	(59)
LEAP funding	(9)	(2)
National Heritage - Cutting Edge	(3)	-
Other Grants and Donations	(34)	(7)
Grants recognised in the Joint Committee	(375)	(331)
TOTAL	(421)	(448)

NOTE 33: RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31st March 2020 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 2019/20 is shown in Note 28. Details of all members' transactions are recorded in the Register of Members' Interest, open to public inspection on the Council's website.

The Council agreed a loan of £10m to Worthing Homes in 2016/17 for the purpose of building social Housing in the Borough. In 2019/20 one Worthing member declared an interest in Worthing Homes Limited, as a paid non-executive director. They did not personally benefit from the loan.

Officers

There were no related party transactions declared by officers in 2019/20.

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Authority

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

Payment of £83,016 is receivable from South Downs Leisure Trust in respect of 2019/20.

From 1st November 2019 the Council entered into a 25 year contract agreement with Worthing Theatres and Museum Trust to manage the Worthing theatres and museum. A part year contract payment of £583,750 was paid by Worthing Borough Council to the trust to cover the transition period from 1 November 2019 to 31 March 2020. The value of the contract receipt is material to WTM Trust.

NOTE 34: CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2019/20 £'000	2018/19 £'000
Opening Capital Financing Requirement	70,674	39,150
Capital Investment		
Property, Plant and Equipment	12,515	6,892
Share Capital	-	25
Intangible Assets	100	13
Revenue Expenditure Funded from Capital Under Statute	1,824	4,646
Investment Properties	45,047	26,697
Loans	5,000	-
Sources of Finance		
Capital receipts	(2,247)	(2,534)
Government grants and other contributions	(2,471)	(2,909)
Sums set aside from revenue:		
Direct revenue contributions	(119)	(95)
MRP/loans fund principal	(1,457)	(1,111)
Revenue funding	(78)	(100)
Closing Capital Financing Requirement	128,788	70,674
Explanation of movements in year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	58,114	31,524
Increase/(decrease) in Capital Financing Requirement	58,114	31,524

NOTE 35: LEASES

Operating Leases - Lessee

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

Operating Leases – Lessor

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

- for the provision of community services, such as sports facilities, tourism services and community centres;

- for economic development purposes to provide suitable affordable accommodation for local businesses;
- 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-20	31-Mar-19
	£'000	£'000
Not later than one year	5,265	3,075
Later than one year and not later than five years	19,307	10,097
Later than five years	43,094	35,269
	67,666	48,441

NOTE 36: OTHER LONG TERM LIABILITIES

Other Long Term Liabilities	31-Mar-20	31-Mar-19
	£'000s	£'000s
Commuted Sums	(166)	(170)
Pension Reserve Liability (see note 37)	(13,293)	(39,440)
TOTAL	(13,459)	(39,610)

NOTE 37: DEFINED BENEFIT PENSION PLAN

Participation in Pension Plans

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

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

Transactions Relating to Post-employment Benefits

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

	Consolidation of Joint Committee:		Local Government Pension Scheme	
	Worthing 2019/20	Joint Committee 2019/20	Total 2019/20	Total 2018/19
			£'000s	£'000s
Cost of services				
Current service cost	(427)	(4,670)	(5,097)	(4,406)
Past service cost	4	145	149	(1,152)
(gain)/loss from settlements	480	-	480	-
Financing & Investment Income & Expenditure				
Net Interest cost	(783)	(170)	(953)	(861)
Total post employment benefit charged to the surplus or deficit on the provision of services	(726)	(4,695)	(5,421)	(6,419)
Other post employment benefit charged to the CI&E Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(3,428)	(3,096)	(6,524)	5,268
Actuarial gains and losses arising on changes in demographic assumptions	3,415	4,190	7,605	-
Actuarial gains and losses arising on changes in financial assumptions	3,162	305	3,467	(10,129)
Other (if applicable)	12,398	10,261	22,659	(72)
Total remeasurements recognised in other comprehensive income	15,547	11,660	27,207	(4,933)
Total post-employment benefits charged to the CI&E statement	14,821	6,965	21,786	(11,352)
	Worthing 2019/20	Joint Committee 2019/20	Total 2019/20	Total 2018/19
	£'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	(726)	(4,695)	(5,421)	(6,419)
Actual amounts charged against the General Fund balance for pensions in the year:			-	-
Employer's contributions payable to the scheme	1,972	2,173	4,145	4,277
Retirement benefits payable to pensioners	216	-	216	231
Total charged against General Fund balance	2,188	2,173	4,361	4,508

Pension Assets and Liabilities

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme					
	Worthing	2019/20		Worthing	2018/19	
		Joint C'ttee	Total		Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(67,853)	(67,969)	(135,822)	(90,631)	(76,550)	(167,181)
Fair value of plan assets	51,245	71,284	122,529	57,014	70,727	127,741
Net liability arising from defined benefit obligation	(16,608)	3,315	(13,293)	(33,617)	(5,823)	(39,440)

Pension Assets and Liabilities

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Local Government Pension Scheme					
	Worthing	2019/20		Worthing	2018/19	
		Joint C'ttee	Total		Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	57,014	70,727	127,741	55,200	63,989	119,189
Interest income	1,331	1,724	3,055	1,408	1,755	3,163
Remeasurement gain / (loss):						
The return on plan assets, excluding the amount included in the net interest expense	(3,428)	(3,096)	(6,524)	2,425	2,843	5,268
Contributions from employer	2,188	2,173	4,361	2,340	2,168	4,508
Contributions from employees into the scheme	67	698	765	87	657	744
Benefits paid	(4,115)	(941)	(5,056)	(4,446)	(685)	(5,131)
Effect of Business Settlements	(1,813)	-	(1,813)	-	-	-
Closing fair value of scheme assets	51,244	71,285	122,529	57,014	70,727	127,741

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities : LGPS					
	Worthing	2019/20		Worthing	2018/19	
		Joint C'ttee	Total		Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(90,631)	(76,550)	(167,181)	(88,438)	(63,347)	(151,785)
Current service cost	(427)	(4,670)	(5,097)	(569)	(3,837)	(4,406)
Interest cost	(2,114)	(1,894)	(4,008)	(2,250)	(1,774)	(4,024)
Contributions from scheme members	(67)	(698)	(765)	(87)	(657)	(744)
Remeasurement (gains) and losses:						
Actuarial gains / losses arising from changes in demographic assumptions	3,415	4,190	7,605	-	-	-
Actuarial gains / losses arising from changes in financial assumptions	3,162	305	3,467	(3,537)	(6,592)	(10,129)
Other experience	12,398	10,261	22,659	(72)	-	(72)
Past service cost	4	145	149	(124)	(1,028)	(1,152)
Benefits paid	4,115	941	5,056	4,446	685	5,131
Liabilities extinguished on settlements	2,293	-	2,293	-	-	-
Closing balance at 31 March	(67,852)	(67,970)	(135,822)	(90,631)	(76,550)	(167,181)

Local Government Pension Scheme Assets Comprised:

The scheme assets listed below are valued at bid value.

Local Government Pension Scheme assets comprised (quoted prices are in active markets)	Fair Value of Scheme Assets					
	2019/20			2018/19		
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,792.7	2,493.7	4,286.4	1,571.5	1,949.5	3,521.0
Equity instruments:						
Consumer	4,858.3	6,758.2	11,616.5	5,553.7	6,889.5	12,443.2
Manufacturing	2,795.9	3,889.3	6,685.2	3,276.7	4,064.8	7,341.5
Energy and Utilities	794.0	1,104.5	1,898.5	1,735.7	2,153.2	3,888.9
Financial Institutions	4,583.2	6,375.4	10,958.6	6,840.3	8,485.6	15,325.9
Health and Care	3,650.3	5,077.7	8,728.0	2,744.0	3,404.0	6,148.0
Information Technology	5,911.5	8,223.1	14,134.6	3,691.9	4,579.9	8,271.8
Other	1,094.6	1,522.6	2,617.2	3,257.7	4,041.3	7,299.0
Sub-total equity	23,687.8	32,950.8	56,638.6	27,100.0	33,618.3	60,718.3
Debt Securities:						
UK Government	1,375.9	1,913.9	3,289.8	1,617.8	2,006.9	3,624.7
Investment Funds and Unit Trusts:						
Bonds	18,614.7	25,894.1	44,508.8	19,224.3	23,847.9	43,072.2
Other investment funds	322.7	448.8	771.5	608.4	754.8	1,363.2
Total assets in active markets	45,793.8	63,701.3	109,495.1	50,122.0	62,177.4	112,299.4
Local Government Pension Scheme assets comprised (quoted prices are not in active markets)						
	Worthing	Joint C'ttee	Total	Worthing	Joint C'ttee	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity:						
All	1,086.3	1,511.0	2,597.3	1,584.0	1,964.9	3,548.9
Real Estate:						
UK Property	4,364.9	6,071.8	10,436.7	5,308.0	6,584.7	11,892.7
Total assets - not in active markets	5,451.2	7,582.8	13,034.0	6,892.0	8,549.6	15,441.6
Total assets	51,245.0	71,284.1	122,529.1	57,014.0	70,727.0	127,741.0

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.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2018/19
Mortality assumptions:		
Current pensioners:		
Male	22.2 years	23.6 years
Female	24.2 years	25.0 years
Future pensioners:		
Male	23.3 years	26.0 years
Female	25.9 years	27.8 years
Rate of increase in salaries	2.4%	3.2%
Rate of increase in pensions	2.0%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%

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 assume 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 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	6%	3,943
0.5% increase in Salary Increase Rate	0%	30
0.5% increase in the Pension Increase Rate	6%	3,903

Included in the actuary assumptions is the potential impact on 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 £1,900,000 contributions to the Worthing scheme in 2020/2021, and approximately £2,049,000 contributions to the Adur-Worthing Joint Services scheme (60% share).

NOTE 38: CONTINGENT LIABILITIES

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

In 2019/20 the Council entered into a long term contract for the provision of cultural services with Worthing Theatres and Museum 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 5 year guarantee that in the event the Trust ceases trading, the Council will meet pension obligations with respect to employees within the West Sussex Pension Scheme.

NOTE 39: HERITAGE ASSETS NOT REPORTED IN THE BALANCE SHEET

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

Highdown Gardens

This is a public garden that is on English Heritage's Register of Historic Parks and Gardens Originally created out of a chalk pit by Sir Frederick Stern at the beginning of the last century, the gardens are so special they have been deemed a National Collection. The cultural significance of this asset cannot be valued.

Memorials Monuments

War Memorial Monument - is situated outside the Town Hall. The Council does not hold cost information on this asset and the cultural and historical significance cannot be valued.

Pigeon Memorial Monument - is situated in Beach House Green dedicated to the carrier pigeons who took part in the First World War. The cultural and historical significance of this monument cannot be valued.

The Miller's Tomb

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

Amelia Park Gateway

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

Costume and Jewellery

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

Toys

The juvenilia collection is one of the museum's particular strengths and is not only one of the largest collections of its kind outside London, but also includes pieces of superb quality and interest.

Social History

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

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

Each of the main areas within the Social History section is supported by large holdings of printed ephemera and photographs. There is a collection of over 6,000 topographical photographs which illustrate how the local area has developed and provide a wealth of information.

Archaeology and Geology

From the 1930s to the 1970s the Worthing Archaeological Society was responsible for a number of major excavations. Since the early 1970s most excavations in the area have been carried out by professional archaeological units. Material from all this work is housed in the Worthing Museum.

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

HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

Heritage Assets of Particular Importance

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

Art and Sculpture

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

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

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

Preservation and Management

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

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

NOTE 40: TRUST FUNDS

The Council acts as the trustee for the following funds:

	2019/20 Capital Value of Fund £'000	2018/19 Capital Value of Fund £'000
Highdown Tower Gardens	-	31
Income used to make improvements to the garden		
Dr Chester's Charity	27	27
Aid to people in poverty		
TOTAL	27	58

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

The Council acts as a trustee for the Highdown Tower Gardens (registered charity number 305445). Capital funds were held by the Council on behalf of the Trustees until 2019/20, when an independent bank account was opened and the funds transferred.

NOTE 41: JOINT BUDGETS

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

	Gross Expenditure 2019/20 £'000	Gross Income 2019/20 £'000	Net Expenditure 2019/20 £'000
NET EXPENDITURE ON SERVICES			
Net Cost of General Fund Services	21,748	(4,638)	17,110
Holding Accounts	10,461	(673)	9,788
NET COST OF SERVICES	32,209	(5,311)	26,898
Funded by:			-
Adur District Council			(9,139)
Worthing Borough Council			(13,527)
(Surplus) or Deficit on Provision of Services			4,232
Remeasurements of the net defined pension benefit liability			(19,433)
Other Comprehensive Income & Expenditure			(19,433)
Total Comprehensive Income and Expenditure			(15,201)

These accounts represent the transactions of the Collection Fund which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Business Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

Worthing Borough Council

Collection Fund - Business Rates and Council Tax

	2019/20			2018/19		
	Business Rates £'000	Council Tax £'000	TOTAL £'000	Business Rates £'000	Council Tax £'000	TOTAL £'000
INCOME (A)						
Council Tax Receivable	-	70,353	70,353	-	65,823	65,823
Business Rates Receivable	30,633	-	30,633	31,532	-	31,532
Transitional; Protection Payments Receivable	(81)	-	(81)	150	-	150
TOTAL INCOME (C) = (A+B)	30,552	70,353	100,905	31,682	65,823	97,505
EXPENDITURE (D)						
Payment From Previous Year Surplus/ Contribution to Deficit (-)						
Central Government	(828)	(9)	(837)	379	55	434
Worthing Borough Council	(662)	(52)	(714)	303	301	604
West Sussex County Council	(166)	(7)	(173)	76	37	113
Sussex Police and Crime Commissioner	-	-	-	-	-	-
	(1,656)	(68)	(1,724)	758	393	1,151
Precepts, Demands and Shares (E)						
Central Government	8,141	-	8,141	16,003	-	16,003
Worthing Borough Council	6,513	9,156	15,669	12,803	8,874	21,677
West Sussex County Council	17,910	53,274	71,184	3,201	50,558	53,759
Sussex Police and Crime Commissioner		7,312	7,312	-	6,365	6,365
	32,564	69,742	102,306	32,007	65,797	97,804
Charges to Collection Fund (F)						
Less: write offs of uncollectible amounts	442	320	762	333	37	370
Less: Incr. / Decr. (-) in Bad Debt Provision	(50)	162	112	(55)	278	223
Less: Incr. / Decr. (-) in Provision for Appeals	(1,072)	-	(1,072)	(41)	-	(41)
Less: Cost of Collection	127	-	127	130	-	130
	(553)	482	(71)	367	315	682
TOTAL EXPENDITURE (G) = (D+E+F)	30,355	70,156	100,511	33,132	66,505	99,637
Surpl. / Def. (-) arising during the yr (C-G)	197	197	394	(1,450)	(682)	(2,132)
Surplus / Deficit (-) b/fwd. 1st April	(1,875)	(271)	(2,146)	(425)	411	(14)
Surplus / Deficit (-) c/fwd. 31st March	(1,678)	(74)	(1,752)	(1,875)	(271)	(2,146)

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 2019/20 was 38,504.3 Band D equivalent.

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

	Demand or Precept £		Council Tax Base		Band D Council Tax £
West Sussex County Council	53,273,394	÷	38,504.3	=	1,383.57
Sussex Police & Crime Commissioner	7,312,352	÷	38,504.3	=	189.91
Worthing Borough Council	9,155,552	÷	38,504.3	=	237.78

NOTE 2: BUSINESS RATES

From 1st April 2015 until 31st March 2019, the authority participated in the West Sussex County Council Business Rates Pool. The pool consists of Worthing Borough Council, Adur District Council, Arun District Council, Chichester District Council and West Sussex County Council. Without the Pool, the levy would be paid to MHCLG and not retained in the area to the benefit of local residents.

The funds generated by the Pool are used to fund projects which promote economic regeneration projects, contributions to the LEP (Local Economic Partnership) and other invest to save initiatives. The contribution is shown within the Comprehensive Income and Expenditure Statement.

For 2019/20 the Council was part of a countywide business rate pilot. Under this arrangement Worthing Borough Council only kept 20% of business rates with 55% paid to West Sussex County Council. The benefit of the pilot was additional income of circa £21m retained locally for the purposes of investing in digital infrastructure and other economic regeneration initiatives.

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 49.1p in 2019/20 (49.1p in 2018/19). The overall rateable value for Worthing Borough Council as at 31st March 2020 was £81.1m (£82.80m as at 31st March 2019).

NOTE 3: BAD AND DOUBTFUL DEBTS

A requirement of £2.6m and £1.4m for bad and doubtful debts for Council Tax and Business Rates has been provided for in 2019/20 in line with Worthing Borough 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.

	West Sussex County Council £	Sussex Police and Crime Commissioner £	Worthing £	TOTAL £
Demand on Collection Fund 2020/21				
Apportionment based on 2019/20	76.48%	10.63%	12.89%	100.00%
Council Tax arrears	3,916,848	544,251	660,302	5,121,401
Provision for bad debts	(1,963,823)	(272,876)	(331,061)	(2,567,760)
Receipt in advance	(952,179)	(132,307)	(160,518)	(1,245,004)
(Surplus)/Deficit b/fwd	207,001	28,413	35,575	270,989
In year (Surplus)/Deficit	(150,046)	(20,499)	(25,974)	(196,519)
Balance as on 31st March, 2020	1,057,801	146,982	178,324	1,383,107

NOTE 5: APPORTIONMENT OF BALANCES TO MAJOR PRECEPTORS OF BUSINESS RATES**Apportionment of Business Rates Balances to Major Preceptors**

	Department of Communities and Local Govt £'000	West Sussex County Council £'000	Worthing Borough Council £'000	TOTAL
Business Rates Arrears	437,650	962,830	350,120	1,750,600
Provision for Bad Debts	(353,782)	(778,320)	(283,025)	(1,415,127)
Provision for Appeals	(699,619)	(1,539,161)	(559,695)	(2,798,475)
RV List Amendments	501,953	1,104,297	401,563	2,007,813
Receipt in Advance	(511,961)	(1,126,315)	(409,569)	(2,047,845)
(Surplus)/Deficit	474,425	824,400	379,544	1,678,369
Balance as at 31st March 2020	(151,334)	(552,269)	(121,062)	(824,665)

SCOPE OF RESPONSIBILITY

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

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

A copy of the code is on our website at www.adur.gov.uk or www.adur-worthing.gov.uk or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at the Council for the financial year ended 31st March 2020 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

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

Decision making

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

Risk Management

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

Scrutiny and Review

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

Corporate Leadership Team

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

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the new Framework during 2019/20.

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

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B

Ensuring openness and comprehensive stakeholder engagement

Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E

Developing the Council's capability, including the capability of its leadership and the individuals within it

Principle F

Managing risks and performance through robust internal control and strong public financial management

Principle G

Implementing good practices in transparency reporting and audit to deliver effective accountability

HOW WE DO IT

- The Constitution
- The Monitoring Officer
- Section 151 Officer
- Codes of conduct
- Whistleblowing Policy
- Bribery Act 2010 policy guidance
- Corporate anti-fraud work
- Procurement Strategy

- Consultations
- Terms of reference for partnerships
- Freedom of information requests
- Complaints procedure

- Organisational goals
- Service planning
- Performance Management
- Community Strategy
- Procurement Strategy

- Service planning
- Performance Management
- Options appraisals
- Whole life costing

- Robust interview and selection process
- Training and development
- Workforce planning
- Succession planning
- Performance development reviews
- Talent management
- HR Policies & procedures

- 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)

- Reports are held on the website
- Annual audited financial statements are publically available
- Annual Governance Statement
- Effective Internal Audit Service

THE OPERATION OF THE GOVERNANCE FRAMEWORK

HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE

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

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

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

The Constitution

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Codes of Conduct

Codes of Conduct exist for both staff and members.

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

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

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

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

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

Freedom of Information enquiries

The Freedom of Information Act 2000 (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, council meetings (open to the public), and their local Councillor.

Consultations

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Complaints

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

Partnership working

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

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

Joint Corporate Priorities

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

The Councils have agreed programmes of work for 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 2017 - 2019](#)

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places.

This has recently been reviewed and revised. Platforms for our Places: Going Further sets out the Councils' role in developing places and communities over the next three years (2020-2022) which can be found on the internet at [Platforms for our Places: Going further](#)

Community Strategy

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Community Strategy

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

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

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

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

Service planning and performance management

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £3.8m by 2024/25 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.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Training and development

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

Performance development and review

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

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

Effective scrutiny

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

Financial management

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

Risk management

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

THE OPERATION OF THE GOVERNANCE FRAMEWORK

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

For 2019/20 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Worthing Borough Council for the year ended 31st March 2020 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 28th May 2020.

The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound.

Annual accounts

The Council publishes full audited accounts each year which are published on the website at:

<https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/> .

REVIEW OF EFFECTIVENESS

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

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

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

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

It is the opinion of the Council that the governance framework is satisfactory and that no significant governance issues have been identified in 2019/20. The Council will continue to assess and make improvements to the governance framework.

SIGNIFICANT GOVERNANCE ISSUES

There are no 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;

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 Council complies with most of the requirements of the 'Statement on the Role of the Chief Financial Officer in Public Services'. Part of the governance requirements as detailed in this statement are that:

- the Chief Financial Officer should be professionally qualified,
- report directly to the Chief Executive; and
- be a member of the leadership team, with a status at least equivalent to other members.

The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team where necessary.

Covid 19 Emergency

The recent pandemic has required the Council to act swiftly to support the local community. Due to the timing of this event, there has been little impact on the governance arrangements in 2019/20, and the Council was able to take any necessary action in March 2020 using existing budgets and procedures including invoking the Council's business continuity arrangements.

However, the emergency has necessitated an increased use of urgency powers in 2020/21, which will be formally reported to members at the next meeting of the Joint Strategic Committee in June 2020.

To ensure that our Governance arrangements have remained fit for purpose during this emergency, there will be a review of the Council's response as part of the 2020/21 audit plan.

PROPOSED ACTION

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



Signed:

Councillor Daniel Humphreys
Leader of the Council
Worthing Borough Council



Dated: 8th February 2021



Signed:

Alex Bailey
Chief Executive of
Adur & Worthing Councils



Dated: 8th February 2021

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2020 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, and the related notes 1 to 41; the 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2020 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 2019/20.

Basis for opinion

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

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 Assumptions made about the future and other sources of estimation uncertainty, Note 12 Property, plant and equipment and Note 14 Investment Properties of the financial statements, which describe the valuation uncertainty the Council is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The other information comprises the information included in the Statement of Accounts for the Financial Year 2019/20, other than the financial statements and our auditor's report thereon. The Chief Finance 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 in April 2020, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 29, the Chief Finance 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 2019/20, 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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Worthing Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The 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 Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

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

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

10 February 2021

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

ACCOUNTING PERIOD	<p>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.</p>
ACCRUAL	<p>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.</p>
ACTUARIAL ASSUMPTION	<p>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.</p> <p>Actuarial gains and losses which may result from:</p>
ACTUARIAL GAINS AND LOSSES	<p>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</p> <p>(b) the effects of changes in actuarial assumptions.</p>
ASSET	<p>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.</p>
AMORTISED COST	<p>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.</p>
BALANCE SHEET	<p>A statement of the recorded assets, liabilities and other accounting balances at the end of an accounting period.</p>
CAPITAL CHARGE	<p>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.</p>
CAPITAL EXPENDITURE	<p>Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.</p>

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. 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.
FINANCE LEASE	
FINANCIAL INSTRUMENT	A contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
IMPAIRMENT OF ASSETS	The objective is to ensure that assets are not carried in the Balance Sheet at more than their recoverable amount.
INFRASTRUCTURE ASSETS	Examples include roads, street lighting, footpaths, cycle tracks, street furniture and coastal defences
INTANGIBLE ASSETS	Non-financial assets e.g. software licences with no physical substance which is controlled by an entity through custody or legal rights.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) should comply with all the IFRS requirements. The term IFRS includes all applicable IFRS, IFRIC, International Accounting Standards (IAS) and SIC Interpretations.
INVESTMENTS	Current asset investments that are readily disposable by the Council without disrupting its business.
INVESTMENT PROPERTIES	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
LIQUID RESOURCES	Surplus funds which are temporarily invested for periods of up to one year. Long-term investments are intended to be held for use on a continuing basis in the activities of the Council.
NET BOOK VALUE	The amount at which fixed assets are included in the balance sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
OPERATING LEASE	An operating lease is any lease which is not a finance lease. An operating lease has the character of a rental agreement with the lessor usually being responsible for repairs and maintenance of the assets.

**POST BALANCE SHEET
EVENTS**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

PROVISION

An amount put aside in the accounts for liabilities or losses which are certain or very likely to occur, but uncertain as to the amounts involved or as to the dates on which they will arise.

PRIOR YEAR ADJUSTMENT

This is an event whereby figures quoted in a previous year's statements have been changed due to a change in accounting policy.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

**PUBLIC WORKS LOAN BOARD
(PWLB)**

The Public Works Loan Board (PWLB) is a statutory body operating within the Debt management Office of the UK Treasury (DMO) and is responsible for lending money to local authorities and managing certain public sector funds.

REMUNERATION

Payment or compensation received for services or employment. This includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment.

RESERVES

Amounts set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes, general contingencies and working balances.

TO DEBIT

An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.

TO CREDIT

An accounting entry which results in either a decrease in assets or an increase in liabilities or net worth.

TRUE AND FAIR VIEW

Financial statements shall give a true and fair presentation of the financial position, financial performance and cash flows of a Council.

VIREMENT

Transfer of resources from one budget head to another in order to accommodate variations in spending policies.

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