



**ACCOUNTS, AUDIT & GOVERNANCE
COMMITTEE**
TUESDAY 26TH JUNE 2012 AT 5.30pm
COMMITTEE ROOM 1, PARK NORTH, NORTH STREET, HORSHAM

Councillors: John Bailey Gordon Lindsay
Roy Cornell Jim Rae
Leonard Crosbie Stuart Ritchie
David Holmes

Tom Crowley
Chief Executive

AGENDA

	Page No.
1. Election of Chairman	
2. Apologies for absence	
3. Appointment of Vice-Chairman	
4. To approve the time of meetings of the Committee for the ensuing year	
5. To approve as correct the minutes of the meeting of the Committee held on 28 th March 2012	1
6. To receive any declarations of interest from Members of the Committee	
7. To receive any announcements from the Chairman of the Committee or the Chief Executive	
8. Horsham's Financial Accounts – Outturn for 2011/12 - Revenue, Capital and Repair & Renewals Budgets	10
9. Draft Statement of Accounts 2011/12 (to follow)	
10. Draft Annual Governance Statement	22
11. Internal Audit – Quarterly Update Report	35
12. Internal Audit Annual Report - Year Ending 31 st March 2012	44



13. Risk Management – quarterly update 52
14. Feedback on training
15. Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as urgent because of the special circumstances
16. To consider the following exempt or confidential information:

		Reason for exemption	
	<u>Report of the Chief Internal Auditor</u>		
(a)	Appendix 3 of the Internal Audit – Quarterly Update Report	Paragraph 3	78

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
28TH MARCH 2012**

Present: Councillors: David Holmes (Chairman), John Bailey, Roy Cornell, Leonard Crosbie, Jim Rae

Apologies: Councillor: Gordon Lindsay (Vice Chairman), Jonathan Chowen

Also present: Councillor Roger Arthur

AAG/34 **MINUTES**

The minutes of the meeting held on 14th December 2011 were approved as a correct record and signed by the Chairman.

It was noted that the Committee considered that, with regard to Minute No. AAG/29, a summary of the comments made by the member of the public would have been helpful.

The Committee received an update in respect of a number of actions outstanding from previous minutes:

- The Head of Financial & Legal Services and the Chief Internal Auditor were considering any adjustments required to the Committee's terms of reference and would report thereon to the Committee before submitting them to Council as part of an overall update of the Constitution
- The Head of Financial & Legal Services would shortly be contacting members of the Committee with dates for further training on understanding the Council's accounts and treasury management matters
- The Head of Financial & Legal Services would update the next meeting of the Committee on the outstanding areas in respect of the National Fraud Initiative
- The Head of Financial & Legal Services would circulate to Members of the Committee information in respect of the current qualifications of the Council's treasury management team

AAG/35 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/36 **ANNOUNCEMENTS**

The Chairman of the Committee welcomed Katharine Eberhart, Director of Corporate Resources to her first meeting of the Committee.

The Chairman also welcomed Helen Thompson, District Auditor and Emma Bryant, Audit Manager to the meeting.

AAG/37 **OBJECTION TO THE 2010/11 ACCOUNTS**

The Director of Corporate Resources reported that an objector to the 2010/11 accounts had asked the District Auditor to issue a public interest report under Section 8 of the Audit Commission Act 1988 in relation to a number of matters. The District Auditor had now issued her decision, which was not to issue a public interest report, and the reasons were set out in detail in the decision letter to the objector, which was submitted for information.

The District Auditor had also written to the Council pointing out that, although she had decided not to issue a public interest report, there were some matters identified as a result of her work on the objection where she was critical of the Council's actions and where she believed it needed to take some action in response. The Chief Executive had acknowledged the points made in the District Auditor's letter to the Council and in her decision letter to the objector and he had indicated that the Council would take action to ensure these issues did not arise again. The District Auditor's letter to the Council and the Chief Executive's response were also submitted for information.

Members of the Committee expressed concern that they had not been apprised of the District Auditor's earlier letter, dated 21st December 2010, regarding the withdrawn objection to the 2008/09 accounts until the meeting in December 2011. However, the contents of that letter and the Council's response thereto had been discussed and noted at that meeting.

The Committee was advised of the officers handling the current marketing exercise for the Town Hall and was assured that a clear process was being followed and set evaluation criteria had been agreed. The Chairman of the Committee stated that he had not seen the details of the marketing exercise or the evaluation criteria and asked to be briefed on the progress of the marketing exercise. It was noted that, in accordance with the decision made by the Council on 21st December 2011, the Cabinet Member for Efficiency & Resources had approved the evaluation criteria and the marketing exercise.

With regard to the Committee's consideration of the Annual Governance Statement (AGS), it was noted that in future the Internal Audit Annual Report would be considered before approval of the AGS to ensure there were clear links between the Statement and the sources of assurance used in its compilation. There was also discussion regarding the Constitutional requirements in respect of minutes, in particular that the only requirement regarding the form of minutes was that *"Minutes will contain all motions and amendments in the exact form and order the Chairman put them."*

AAG/37 Objection to the 2010/11 Accounts (cont.)

The District Auditor provided clarification in respect of her role in connection with the Town Hall marketing and disposal exercise. With regards to her letter of 1st March 2012 to the Council, whilst indicating that her first point regarding the evaluation of tender bids was the most significant issue, noted the Council's response to all her concerns.

RESOLVED

- (i) That the decision of the District Auditor not to issue a public interest report in response to the objection to the 2010/11 accounts be noted.
- (ii) That the comments made in the District Auditor's letter to the Chief Executive and the response to that letter be noted.

AAG/38 AUDIT PLAN 2011/12

Helen Thompson, District Auditor presented the Audit Commission's plan for the 2011/12 audit. The Plan set out the audit work the District Auditor proposed to undertake for the audit of financial statements and the value for money conclusion 2011/12, based on the Audit Commission's risk-based approach to audit planning. It was noted that the audit did not relieve management or this Committee, as those charge with governance, of their responsibilities.

The District Auditor drew attention to two particular significant and specific risks that she had identified as being relevant to the audit of the accounting statements and indicated how she would audit these areas:

- The Council's valuation of property, plant and equipment (PPE) (previously known as fixed assets) by means of a spreadsheet and the lack of a specified End User Policy. It was noted that, in this respect, the possible identification of a suitable software solution was ongoing.
- A new requirement to identify and account for heritage assets (assets with historical, artistic, scientific, technological, geophysical or environmental qualities held for their contribution to knowledge and culture).

With regard to value for money, the District Auditor had identified three specific risks and indicated how she would address these: financial resilience; the National Fraud Initiative; and the Town Hall procurement exercise. Members considered that one of the main issues in addressing

AAG/38 Audit Plan 2011/12 (cont.)

financial resilience and achieving a balanced budget was the uncertainty regarding the New Homes Bonus, where it was still not clear if this would be new or recycled funding. It was noted that the Council was now making progress with the National Fraud Initiative data matching exercise but it was considered that this was an area that needed to be kept under review due to the potential sums of money involved. The inclusion of the Town Hall procurement exercise was considered to be prudent in view of previous issues in this respect.

It was noted that District Auditors were normally appointed for a period of five years. This period could be extended for a further period of two years if both the auditor and the Committee were satisfied that there were no risks relating to long association and it was necessary to safeguard audit quality. 2011/12 would be the auditor's sixth year of appointment at the Council and she was satisfied that there would be no independence risks posed by a two year extension. She also considered that it would be detrimental to audit quality to make a change in District Auditor at this time. The Director of Audit Policy and Regulation at the Audit Commission had approved the auditor's request for an extension and this Committee's approval was now sought. Members agreed that, in view of the changes to local public audit in the near future and queries on the accounts in recent years, it would be prudent to agree to a two year extension.

RESOLVED

- (i) That the Audit Plan 2011/12 be noted.
- (ii) That approval be given to a two year extension to the appointment of Helen Thompson as the Council's auditor.

AAG/39 **CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT**

Emma Bryant, Audit Manager presented the outcomes of her certification work on the 2010/11 claims and returns. The claims involved were for the Housing and Council Tax Benefit scheme (£34.314m), the National Non-Domestic Rates return (£36.795m) and Disabled Facilities grants (£0.428m).

It was noted that the Auditor had not identified any amendments to the claims and returns for the year ended 31st March 2011; that she had not issued any qualification letters with the certificates on the Council's claims and returns; and no recommendations were required.

The Committee expressed its satisfaction with the outcome of the certification and congratulated officers on their work in producing the claims and returns.

AAG/39 Certification of Claims and Returns – Annual Report (cont.)

RESOLVED

That the report be noted.

AAG/40 AUDIT COMMISSION UPDATE

The Committee received an update on the Government's response to consultation on the future of local public audit and the outsourcing of the Audit Commission's in-house audit practice.

It was noted that the Audit Commission had now awarded contracts for the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17. Once these contracts came to an end, a new local public audit regime would apply, the key features of which were reported.

As a result of the Audit Commission's procurement exercise for the outsourcing of its in-house audit practice, Ernst & Young LLP had been awarded the five-year contract for the South East, which covered Horsham District. The procurement exercise had secured competitive prices that would be passed on to local public bodies through significant reductions in scale of audit fees. The final scale of audit fees for 2012/13 would be published in April 2012. It was noted that, whilst the change would result in a reduction in costs, there would be no simplification of the accounting and audit process itself.

A series of introductory meetings in each contract area were being arranged to give audited bodies the opportunity to meet the new firm proposed as their senior auditor. The meeting for the South East contract would be held on 2nd May 2012. Appointments would start on 1st September 2012 and the current audit appointment would be extended to allow any audit issues arising between 1st April 2012 and 31st August 2012 to be dealt with. Audit Practice staff in each area would, in the main, transfer to the successful bidders at midnight on 31st October 2012. However, it was noted that there would be a change in the Council's auditor from 2013/14 as the current auditor, Helen Thompson, would have completed the maximum period of appointment allowed.

The District Auditor explained how the changeover would be managed and indicated that she would give further updates at each meeting of the Committee through the changeover period.

AAG/41 WORK PLAN 2012/13

The Committee received a schedule outlining the regular annual work plan of the Committee. As the Annual Governance Statement was required to be

AAG/41 Work Plan 2012/13 (cont.)

approved by this Committee, it would be submitted in draft form to the June meeting to allow any comments to be incorporated before final approval in September. It was noted that other items might be added from time to time, as requested or necessary.

AAG/42 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section from December 2011 and seeking approval of the Internal Audit Strategy and the Annual Audit Plan for 2012/13.

The CIPFA Code of Practice in Local Government required the Head of Internal Audit to produce an internal audit strategy, a high-level statement of how the Internal Audit Service would be delivered in accordance with the terms of reference and how it linked to organisational objectives and priorities. The Internal Audit Strategy was therefore submitted for approval.

The Internal Audit Plan for 2012/13 was also submitted for approval and included an element of flexibility to enable the audit team to respond to current issues. The Chief Internal Auditor explained how the Plan had been formulated, in consultation with the Corporate Management Team. Members discussed the adequacy of resources within the Internal Audit team to cope with the proposed Plan and the Chief Internal Auditor advised the Committee that it had been prepared on the basis of available resources. Therefore, as they were follow ups, only one day each had been allocated for the Asset Management and Contracts audits.

A summary of audit findings in respect of the collection and receipting of cash and banking; budgetary control; planning fees; Council tax; and creditors was submitted.

It was noted that four of the five areas audited had received an overall audit opinion of substantial assurance. In particular, the opinion in respect of budgetary control had increased from moderate assurance in 2010/11 as there had been improvements in the budgetary control process with structured working arrangements between Heads of Service and Accountants on budget issues. However, there was still a need to enhance financial reporting with a clearer focus on known budget pressures and a number of actions to address this had been agreed with the Corporate Management Team.

The opinion in respect of creditors had been downgraded from substantial in 2010/11 to moderate assurance in 2011/12. Of particular concern was the number of non-order invoices that were still being paid. Whilst the

AAG/42 Internal Audit – Quarterly Update Report (cont.)

percentage of such invoices had reduced slightly from 84% in the previous year to 80%, it was still considered that this was unacceptably high and it had been agreed that the number of orders raised would become a key performance indicator, with a target of 60% in 2012/13. Members discussed the need to ensure that the highest possible numbers of invoices were linked to orders and asked the Chief Internal Auditor to give an update to the Committee in six months' time on the progress being made in this respect.

It was noted that, in response to control weaknesses and non-compliance issues identified during a recent special investigation, a number of additional unplanned audit reviews had been undertaken in respect of purchase cards, budgetary control, staff loans and hospitality.

Project support work had continued in respect of the implementation of information security for the authorities within the CenSus partnership and it was noted that the Information Security Manager had now been appointed. The Chief Internal Auditor was also a member of the Project Assurance Core Team, which oversaw key Council projects as identified by Corporate Management Team.

Although Internal Audit resources had been stretched during the current financial year due to the incidence of special investigations and the long-term sick leave of a member of the audit team, resources had been temporarily increased to ensure that all key financial systems were audited during 2011/12. Also, the audit plan had been revised with some additional areas for review brought forward in response to areas of weakness identified and a number of planned audits deferred to 2012/13. The additional resource afforded to the audit team on a temporary basis had enabled the audit plan to be largely achieved, minimising the impact on the strategic four year plan, and the Chief Internal Auditor considered that the audit plan for 2012/13 was achievable with the current level of resource.

The Chief Internal Auditor also reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2010/11 and 2009/10. The Director of Corporate Resources indicated that this issue would be drawn to the attention of the Corporate Management Team. It was agreed that future reports would highlight outstanding actions that were high/medium risk. It was also agreed that the Audit Plan should be submitted as part of the quarterly update, indicating how many days had actually been spent on each area as the year progressed.

It was noted that the Chairman of the Committee had discussed with the Chief Internal Auditor whether it would be appropriate for Internal Audit to

AAG/42 Internal Audit – Quarterly Update Report (cont.)

assess the workload of senior officers. The Chief Internal Auditor had indicated that this did not fall within his remit and the Director of Corporate Resources indicated that she would raise the issue with the Corporate Management Team.

RESOLVED

- (i) That the Internal Audit Strategy be approved.
- (ii) That the Internal Audit Plan for 2012/13 be approved.
- (iii) That the summary of audit work undertaken since December 2011 be noted.

REASON

- (i) To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/43 RISK MANAGEMENT – QUARTERLY UPDATE REPORT

The Head of Financial & Legal Services reminded the Committee that it was charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.

It was noted that the corporate risk register had been fully reviewed by the Corporate Management Team and it was recommended that risks: CRR11 (Project problems due to inadequate project management); CRR23 (Loss of ICT & Telephone Service due to failure in the Data Centre); and CRR25 (Potential lack of compliance with Children Act 2004 (Section 11)) should now be removed as all planned actions had been implemented and the level of risk reduced to an acceptable level. Risks removed from the live register were now reviewed by Corporate Management Team on an annual basis. It was also noted that a new risk had been added (CRR28) following a number of breakdowns of the air conditioning units in the new server room in County Hall North. A bespoke component had been ordered and, once fitted, it was expected that the problem would be resolved. In the meantime, monitoring had been increased and remedial actions planned should further failures occur.

AAG/43 Risk Management – Quarterly Update Report (cont.)

As at 16th March 2012, a total of 17 out of 18 departmental risk register reviews had been undertaken.

A meeting of senior officers had taken place on 31st January 2012 to undertake a detailed review of corporate risk management and its future operation. As a result of this meeting, it had been agreed that the Chief Internal Auditor would write a new risk management strategy and revise the procedure manual. It had also been agreed that the Internal Audit Team should provide refresher training to all departments during 2012/13.

RESOLVED

- (i) That the updated Corporate Risk Register be approved.
- (ii) That risks CRR11, 23 and 25 be removed from the Corporate Risk Register.
- (ii) That the progress made in respect of departmental risk registers be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/44 URGENT MATTERS

There were no urgent matters to be considered.

The meeting finished at 7.35pm having commenced at 5.30pm.

CHAIRMAN

**Report to Accounts, Audit &
Governance Committee**

26th June, 2012

By the Director of Corporate Resources

DECISION REQUIRED



**Horsham
District
Council**

**Horsham's Financial Accounts – Outturn for 2011/12 - Revenue, Capital
and Repair & Renewals Budgets**

Executive Summary

This report compares the 2011/12 actual expenditure (outturn) on revenue, capital and repair & renewals with the budget approved by the Council in February 2011, as subsequently amended. An underspend has been achieved against that revised budget and details are provided for Members' information and comment

Recommendations

The Committee are asked to:

- i) Note the contents of this report and comment thereon.
- ii) Consider the slippage approved by the DoCR.

Background Papers:

Consultation:

Wards affected:

Contact: Sue McMillan Ext. No. 5302

Background Information

1 Introduction

This report analyses the actual budget outturn for the year ended 31/3/2012 and compares it with the budget previously approved by the Council. A detailed analysis of budget variances is included in the report. Members are asked to note the contents of the report and make any comments thereon.

2 Revenue Budget 2010/11

When the budget was set in February 2011 the Council agreed a net revenue budget of £12.801m (net of Council Tax freeze grant). This was increased by £629k to £13.430m by changes approved during the year. The details are shown below. The revised budget of £13.430m has been further adjusted by items relating to Repair and Renewals and capital, in order that purely revenue income and expenditure can be compared with the budget. This gives a budget of £12.820m against which actual expenditure is compared.

	£000
Budget Requirement	12,749
Add contribution (to)/from reserves	52
	<hr/>
Net revenue expenditure	12,801
Budgets carried forward from 2009/10	339
Budgets funded from ear-marked reserves	95
Budgets approved during the year	195
	<hr/>
Revised budget	13,430
	<hr/>
Less contribution to R & R reserve	(156)
Less contribution to repay capital (MRP)	(656)
Add back capitalised salaries	202
	<hr/>
	<u>12,820</u>

3 Actual outturn and reasons for change since revised budget agreed

- 3.1 The actual revenue outturn for 2011/12 is £11.585m representing a difference of £1.235m. A summary report showing net expenditure by department against budget is shown in Appendix A. Details of the larger variances by department are

Agenda Item 8

included in Appendix B. Salaries, wages and agency staff costs were under spent by £9k. The budget included a vacancy saving of £250k which was achieved.

- 3.2 Some of the under spend in year was the result of delays in work. Consequently a number of budget carry forwards have been requested and approved by the Director of Corporate Resources. These total £251k and are shown in Appendix C.
- 3.3 Grants and contributions received in 2011/12 but not fully spent in the year totalled £176k. Conversely the amount of the 2011/12 expenditure funded by grants received in prior years was £56k.
- 3.4 Redundancy costs agreed by the Council to be funded from reserves amounted to £371k. £179k of this is for the Council's share of redundancy costs relating to Census revenues and benefits staff and £192k relates to six Council employees.
- 3.5 The receipt of an unbudgeted net VAT reclaim of £603k in March has also contributed to the overall under spend.
- 3.6 The effect of the above items is to reduce the under spend to £623k.

4. Impact of 2010/11 underspend on 2011/12 budget

The approved budget carry forwards have been added to the relevant budgets for 2012/13. Most of the savings/underspend which occurred in 2011/12 have already been factored into the 2012/13 budget where it is anticipated that the saving would be achievable in future years. Moreover, the 2011/12 outturn figures will be used as part of the scrutiny process for the preparation of the 2013/14 budget, to ensure budgets are not overstated.

5. Capital & Repair and Renewals Budget

Total capital spend in 2011/12 (before capitalised salaries) was £7,865k, £1,967k below the budget. Details of the capital expenditure are included in Appendix D.

The full year budget for repairs and renewals totalled £427k which was £190k more than the actual spend of £237k. These unspent budgets will be rolled into 2012/13. Please see Appendix E for details.

Budget Current

Horsham District Council

2012 Period: 12

Expenditure Analysis Adjusted

<i>Department</i>	<i>Employee Expenses</i>		<i>Total Premises</i>		<i>Transport Expenses</i>		<i>Supplies & Services</i>		<i>Agency/Contracted</i>		<i>Capital Financing</i>		<i>Income</i>		<i>Total Expenditure</i>		<i>Expend less Income</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
CHIEF EXECUTIVE'S OFFICE	302	403	0	0	0	0	3	1	0	0	0	0	0	0	305	404	305	404	99
STRATEGIC PLANNING & PERFORMANCE	762	762	1	0	2	3	286	156	0	0	0	0	-36	-32	1,051	921	1,015	889	-126
DIR CORPORATE SERVICES	684	678	0	0	7	16	1,723	1,998	0	0	0	0	-959	-1,070	2,414	2,692	1,455	1,622	167
FINANCE & LEGAL SERVICES	1,243	1,434	3	3	31	25	1,114	1,145	0	20	126	136	-748	-1,510	2,517	2,763	1,769	1,253	-516
CORPORATE SUPPORT SERVICES	3,548	3,317	972	878	47	42	1,871	1,606	0	16	0	0	-3,867	-3,933	6,438	5,859	2,571	1,926	-645
DIR OF COMMUNITY SERVICES	319	322	0	0	1	2	2	1	0	0	0	0	0	0	322	325	322	325	3
HOUSING & COMMUNITY DEVELOPMENT	1,219	1,234	156	145	34	35	826	991	52	52	0	0	-1,493	-1,884	2,287	2,457	794	573	-221
LEISURE & ECONOMIC DEVELOPMENT	1,404	1,501	903	842	17	13	1,395	1,403	449	444	0	0	-2,510	-2,754	4,168	4,203	1,658	1,449	-209
DIR OF DEVELOPMENT & ENVIRONMENT	444	441	0	0	0	0	46	40	0	0	0	0	0	-6	490	481	490	475	-15
PLANNING & ENVIRONMENTAL SERVICES	2,785	2,878	57	40	80	78	477	600	0	0	0	0	-2,046	-2,442	3,399	3,596	1,353	1,154	-199
OPERATIONAL SERVICES	3,955	3,863	692	671	1,194	1,558	1,422	1,458	0	0	0	0	-5,901	-5,790	7,263	7,550	1,362	1,760	398
	16,665	16,833	2,784	2,579	1,413	1,772	9,165	9,399	501	532	126	136	-17,560	-19,421	30,654	31,251	13,094	11,830	-1264
<i>Benefits</i>	0	0	0	0	0	0	50	207	35,295	36,443	0	0	-35,619	-36,895	35,345	36,650	-274	-245	29
Total	16,665	16,833	2,784	2,579	1,413	1,772	9,215	9,606	35,796	36,975	126	136	-53,179	-56,316	65,999	67,901	12,820	11,585	-1,235

2011/12 Outturn Summary

Appendix B

	£000	£000
Actual Net Spend		11,585
Current Budget		12,820
Under spend		<u>(1,235)</u>

Made up of

Salaries

Overtime Payments	174
Temporary Staff Payments	57
Casual Staff Payments	15
Vacancy Saving	(250)
Other	(5)

(9)

Budget carry forwards	(251)	(251)
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Ear marked reserves

Unspent revenue grants for 2011/12	(176)
Use of ear marked reserves in year	56

(120)

Redundancy Costs

Redundancy payments and provision (6 posts)	192
Census Revenues and Benefits redundancy provision	179

371

Net VAT recovery - relates to prior years	(603)
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(603)

Other Major Variances (excluding items above)

Strategic Planning & Performance

Under spends following rescheduling of HDC activity such as district plan work	(91)
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Dir Corporate Resources

Discretionary Rate Relief	22
Unbudgeted Government Grants	(36)
Local Election Costs less than budgeted	(26)

Finance & Legal Services

Members allowances under spend	(15)
Members training costs below budget	(18)
Interest achieved was below budget	10
Concessionary Fares unbudgeted income not fully offset by additional service payments	(12)
Finance under spend on IT costs and archiving	(12)
Net legal costs recovered	(44)

Corporate Support Services

Arun House - Strategic acquisition	(79)
Other commercial units shortfall in rent , service charge, additional rates due to unforeseen void units , rent free periods etc	62
Commercial Estate planned works delayed and deferred	(30)
Sale of sub station	(15)
Central refreshments is overspent following corporate decision to retain of vending facilities at the depot	12
S106 contribution to current and prior year costs of Rising Universe following major refurbishment	(22)
Lease renegotiated with tenant at North Point	(18)
Utility costs are behind budget on both council and commercial facilities	(33)
Repair and Maintenance costs are behind budget on both council and commercial facilities due to resource constraints	(37)
HDC IT infrastructure project delays	(18)
Census IT savings	(35)
Training savings due to increased use of in-house resources, departmental changes and uncertainty of future need	(91)
Recruitment costs have exceeded the budget	11
Calls and rental costs are below budget partly as a result of contract renegotiation	(21)

Reprographics reduced equipment costs and additional earned income	(25)
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Housing & Community Development

Displacement of some costs to NHS through partnership working	(16)
Sports and Arts development has benefitted from additional income	(39)
Hostel rents increased, low void rate and increased properties	(214)
Net Bed and Breakfast costs above budget reflecting demand	168
Fewer grants have been awarded to voluntary sector plus termination of Wheels to Work	(23)

Leisure & Economic Development	
Capitol Commission receipts	(53)
Capitol stage lift purchase	17
Forest Recreation centre full year savings not realised	16
Rockwood Golf Course maintenance costs under spend	(13)
Museum maintenance work under budget	(15)
Countryside activities - additional income	(12)
Release of donations to parks from reserves	(7)
Unbudgeted income due to the granting of easement and sale of land	(15)
Burial Income lower than budgeted	24
Parks and open spaces landscaping under spend	(40)
Parks and Open spaces maintenance under spend	(32)
Parks and Open spaces equipment under spend	(7)
Labgi Projects under spend at year end	(13)
Economic Development grants awarded below budget	(33)
Town centre Rents behind budget due to void units	34
Savings on Town Centre Management notably in respect of printing costs and increase in income	(20)

Operational Services

Sale of 2nd green bins failed to meet expectations	44
Additional recycling resulting in extra green gate charges	31
Trade refuse income ahead of budget reflecting price rises	(56)
Cleansing grants to Parish Council behind budget as in previous years	(17)
Transport repairs and parts in excess of budget	178
Fuel costs	139
Vehicle insurance	46
Parking income below budget	65

Planning & Environmental Services

Planning Fee income in excess of budget	(234)
Land Charges applications and income ahead of budget	(102)
S106 legal fees reimbursement in respect of West of Bewbush - prior year	(57)
Unbudgeted compensation payments , including provision for settlement of tree dispute	105
Counsel Fees in excess of budget	61
South Downs National Park net reimbursement above budget reflecting lower than expected income from SDNP planning applications	(40)
Building control fees ended the year behind budget reflecting the current climate	76
Land investigations : major investigation not required	(17)
Drainage costs behind budget	(11)
Additional licensing income reflecting increase in number of applications	(34)

(677)

Other Minor Variances

54

(1,235)

Budget carry forwards from 2011-12 to 2012-13

Appendix C

Code	Description	Amount to carry forward £	Justification for Request	Anticipated spend date
EA1120 54103	Pavilions Contract Payts	13,400	Delays in Leisure Management Contract procurement, will span 11/12 to 12/13	31/12/2012
PW1190 45102	Districts Towns Management Project	1,980	Project based on 'explore the market towns' delayed due to involvement with community partnerships	31/03/2013
AC2990 46202	Voluntary & Community Grants	1,000	Horsham Cricket Club delay in purchase pitch rolling equipment	03/06/2012 ?
AC2990 46202	Voluntary & Community Grants	5,000	EYE Project Billingshurst delayed due to local land agreement issues	31/03/2013
PZ2170 21108	North Point - Health & safety work	2,320	Delay in health & safety work to North Point steps. Delayed by contractor giving a late quote	30/04/2012
PX3110 48101	Environmental Health -Use of Consultants	4,000	Policy for air quality low emissions strategy will be complete by end of May - consultant has been commissioned	31/05/2012
PA2240 46127	Trade Waste & Recycling Project	6,000	Recycling project support costs delayed will run to June 12	30/06/2012
PZ2120 21113	Park House building maintenance	690	Planned building maintenance delayed	30/04/2012
PZ1130 21113	Hurston Lane Depot maintenance	3,130	Planned building maintenance delayed	31/05/2012
EA1110 49827	Leisure Centre condition surveys BBHLC	10,430	Consultants work is ongoing to March 13	31/03/2013
EA1120 49827	Leisure Centre condition surveys Pavilions	9,700	Consultants work is ongoing to March 13	31/03/2013
EA1130 49827	Leisure Centre condition surveys Steyning	6,100	Consultants work is ongoing to March 13	31/03/2013
EA1140 49827	Leisure Centre condition surveys Billingshurst	6,100	Consultants work is ongoing to March 13	31/03/2013
EF1200 21608	Playgrounds repairs	5,420	Improvements to Cedar Drive play area postponed to 23.4.12	31/05/2012
EF1200 41106	Playground Equipment	6,100	Improvements to Cedar Drive play area postponed to 23.4.13	31/05/2012
EF1200 41103	Playground Equip & Tools Repair	6,150	Improvements to Cedar Drive play area postponed to 23.4.14	31/05/2012
EF1200 41103	Playground Equip & Tools Repair	990	Removal of play equipment delayed due to withdrawal of funds for Play area Rationalisation programme	30/06/2012

CENSUS IT INFRASTRUCTURE PROJECTS				
HD1018 41507	Disaster recovery- Census Integrate Census Ms Exchange	10,000	unable to carry out due to other pressures of other priority work	30/06/2012
		10,000	Move £10k from HD1018 41507	30/11/2012
HORSHAM IT INFRASTRUCTURE PROJECTS				
HA1014 41507	EDRMS Development	13,650	outstanding costs with joint IAW project with MSDC.	30/09/2012
HA1025 41507	Home/Flexible Workin	20,000	to support the development of member / home flex working.	30/09/2012
HA* excluding HA1014 HA1025	Horsham Infrastructure Projects	20,000	Web Development	31/12/2012
		15,048	Wireless Access Points	31/05/2012
		6,030	Financial Analysis Software	31/05/2012
JW1200 26201	Lintot Square rent account	4,032	ongoing works to Beeson House as approved by supplementary estimate	30/10/2012
EW1130 49801	Leisure Market/Events	4,000	delayed expenditure for Olympic training camps due to delay in getting Olympic team commitment	30/06/2012

PX1220 49413	Transport & Support Services - refuse and recycling customer care	6,400	engage consultant engineer to investigate concerns relating to winch assemblies on the fleet of sideloader vehicles. May result in a formal dispute against supplier (Dennis Eagle)	30/06/2012
FA1120-48101	Forward Plan/Policy - Use of consultants	10,850	Part payment for Billingshurst Village Centre Retail Study Most of work already undertaken and part payment made. This is required as final payment once final report received May 2012	31/05/2012
AX2120 46135	Personnel Health & Safety - H&S Products	3,370	Suspension of Health & safety activities due to departure of H & S Officer. Recent report recommends areas of risk that require training in order that HDC is compliant	
AX2120 48102	Personnel Health & Safety-Other Professional Fees	840		
JW2110 46501	Economic development - miscellaneous grants	16,000	To pay for BBHLC consultants	May-12
AC1010 46211/3	Horsham District Community Partnership	22,650	Funded and spent with Horsham District Pa	2012/12
		251,380		

Objective		2011/12 Revised Budget - Full Year	2011/12 Actual Expenditure - Full Year	Narrative
		£	£	
KC00004	HDC DATA CENTRE - PARK NORTH	201,269	76,781	£18,731 was spent in 2010/11. Total budget over the two years was £220k, although expected to underspend, slip remaining budget to 2012/13
KC00005	TELEPHONES REPLACEMENT	300,000	0	Telephones replacement is being postponed, carry forward budget to 2012/13
KC00006	SAN (Storage Area Network) REPLACEMENT	365,000	273,666	This will underspend the original budget but £12,584 budget needs to be carried forward for work continuing into 2012/13
KJ05002	POP S106 PROJECTS	58,184	24,624	Projects to continue into 2012/13
KE01105	SWIMMING POOL - BILLINGSHURST	10,000	6,061	Remedial works are in progress on defective roof, c/fwd unspent budget
KE01106	PAVILIONS POOL - ADDITIONAL WORKS	30,141	29,872	
KE01107	PAVILIONS POOL - CLADDING	2,750	2,793	Final retention payment
KE01901	CAUSEWAY - LANDSCAPING	27,000	850	Expenditure has been reprogrammed for 2012/13, move budget forward.
KE03003	BEECH ROAD PLAY AREA	416	0	
KE03005	FRENCHES WAY PLAY AREA	89,788	594	Works to be continued into 2012/13
KE03115	RIVERSIDE WALK	25,379	-546	Accrual outstanding for £795. Works to be undertaken in 2012/13
KE03120	PARTRIDGE GREEN	1,287	0	
KE03301	CLOSED CEMETERIES PROGRAMME	27,254	10,890	Ongoing works into 2012/13
KJ02601	PARK ACCESS IMPROVEMENT	222,709	-48,050	Accrual outstanding for £60,000 to Farnrise for retention and final account. In hands of legal. Further works intended for Park into next year
KP01501	RECREATION GROUNDS - LIGHTING	1,588	1,588	
KP04001	HORSHAM PARK - FOOTPATH LIGHTING	547	500	
KT01101	NEEDLES COMMUNITY CNTR REFURB	1,870	972	
KT01102	NEEDLES COMMUNITY CNTR GARDEN	31,454	31,454	Includes virement of £2,254 from KT01101 to cover overspend of garden.
KT01201	96 ACT-DISABLED FACILITIES	675,000	626,551	These grants are mandatory and demand led
KT01202	ACT-HOME REPAIR ASSISTANCE	60,000	50,955	These grants are mandatory and demand led
KT01203	ACT-RENOVATION GRANT	30,000	11,543	Few applications
KT01210	WARMFRONT PARTNERSHIP WSCC		16,323	Wholly funded by grant received in 2011/12
KT03001	HSG ENABLING GRANTS	1,712,500	1,827,500	£115,000 was budgeted in next year but spent in this year
KT10001	TEMP ACCOM - SOUTHERN	17,669	-725	Overaccrual written off. Budget c/fwd request for 2012/13
KT10003	ST. ANDREW'S HOUSE	19,428	23,464	1% overspend over 3 years. Delayed due to Grade 2 listed consent required for certain works.
KF00801	PARISH COUNCIL VILLAGE INITIATIVES	23,017	0	Localism Bill and statute book budget
KF01302	HILLSIDE PARK, SMALL DOLE, SAFETY WORKS	30,000	7,505	Works to be continued into 2012/13
KJ01007	BILLINGSHURST COMMUNITY BUS	54,383	31,377	Community Bus vehicle purchased for £28k, remainder is still to be spent next year.
KJ01009	BILLINGSHURST- OPEN SPACE	110,293	0	Works ongoing, offset to 2012/13 budget
KJ01804	DRILL HALL - FLOOR	535	535	
KP04804	GREEN WASTE - PODS	10,500	0	Intended to be bought in 2012/13
KP04805	VEHICLES - NEW	177,000	62,000	Request to move unspent budget into 2012/13 for spending
KF01201	MULTI-STOREY CAR PARK	23,782	24,510	The budget programme carries into next year, carry forward overspend to offset following year's budget.
KF01202	SWAN WALK CENTRE	99,750	0	Budget to slip to 2012/13 while pending new changed report of requirements
KJ01717	FORUM CLEANING EQUIP & LANDSCAPING	15,000	5,987	Ongoing works into next year
KJ03103	NEW PARK HOUSE- SEPARATION	0	0	
KJ03104	HOP OAST LIGHTING	1,131	1,131	
KJ03106	PARK NORTH LIFTS	139	139	
KJ03107	HOP OAST WORKSHOP	38,780	41,172	Work completed, 6% overspent
KJ03108	FUEL TANK, HURSTON LN DEPOT	25,000	21,186	Fuel tank has been installed
KP03501	FLOOD ALLEVIATION-SOUTHWATER	500	0	Remaining budget to carry forward for use
KP03502	WARNHAM MILLPOND RESERVOIR	55,509	55,066	£50,000 funding from Environment Agency
KP04701	STEYNING CAR PARK	525	2,219	Retention payment overspend.
KJ01402	HOUSE PURCHASES-TEMP ACCOM	2,291,237	1,648,920	House purchases to be continued into 2012/13
KJ01430	PULBOROUGH TOWN CENTRE	64,564	5,509	Remaining budget to be carried forward to 2012/13
KJ01440	ARUN HOUSE, HURST RD, HORSHAM	1,736,000	1,738,674	Overspent by less than 1%
KJ02702	SOUTHWATER MEDICAL CENTRE	0	-1,312	Farnrise accrual 2010/11 outstanding
KJ02703	SOUTHWATER VILLAGE CENTRE	70,000	35,712	Expenditure continuing into 2012/13, carry forward unspent budget
KJ02706	OAKHURST BP PHASE 3	1,087,500	1,261,178	Expenditure continuing into 2012/13, carry forward to be offset to 2012/13 budget
KP03202/	EAST STREET PEDESTRIAN AREA	6,277	-43,880	£45,000 was accrued for the final account. However, we have now received a rebate on the target price contract representing a £40k saving on this accrual.
		9,832,655	7,865,288	

Appendix E

REPAIRS & RENEWALS PROGRAMME 2011-12

Objective		2011/12 Revised Budget Full Year	2011/12 Actual Expenditure - Full year	Narrative
		£	£	
ME037	HORSHAM PK -SKATE PK	35,000	35,000	
ME038	HORSHAM PARK - PAVILION	19,931	3,526	Ongoing works due to take place in 2012/13 as well, carry forward budget
ME101	REC GROUNDS -GENERAL	6,300	6,300	
ME151	OPEN SPACE-BRIDGES	10,500	10,160	Works continuing into 2012/13
MJ161	MISC DOMESTIC	13,939	11,605	
MJ164	BLATCHFORD CLOSE	12,064	5,041	External repairs started and to carry on into 2012/13 as delayed
MP021	ROOKWOOD (PAYP) GOLF	10,000	0	Expenditure delayed to 2012/13
MP024	HORSHAM ARTS CENTRE	10,680	11,638	
MP026	HOP OAST DEPOT	8,304	835	Floor coverings have been put back another year for replacement
MP043	PIRIES PLACE MSCP	1,665	1,665	
MP047	OTHER TOWN CENTRE CARPARKS	36,685	14,672	The remaining budget to be spent 2012/13
MP053	OFFICE CAR PARKS	8,276	3,935	Carry forward budget for continued work into 2012/13
MP056	PARK HOUSE	3,567	0	Expenditure of £3,567 for this year on carpets to be carried forward for 2012/13
MP059	COUNCIL CHAMBER	10,000	0	To carry forward for reprogrammed expenditure in 2012/13
MP067	OTHER RURAL CAR PARK	14,245	734	Continued resurface/relining works into 2012/13, carry f/ward.
MP072	SOUTHWATER COUNTRY PARK	4,500	4,484	
MP091	GENERAL BUILDINGS	18,673	13,357	CCTV cabling and general repairs to carry forward
MP111	BBHLC	67,950	57,397	Resurfacing MUGAS work delayed
MP121	HORSHAM MUSEUM	38,640	25,498	Repairs expenditure is ongoing into 2012/13. Carry f/wd
MP131	PARK NORTH	12,701	9,917	Carpet renewal unspent to carry forward
MP150	TOWN CENTRE-LANDSC	0	0	
MP151	TOWN CENTRE - BISHOP	1,550	1,546	Revised estimated expenditure is £1,550 for this year due to revenue budget now for Shelley fountain.
MP152	TOWN CENTRE - GENERAL	10,000	2,700	Repainting and general repairs works delayed into 2012/13
MP155	BLACKHORSE WAY	6,000	0	Upgrade of electrics delayed, carry f/wd to 2012/13
MP165	BUS SHELTERS	1,760	0	Outstanding budget to be used for maintenance in 2012/13
MZ999	SET ASIDE-PAVILIONS&CAPITOL	64,381	16,873	Continued use of this fund into 2012/13 for repairs Pavilions/capitol, carry fwd.
		427,311	236,884	

HORSHAM DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/2012



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EXPLANATORY FOREWORD

INTRODUCTION

Horsham District is a large area that has 32 parishes and covers 205 square miles (530 square kilometres) of open countryside and small towns, villages and hamlets in the county of West Sussex. There is a population of around 130,000 people who live in the district with over 45,000 of these living in Horsham, the main town, with the immediate area. Billingshurst, Southwater and Steyning are the other main areas of population with the remaining residents living in parishes with populations ranging from 200 to 5,000.

Horsham is situated within the Gatwick Diamond, the economic centre of Sussex and Surrey, a high performing sub regional economy and overall one of the top performing 'Diamonds' in the South East. It has a strong administrative and service sector together with a thriving retail sector which has benefited from redevelopment over the past 20 years. There are more than 5,000 businesses in the area made up of both local and large multi-national companies.

GENERAL

The Council's accounts for the financial year 2011/12 are set out in the following pages.

They consist of :

- a) The Statement of Responsibilities that sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.
- b) The Statement of Accounting Policies that discloses the accounting principles and concepts that have been used in the preparation of the accounts.
- c) The explanation of provisions and reserves that identify those items earmarked in the Council's accounts to cover future expenditure.
- d) The Movement in Reserves Statement which 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 other 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 the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for setting the council tax. 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.
- e) The Comprehensive Income and Expenditure Account reports the accounting cost for the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. In 2011/12 the service heading of Cultural, Environmental and Planning Services within the Comprehensive Income and Expenditure Statement was split into three new headings, Cultural and Related, Environmental and Regulatory and Planning and Development Services, with the prior year figures also restated.
- f) The Balance Sheet shows the value as at 31st March 2012 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories; the first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the authority is not able to use to provide services, this category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- g) The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. It shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority).
- i) The Collection Fund records income from Council tax and Non-Domestic Rates. Payments include the precepts to West Sussex County Council, Sussex Police Authority, Parish Councils and the special charge for the unparished area of the District and Horsham District Council's own demand on the Collection Fund. The Collection Fund Statement reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The Collection Fund is incorporated in the Balance Sheet as part of debtors and creditors.

This foreword provides an overview of the Council's main financial results in the financial year 2011/12, covering both revenue and capital activities. Revenue spending is generally on items that are consumed in the financial year and is financed from Council tax, government grant, contributions from non-domestic rates and charges for services. Capital expenditure relates to the acquisition, creation or enhancement of assets that yield benefits for more than one year and is financed by grants, contributions, loans and capital receipts generated from the disposal of assets.

REVENUE OUTTURN FOR 2011/2012

The Council approved a revised net General Fund Revenue budget for 2011/12 of £12.801m at the formal meeting on 16th February 2011, this was net of the Council Freeze grant of £203k. In addition, it collected £2.243m on behalf of Parish Councils within the District, giving a total of £15.044m.

Budget Monitoring reports were put to Cabinet quarterly during the year and the revenue and capital outturn report for 2011/12 was reported to the Accounts, Audit and Governance Committee on 26th June 2012. The under spend against an adjusted original budget was reported as £1.235m and this was due to a number of factors including a net VAT refund of £607k and budgets slipped to 2012/13 totalling £251k.

The Minimum Revenue Provision

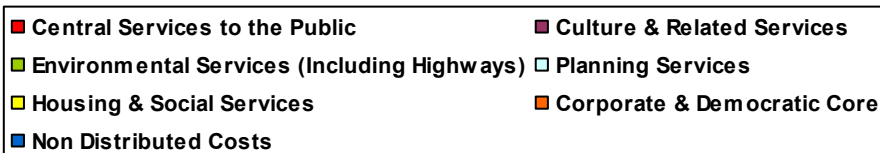
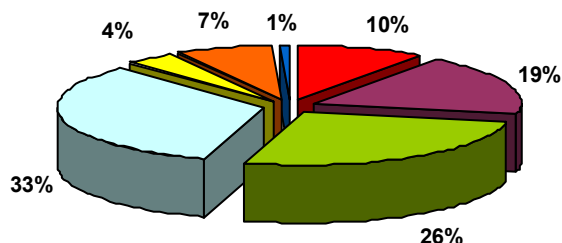
Local authorities are required by statute to set aside each year some of their revenue to provide for repayment of debt in respect of capital expenditure financed by borrowing or credit arrangements, known as the Minimum Revenue Provision (MRP). In 2011/2012 the amount set aside was £665k.

The Comprehensive Income and Expenditure Accounts shows cost of services of £20.807m and a surplus on the overall provision of services of £636k. £17.768m of financing is met by Government grants and taxpayers income together with Parish Council precepts and use of reserves.

The remaining surplus consists of amounts that are required by statute or the accounting code of practice which do not impact on the council taxpayer, these include Depreciation and impairment costs, net gains on asset disposals, non cash pension adjustments, revenue funding of capital expenditure (that does not involve tangible assets) and a charge to the accounts to cover the cost of borrowing. These items together with a few other small adjustments are removed in the Movement in Reserves Statement to show the true impact on council taxpayers of a net surplus for the year of £746k. Net transfers to reserves in the year totalled £845k leaving a general fund balance of £1.412m as at 31st March 2012.

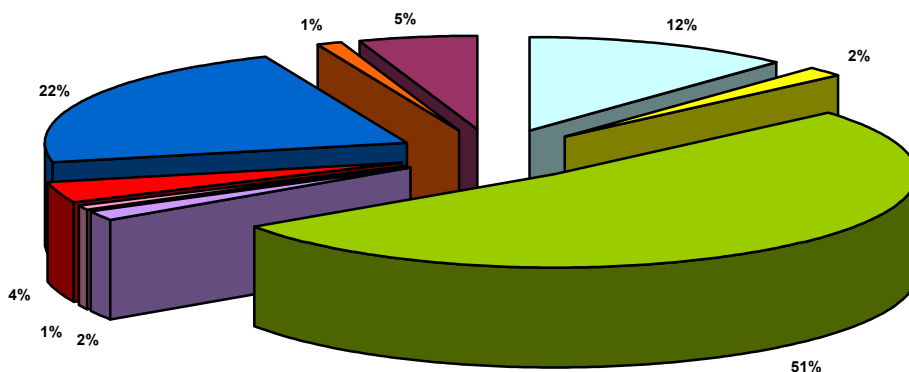
NET COST OF SERVICES - HOW THE MONEY WAS SPENT

The chart below shows the net cost of Council services as a percentage of the total net cost of the services provided by the Council. The figures exclude the year end accounting non cash costs charged to the services such as depreciation and impairment costs and the pension adjustments..



SOURCES OF FINANCE OF THE COUNCIL'S REVENUE ACTIVITIES

The chart below shows how Horsham District Council met the cost of its services in 2011/12 and what Percentage each makes up of the total financing:



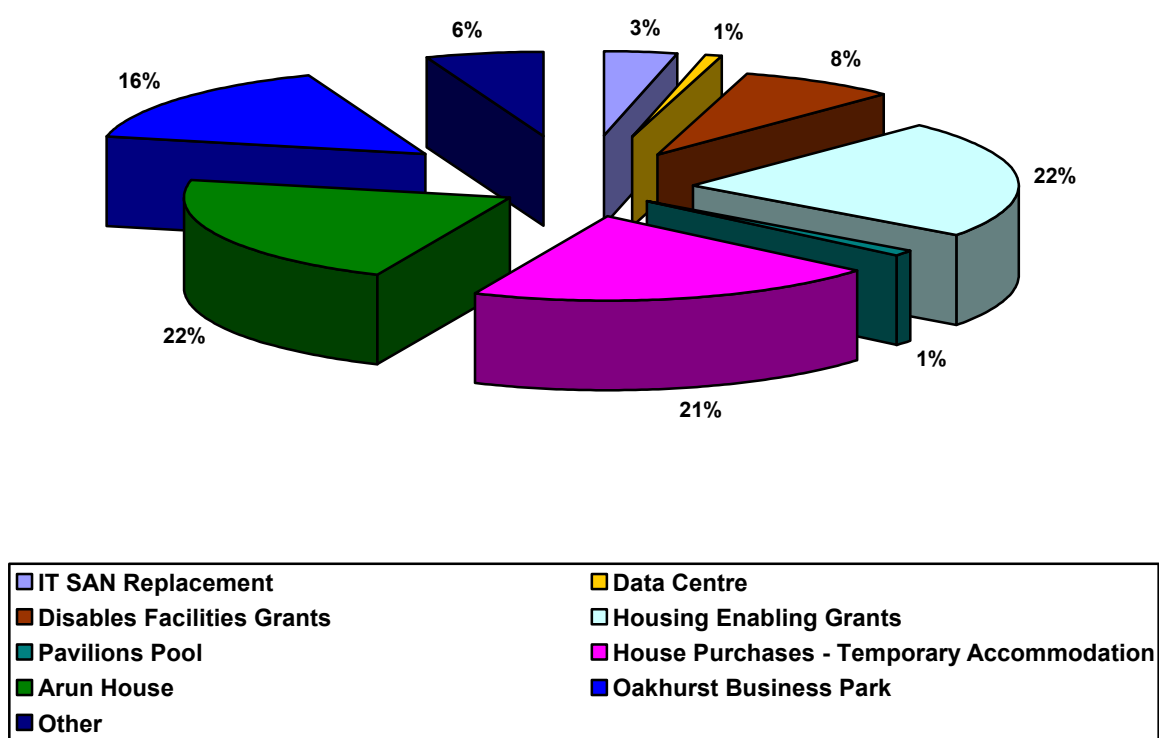
CAPITAL EXPENDITURE

In 2011/12 the Council invested £8.088m in a range of capital schemes (shown below).

The capital expenditure in the year was financed by:

Usable capital receipts	£0.438m
Government grants and other contributions	£2.618m
Revenue contributions	£0.342m
Unfinanced capital expenditure	£4.690m

Unfinanced expenditure is capital expenditure that is not funded by receipts, grants or revenue contributions and increases the Council's underlying need to borrow.



The following investments are planned as part of the Council's Capital Programme:

	2012/2013 £000	2013/2014 £000	2014/2015 £000	2015/2016 £000
Disabled Facilities Grant	713	713	713	713
Warnham Mill Pond Reservoir	500	500		
House Purchase –Temporary Accommodation	1,910			
Data Centre	124			
Telephone System Replacement	300			
Storage Area Network Replacement	91			
Core Switch Replacement	60			
Pavilion Swimming Pool	1,240			
Steyning Swimming Pool	298			
Billingshurst Swimming Pool	322			
Horsham Park & Access Improvements	279			
Play Areas	90			
Home Repair Assistance	75	75	75	75
Renovation Grants	75	75	75	75
Billingshurst – Open Space	110			
Vehicles	430	490	250	282
Green Waste pods & Trade Bins	112			
Swan Walk	212			
Swan Walk Car Park Barriers	110			
The Forum	86			
Grants for Youth Projects		30		
Oakhurst Business Park – Phase 3	188			
Pulborough Town Centre	59			
Southwater Village Centre	64			
East Street Pedestrian Area	52	2	2	
Other (capital programme items under £30k)	315			

LONG TERM BORROWING

The Council has a single £4m loan which is repayable over 10 years at an interest rate of 3.38%. No new long term borrowing was entered into in 2011/12.

GENERAL FUND REVENUE RESERVE

The General Fund Revenue Reserve was established in 1988/89 to fund major projects that the Council has identified as desirable in future years and has a balance of £8.666m as at 31st March 2012. The movement in the reserve in year amounted to £390k and relates to the funding of capital expenditure not met by capital receipts or other contributions, transfers to other earmarked reserves in the year and a transfer of the New Homes Bonus and the monies reclaimed from HMRC, relating to VAT on trade waste services, to the reserve from the General Fund balance.

PENSIONS

Since 2003/04, the authority has been required to show any deficit or surplus on the Pension fund within the Balance Sheet. The fund itself is administered by West Sussex County Council and an interim actuarial valuation as at 31st March 2012 showed the authority's share of the fund to be a deficit of £8.791m. The 2010/11 accounts included a £10.581m credit adjustment to past service costs which resulted from the calculation of the future pension increases being linked to the Consumer Price Index (CPI) and not the Retail Prices Index (RPI).

CHANGES IN ACCOUNTING POLICIES

There has been a change in the preparation and presentation of the accounts in 2011/2012. Local authorities have adopted FRS30 Heritage Assets, the effect of which is the introduction of a new category of assets on the Balance Sheet. This change also required prior year comparative adjustments.

EUROPEAN MONETARY UNION

The Council has not undertaken a detailed review of the impact of the Euro currency upon its activities.

NOTES TO THE ACCOUNTS

Where the core financial statements have note numbers identified against balances, it indicates that that the corresponding note to the accounts provides additional detail as to what the balance includes or represents. It does not mean that the note will always provide a full analysis of the balance itself.

Further information on the contents of this publication can be obtained from the Director of Corporate Resources, Park North, North Street, Horsham, West Sussex RH12 1RL.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources;
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- Approve the statement of accounts.

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director of Corporate Resources has also:

- kept proper accounting records that were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts 2011/2012 present a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2012.

Director of Corporate Resources

Date:

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

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

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

Where there is specific legislation this will have primacy over any other provision.

The accounts have been prepared under the historical cost convention modified by the revaluation of certain categories of property, plant and equipment.

2. PROPERTY, PLANT AND EQUIPMENT

Expenditure on the acquisition, creation or enhancement of property, plant and equipment (PPE) is capitalised on an accrual basis in the accounts. Expenditure on PPE over the de minimis limit of £20,000 is capitalised, provided that the PPE yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of PPE assets which is charged direct to service revenue accounts.

Property, plant and equipment is 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). Assets are valued on the following basis:

- land and operational properties are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use, unless there is evidence of open market value for the existing use. Net replacement cost is assessed as the existing use value except for assets which are rarely subject to an open market where depreciated replacement cost is used.
- non-operational assets, including investment properties, are included in the balance sheet at the lower of net current replacement costs and net realisable value. In the case of investment properties, which are held to achieve a financial return rather than for operational purposes, this is normally open market value.
- non property assets are valued at fair value, determined as the amount that would be paid for the asset in existing use. Where have short useful lives or low values (or both) (e.g. vehicles, plant and equipment) the authority adopts a depreciated historical cost basis as a proxy for fair value.

The Revaluation Reserve was set up with a zero balance at 1st April 2007. Any revaluation upward results in a credit to the reserve. A downward revaluation can be set against the Revaluation Reserve if there was a balance referring to the devalued asset. As the reserve was set at zero many downwards revaluation of assets will this year appear as an impairment in the Comprehensive Income and Expenditure Statement (CIES).

Revaluation of property, plant and equipment is planned at five-yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as an assessment is made at the end of each year for any indication that assets may be impaired in addition to cyclical revaluations. Any impairment would be written off against any revaluation gain for that asset in the Revaluation Reserve or otherwise recognised in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed the reversal is credited back in the CIES up to the amount of the original loss adjusted for the depreciation that would have been charged if the loss had not been recognized.

Income from the disposal of property, plant and equipment is accounted for on an accruals basis. Such income that has not been used to finance capital expenditure is included in the balance sheet as usable capital receipts.

The carrying amount of an asset shall be derecognised on disposal or when no future economic benefits or service potential is expected

Where a significant component part of an asset has a different useful life to other parts it will be depreciated separately. Component accounting will be phased in when assets are enhanced, acquired or revalued from 1 April 2010. Where a component is replaced or restored the carrying amount of the old component shall be derecognised.

3. INTANGIBLE ASSETS

Intangible assets give an economic benefit over more than one year. Long term software licenses are currently the only category in this years account and they are amortised over their useful lives.

The gain or loss on disposal of intangible assets is recognised in the Comprehensive Income and Expenditure Account. To comply with statute the gain or loss is reversed out in the Movement in Reserves Statement (MIRS).

4. INVESTMENT PROPERTY

Investment properties are held to earn return rather than to provide services. The authority holds a number of commercial properties that it categorises as Investment Properties on the basis that the properties are rented to commercial entities using standard commercial terms of the rental rather than concessionary terms to specific classes of commercial tenants. Investment properties are valued at fair value which is usually the open market value. When revalued any gain or loss is recognised in the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

5. HERITAGE ASSETS

A tangible heritage asset is 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 an asset with cultural, environmental or historical significance. Examples would include recordings or significant historical events.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the authority for other activities or to provide other services) shall be accounted for as operational assets rather than heritage assets, and shall be valued in the same way as other assets of that general type

Heritage assets shall normally be measured at valuation in accordance with Financial Reporting Standard 30 but the Standard states that valuations may be made by any method that is appropriate and relevant. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets can be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). The museum collections have not been valued as the cost of valuation is not seen as commensurate with benefits to users; historic cost information is not available for collection. The artworks are valued using historic costs where records are available while the war memorial, due to its special nature, is valued at its depreciated replacement cost.

Depreciation will be charged where the asset does not have an indefinite life. If there is evidence of impairment the carrying amount of the asset shall be reviewed. The holdings of the Council currently have indefinite lives and hence are not charged depreciation.

For all Heritage assets whether appearing in the balance sheet or not the Council will disclose in the notes to the accounts the following:

- the nature and scale of heritage assets held
- the policy for the acquisition, management and disposal of heritage assets.
- the reasons why heritage assets are not reported in the Balance Sheet and
- the significance and nature of those assets.

For heritage assets reported in the balance sheet the movement in carrying amounts will be disclosed in the notes. If these are reported at valuation the details of the date, method and valuer's credentials will be disclosed. Carrying values will be analysed between those that are reported at cost and those that are reported at valuation, Where heritage assets are revalued the treatment would be the same as for normal properties using the Revaluation Reserve where appropriate and reporting impairments if necessary.

The council does not recognise any intangible heritage assets. If it did it would account for them in accordance with IPSAS 31 Intangible Assets, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA Code.

6. DEPRECIATION

Depreciation is provided for on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- no assets are depreciated in the year of acquisition, but they are depreciated in the year of disposal. Assets in the course of construction are not depreciated until the year following the one in which they are first brought into use. In the exceptional case of part year depreciation being material a charge may be made.
- operational assets are depreciated on using a straight line method over the useful life of the asset, taking into account any residual value.

The expected useful life of assets is not necessarily revised at each revaluation but is reviewed annually. In line with the valuer's judgment we reduce the useful life of most of our assets by one year, the remaining assets' lives are reviewed by the valuer for reasonableness.

Investment properties are not depreciated.

7. CAPITAL CHARGES TO REVENUE

General Fund service revenue accounts have been charged with depreciation and where required any relevant impairment loss. Depreciation is credited in the Movement in Reserves Statement so that it does not have an impact on the amounts required to be raised from local taxation.

Amounts required to be set aside from revenue for the reduction of its overall borrowing requirement to finance capital expenditure, or as transfers to other earmarked reserves, are disclosed separately in the Movement in Reserves Statement.

8. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of property, plant or equipment has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

9. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

10. OVERHEADS AND SUPPORT SERVICES

Central support services are fully allocated to revenue and capital accounts. The Council has adopted the general principle of allocating the costs of central administrative departments on the basis of the estimated time spent by officers on the various services. The exception to this approach is the cost of administrative buildings which is allocated on the basis of area occupied and IT charges which are apportioned on a range of methodologies dependent on the type of charge incurred. The cost of corporate management is charged to the Corporate and Democratic Core.

10. ACCRUALS OF EXPENDITURE AND INCOME

The revenue accounts of the Council are maintained on an accrual basis in accordance with the Code. Any 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 are made for amounts over £1,000 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 shown as a provision on the Balance Sheet.

Capital expenditure is also accounted for on an accrual basis in accordance with the capital accounting provisions of the Code. Debtors and creditors have therefore been provided for as necessary.

Council tax income is accounted for on an accruals basis with the Horsham District Council share of income included within the debtors and creditors balances on the Balance Sheet, with the precepting authorities' account for their relevant share. National Non-Domestic Rates are collected on an agency basis and accounted for accordingly.

11. LEASES

Leases are classified as finance or operating leases based on the extent that the risks and rewards associated with a leased asset lie with the lessor or lessee. If substantially all the risks and rewards of the lease transfer to the lessee it is a finance lease, otherwise an operating lease. For purpose of classification land and buildings are considered separately.

The Council as a Lessee

Finance Leases

The Authority does not lease any property, plant and equipment leases under finance leases.

Operating Leases

Rentals paid are recognized in CIES as an expense. Charges should be made on a straight line basis over life of lease if actual pattern of payments are significantly different from a straight line basis.

The Council as a Lessor

Finance Leases

Where the Council leases out property under a finance lease the relevant asset is written out of the Balance Sheet as a disposal. Any gain would be treated as a capital receipt. The carrying amount of the asset would be written off in CIES as a loss or gain on disposal. Lease rentals are apportioned between a charge for asset use writing down the lease debtor and a finance charge income in the CIES.

Operating Leases

Rental income is recognized in CIES. Charges should be made on a straight line basis over life of lease if actual pattern of income diverges significantly from a straight line basis.

12. INVENTORIES & WORK IN PROGRESS

Stocks are valued at the lower of actual cost or net realisable value.

13. PROVISIONS & RESERVES

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

The Council maintains earmarked reserves to meet future spending programmes. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service revenue account in that year to go against the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then appropriated back to the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for property, plant and equipment and retirement benefits and do not represent usable resources for the council.

14. REPURCHASE OF BORROWING

The Council will recognise the gains or losses on the repurchase of borrowing in the line with the Code.

15. PENSIONS

Horsham District Council employees have the right to membership of the Local Government Pension Scheme, administered by West Sussex County Council. This scheme is accounted for as a defined benefits scheme. Pension costs have been accounted for in accordance with IAS19 Retirement Benefits. The basic principle being that the Council accounts for retirement benefits when it is committed to give them, even if the actual payment is in the future. The estimated true economic current costs are based on valuations provided by the Fund's actuaries.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on long-dated, high quality corporate bonds (ibovx Sterling Corporate Index, AA over 15 years), at the IAS19 valuation date. Prior to 2004/05, CIPFA guidance required the use of a real discount rate.

The assets of the scheme are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

Under the 2011/12 Code of Local Authority Accounting the council has adopted the IAS 19, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

Any change in the net pension liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited/credited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited/credited to the Comprehensive Income and Expenditure Statement.
- contributions paid to the West Sussex County Council Pension Fund – cash paid as employer contributions to the pension fund.

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 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 any amounts payable to the fund but unpaid at the year-end.

West Sussex County Council's Annual Report on the Pension Fund is available from County Hall, Chichester.

16. OFFICERS' EMOLUMENTS AND SENIOR OFFICER REMUNERATION

In line with the Accounts and Audit Regulations 2011, a note disclosing officers' emoluments which covers all amounts paid to or receivable by an employee, including sums due by way of expenses allowances and the estimated money value of any other benefits received by an employee other than in cash.

There is also a requirement that local authorities include remuneration information of senior employees in the note accompanying their statement of accounts with previous year comparatives. This information can be found in note 27.

17. EXIT PACKAGES AND TERMINATION COSTS

The 2011/12 Code introduced a new disclosure requirement to provide the details of exit packages agreed and the costs within bandings for the financial year with prior year comparatives. This information can be found within note 27.

Information on termination costs and together with prior year comparatives are provided in note 34.

18. FINANCIAL INSTRUMENTS

The accounting for financial instruments includes disclosures concerning the values of, and the risks related to financial assets and liabilities. The financial assets are investments, debtors and the financial liabilities are creditors, long term borrowing and other balances shown under current liabilities. All the instruments are shown on balance sheet as the amortised cost which includes any accrued interest at the balance sheet date. The fair value of instruments with over a year to maturity is shown in a note to the accounts.

The authority recognises a financial asset or liability in the Balance Sheet when it becomes a party to the contractual provisions of the instrument. Instruments are measured initially at fair value less acquisition costs. In almost all cases the authority deems the transaction price to be the fair value as transactions are based on market terms. Otherwise the Authority uses an appropriate valuation technique. Instruments are subsequently carried at their amortised cost. The authority fully accrues for interest on instruments and the accruals of interest are accounted for as part of the amortised cost/fair value of the associated financial instrument, with interest split between short and long term instruments.

19. INTEREST

Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.

20. GRANTS AND CONTRIBUTIONS

Grants and subsidies have been credited to the appropriate revenue account and an accrual has been made for revenue balances known to be receivable for the period to 31st March 2012.

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 recognized 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 reserve until used to finance capital expenditure.

21. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are repayable within one month of acquisition. They are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents include shares in constant net asset value money market funds.

22. CONTINGENT LIABILITIES

IAS 37 *Provisions, Contingent Liabilities and Contingent assets* requires the Council to disclose contingent liabilities. These arise from past events and their existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control that may result in an obligation on the Council.

Material contingent liabilities are not recognised as an item of expenditure within the accounts but are disclosed within the notes to the accounts unless the possibility of a transfer of economic benefits in settlement is remote.

23. CONTINGENT ASSETS

IAS 37 *Provisions, Contingent Liabilities and Contingent assets* requires the Council to disclose contingent assets. These arise from past events and their existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control that may result in an asset to 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.

There are no contingent assets that may materially affect the amounts included in any of the financial statements.

24. SERVICE REPORTING CODE OF PRACTICE

The presentation of the Final Accounts reflects Service Reporting Accounting requirements, with the aims of providing a consistent basis for all statutory financial disclosures in relation to best value.

PROVISIONS AND RESERVES

Provisions and Reserves are methods of earmarking the authority's funds to cover future expenditure.

PROVISIONS

Provisions represent sums set aside for liabilities or losses on bad debts which are certain to arise but owing to their inherent nature cannot be quantified with any certainty.

Provision for Corporate Restructure	During 2008/09 the council initiated a review of the management structure within the authority and a provision was set up for the redundancy and pension costs of this restructure. The balance remaining in the provision is to cover any future payments to the pension fund for early access costs.
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Provision for Concessionary Fares	This provision was established in 2009/10 as a result of appeals by bus operators for additional reimbursement of costs relating to the concessionary fares scheme. A decision has not yet been made on the appeal but it is considered probable that the Council will have additional costs.
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RESERVES

General Fund Revenue Reserve	Established during 1988/89 to provide finance to meet future expenditure arising from capital and revenue projects.
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Local Development Reserve	Established in 1998/99 to set aside funds for future expenditure on the Local Development Framework.
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Other Reserves	A number of small balances held against future expenditure on specific items, such as tree planting, etc.
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Repairs and Renewals	Used to finance the programmed replacement of heavy plant, equipment and machinery and programmed renewal works. Contributions are received from spending accounts calculated to ensure sufficient funds exist to fully finance the replacement programme.
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Insurance	Established to provide the Council with cover on otherwise uninsured risks and defaults on the repayment of car loans.
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Vehicle Replacement Reserve	Established in 2004/05 to set aside funds to replace vehicles in the future.
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Section 106 Reserves	Section 106 receipts below the de minimis amount held in reserves. When the schemes incur revenue expenditure, monies will be transferred to the revenue accounts.
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Pension Reserve	Reflects the net deficit on the Council's defined benefit Scheme as required by the implementation of FRS17.
Planning Grant Reserve	Established in 2009/10 additional grant received was set aside to go towards funding future expenditure on planning as the planning grant diminishes.
War Memorial Fund	A fund which is specifically for expenditure on Horsham War Memorial. The Trustees have invested the fund with the Council.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£	£	£	£	£	£	£	
Balance at 1 April 2010 (Re-stated)	(1,463,067)	(11,009,395)	0	(1,795,735)	(14,268,197)	(68,264,791)	(82,532,988)	
Movement in reserves during 2010/11								
(Surplus) or deficit on provision of services	(6,279,242)	0	0		(6,279,242)	0	(6,279,242)	24
Other Comprehensive Expenditure and Income	0	0	0	0	0	(24,117,260)	(24,117,260)	
Total Comprehensive Expenditure and Income	(6,279,242)	0	0	0	(6,279,242)	(24,117,260)	(30,396,502)	
Adjustments between accounting basis & funding basis under regulations	7,146,074	(400,708)	0	672,437	7,417,803	(7,417,803)	0	5
Net Increase/Decrease before Transfers to Earmarked Reserves	866,832	(400,708)	0	672,437	1,138,561	(31,535,063)	(30,396,502)	
Transfers to/from Earmarked Reserves	(915,634)	915,634						
Increase/Decrease (movement) in Year	(48,802)	514,926	0	672,437	1,138,561	(31,535,063)	(30,396,502)	
Balance at 31 March 2011 carried forward (Re-stated)	(1,511,869)	(10,494,469)	0	(1,123,298)	(13,129,636)	(99,799,854)	(112,929,490)	
(Surplus) or deficit on provision of services	(636,421)	0	0		(636,421)	0	(636,421)	24
Other Comprehensive Expenditure and Income	0	0	0	0	0	9,493,392	9,493,392	
Total Comprehensive Expenditure and Income	(636,421)	0	0	0	(636,421)	9,493,392	8,856,971	
Adjustments between accounting basis & funding basis under regulations	(109,462)	0	0	591,307	481,845	(481,845)	0	5
Net Increase/Decrease before Transfers to Earmarked Reserves	(745,883)	0	0	591,307	(154,576)	9,011,547	8,856,971	
Transfers to/from Earmarked Reserves	845,631	(845,631)						
Increase/Decrease (movement) in Year	99,748	(845,631)	0	591,307	(154,576)	9,011,547	8,856,971	
Balance at 31 March 2012 carried forward	(1,412,121)	(11,340,100)	0	(531,991)	(13,284,212)	(90,788,307)	(104,072,519)	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2011/2012

2010/2011				2011/2012			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£	£	£		£	£	£	
8,307,424	(7,053,415)	1,254,009	Central Services to the Public	8,713,235	(7,095,269)	1,617,966	24, 27, 29, 33,35
7,211,393	(4,430,307)	2,781,086	Cultural & Related Services	7,537,355	(2,655,730)	4,881,625	24, 27,33,35
11,521,843	(3,310,061)	8,211,782	Environmental & Regulatory Services	9,774,751	(4,367,159)	5,407,592	3, 24, 27,33,35
6,590,256	(1,981,480)	4,608,776	Planning & Development Services	5,618,261	(1,632,985)	3,985,276	24, 27,33,35
32,689,634	(30,938,558)	1,751,076	Housing Services	35,240,060	(31,929,970)	3,310,090	24, 27, 29,33,35
3,724,135	(3,658,797)	65,338	Highways & Roads	2,406,861	(3,227,203)	(820,342)	24, 27,33,35
307,483	(338,218)	(30,735)	Social Services	294,338	(339,529)	(45,191)	24, 27, 29,35
2,452,128	(20,278)	2,431,850	Corporate & Democratic Core	2,351,457	(24,288)	2,327,169	24,26,27,28,35
558,802	0	558,802	Non-Distributed Costs	142,697	0	142,697	24,35
(10,581,000)	0	(10,581,000)	Past Service Gains relating to Pensions	0	0	0	35
62,782,098	(51,731,114)	11,050,984	Cost of Services	72,079,015	(51,272,133)	20,806,882	24
2,221,118	(443,121)	1,777,997	Other operating expenditure	2,243,500	(438,139)	1,805,361	7
6,215,812	(8,746,049)	(2,530,237)	Financing and investment income and expenditure	3,627,956	(9,107,920)	(5,479,964)	8,12,14,35
		0	Surplus or deficit on discontinued operations			0	
0	(16,577,986)	(16,577,986)	Taxation and non-specific grant income	0	(17,768,700)	(17,768,700)	9, 29
71,219,028	(77,498,270)	(6,279,242)	(Surplus) or deficit on provision of services	77,950,471	(78,586,892)	(636,421)	24
		(1,747,260)	Surplus or deficit on revaluation of Property, Plant and Equipment assets and Investment Properties			2,596,392	
		0	Surplus or deficit on revaluation of Heritage Assets			0	
		(22,370,000)	Actuarial (gains)/losses on pensions assets/liabilities			6,897,000	35
		(24,117,260)	Other Comprehensive Income and Expenditure			9,493,392	
		(30,396,502)	Total Comprehensive Income and Expenditure			8,856,971	

BALANCE SHEET AS AT 31 MARCH 2012

<u>1.4.10</u>	<u>31.3.11</u>		<u>Note</u>	<u>31.3.12</u>
(Re-stated)	(Re-stated)			
£	£			£
		Property, Plant and Equipment		
76,361,177	76,730,782	- Other Land and Buildings	10	72,624,700
3,983,476	4,373,454	- Vehicles, Plant, Furniture & Equipment	10	4,009,726
50	50	- Community Assets	10	50
713,630	320,000	- Assets under construction/Awaiting Development	10	1,594,748
709,400	709,400	Heritage Assets	11,39	709,400
27,999,143	28,971,858	Investment Property	12	33,119,262
56,500	25,200	Intangible Assets	13	18,893
37,767	53,561	Long-term Debtors	14	28,415
1,000,000	1,000,000	Long - Term Investments	14	0
110,861,143	112,184,305	TOTAL LONG TERM ASSETS		112,105,194
10,034,553	6,030,431	Short - Term Investments	14	3,026,775
101,079	98,267	Inventories	15	120,927
5,228,468	5,442,998	Short Term Debtors	17,20	3,500,151
3,270,286	5,265,775	Cash and Cash Equivalents	14,18	5,320,219
18,634,386	16,837,471	CURRENT ASSETS		11,968,072
(4,992,789)	(5,490,723)	Short Term Creditors		(4,025,918)
(4,992,789)	(5,490,723)	CURRENT LIABILITIES		(4,025,918)
(671,694)	(446,564)	Provision for Corporate Restructure	20	(457,791)
(50,000)	(39,836)	Provision for Concessionary Fares	20	(52,336)
(144,427)	(158,761)	Provision for Accumulated Absences	20	(148,105)
(4,000,000)	(4,000,000)	Long Term Borrowing	14	(4,000,000)
		Other Long Term Liabilities		
(34,480,996)	(2,873,680)	- Pension Asset/(Liability)	35	(8,791,680)
(40,747)	(32,245)	- Finance Lease Deferred Liability	14	(23,741)
(45,679)	(9,496)	- War Memorial Fund		(2,141)
(1,028,935)	(1,263,544)	- Other Balances		(1,993,546)
(22,079)	(22,079)	Loan to Henfied Sports Association		0
(1,485,195)	(1,755,358)	Capital Grants Receipts in Advance		(505,489)
(41,969,752)	(10,601,563)	LONG TERM LIABILITIES		(15,974,829)
82,532,988	112,929,490	NET ASSETS		104,072,519
		Usable Reserves		
(12,472,462)	(12,006,338)	- Reserves	6, 21	(12,752,221)
(1,795,735)	(1,123,298)	- Capital Grants Unapplied	21	(531,991)
		Unusable Reserves		
(14,431,217)	(15,889,816)	-Revaluation Reserve	22,39	(12,985,308)
34,480,000	2,873,000	-Pensions Reserve	22,35	8,791,000
(88,281,232)	(86,801,868)	-Capital Adjustment Account	22	(86,627,955)
(217,490)	(193,493)	-Financial Instrument Adjustment Account	22	(169,495)
40,721	53,562	-Collection Fund Adjustment Account	22	55,346
144,427	158,761	-Accumulating Absences Adjustment Account	22	148,105
(82,532,988)	(112,929,490)	TOTAL RESERVES		(104,072,519)

Director of Corporate Resources

Date

CASHFLOW STATEMENT

<u>2010/11</u>		<u>2010/11</u>	<u>Note</u>
£		£	
	<u>Operating activities</u>		
(6,279,242)	(Surplus) or deficit on provision of services	(636,421)	1
6,128,705	Adjust net surplus or deficit on the provision of services for non- cash movements	3,668,412	1
(882,385)	Adjust for items in the net deficit on the provision of services that are investing or financing activities	(2,803,210)	
(1,032,922)	Net cash flows from Operating activities	228,781	23
	<u>Investing activities</u>		
2,420,379	Purchase of property, plant and equipment, investment property and intangible assets	5,415,970	
16,000,000	Purchase of short-term and long-term investments	17,000,000	1
	Other payments for investing activities		
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(249,963)	
(20,000,000)	Proceeds from short-term and long-term investments	(21,000,000)	1
0	Other receipts from investing activities	0	
(1,579,621)	Net cash flows from investing activities	1,166,007	
	<u>Financing Activities</u>		
0	Cash receipts of short and long term borrowing	0	
(5,705,158)	Other receipts from financing activities	(7,497,555)	
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0	
0	Repayments of short and long term borrowing	0	
6,322,212	Other payments for financing activities	6,048,323	
617,054	Net cash flows from financing activities	(1,449,232)	
(1,995,489)		(54,444)	
(3,270,286)	Cash and cash equivalents at 1 April	(5,265,775)	1
(5,265,775)	Cash and cash equivalents at 31 March	(5,320,219)	

NOTES TO THE CORE FINANCIAL STATEMENTS 2011/12

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets) are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities.

2 CRITICAL JUDGEMENTS AND ASSUMPTIONS

Critical Judgements

In applying the policies as set out in the Statement of Accounting Policies, the Authority has made the following critical judgements that have a significant effect on the statements

- Future levels of local authority funding are uncertain, however based on its medium term planning using prudent assumptions on funding and based on announcements made by central government the Authority judges that its assets will not be impaired as a result of a need to close facilities, reduce service provision or ongoing maintenance.
- The Authority holds a significant portfolio of investment property and although general economy growth is quite fragile the Authority judges that its portfolio in the context of the local economy is robust and healthy enough that its assets will not be impaired as a result of a decrease in economic activity.
- The Authority judges that, on balance, the banking system will not be subject to major disruption to the extent that historic estimates of defaults are no longer tenable
- The Authority expects the current tax gathering mechanism through Council Tax and Business Rates to persist based on its perception of central government policy.

Assumptions

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk or of material adjustments in the forthcoming financial year are as follows;

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

However the interaction of these assumptions is complex. During 2011/12 the actuaries advised that the net pension liability had been affected as follows:

	Horsham		CenSus	
	Approximate % increase to Employer	Approximate monetary amount £000	Approximate % increase to Employer	Approximate monetary amount £000
<u>Change in assumptions year ended 31 March 2011</u>				
0.5% decrease in Real Discount Rate	9%	8,778	14%	442
1 year increase in member life expectancy	3%	2,968	3%	94
0.5% increase in Salary Increase Rate	2%	1,985	7%	213
0.5% increase in the Pension Increase Rate	7%	6,768	7%	217

Provisions

The provision for doubtful debt is based on estimates of default. The estimated default rates used which range from 3% to 100% may be sensitive to economic circumstances. An increase of 10% in default rates would have the effect of increasing the required provision by £0.3m

Property, plant and equipment

The depreciation of buildings is based on estimated useful life and residual value which is based on the present use and level of maintenance which in turn depends on the continued level of funding throughout 2011/12. For every year that the life of buildings were to decrease the extra depreciation would be £0.57m.

The Balance Sheet items considered as to assumption uncertainty above exclude any assets and liabilities that are carried at fair value based on recent market price.

Heritage assets

The Balance Sheet has recognised heritage assets where a relevant cost can be identified. The artefacts held within the Horsham Museum have not been recognised because we do not hold a relevant value for them and the cost of obtaining a value is not considered commensurate with the benefit of the information.

It is agreed that the articles are of local historical value but it is assumed that there would not be significant demand in the wider market for the majority of the items. Some detail has been provided on the diverse range of artefacts held by Horsham Museum in note 38 to the accounts.

3 MATERIAL ITEMS OF INCOME AND EXPENSE

These are material items in terms of the authority's overall net expenditure, which are derived from events or transactions that are not expected regularly that fall within the ordinary activities of the authority. They are required to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

VAT reclaim

During 2011/12 the Council received a repayment of VAT from HMRC for services that should have been treated as non-business.

Trade Waste Collection Services

Since 1st February 2011, following a policy review by HM Revenues and Customs, the provision of trade waste collection has been treated as a non-business service. This is on the basis that it falls within the first paragraph of article 13.1 of the Principal VAT Directive which states that it is a service that is engaged in as a public authority and is undertaken pursuant to section 45(1) of the Environmental Protection Act 1990. The basis of the claim to HMRC was that the service should have been treated as non business during the period April 1974 to January 2011 when it was treated as taxable.

The net reclaim is within Environmental and Regulatory Services in the Comprehensive Income and Expenditure Account.

	Reclaim Income	Interest Income	Advisor costs	Net Income
	£	£	£	£
Trade Waste Collection	(342,808)	(415,945)	151,751	(607,002)

4 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves				
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(2,322)				2,322
Impairment on Property, Plant and Equipment	(1,431)				1,431
Other gains transferred from Revaluation Reserve	48				
Movements in the market value of Investment Properties	1,896				(1,896)
Amortisation of intangible assets	(6)				6
Capital grants and contributions applied	2,027			591	(2,618)
Movement in the Donated Assets Account					0
Revenue expenditure funded from capital under statute	(2,730)				2,730
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					
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	665				(665)
Capital expenditure charged against the General Fund Balance	342				(342)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					0
Application of grants to capital financing transferred to the Capital Adjustment Account					0
Adjustments 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	438		(438)		0
Use of the Capital Receipts Reserve to finance new capital expenditure			438		(438)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)				24
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,155)				1,155
Employers pension contributions and direct payments to pensioners payable in the year	2,134				(2,134)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)				1
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10				(10)
Total Adjustments	(109)	0	0	591	(434)

	General Fund Balance	Usable Reserves			Movement in Unusable Reserves
		Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(2,158)				2,158
Impairment on Property, Plant and Equipment	(996)				996
Movements in the market value of Investment Properties	249				(249)
Amortisation of intangible assets	(31)				31
Capital grants and contributions applied	1,053				(1,053)
Movement in the Donated Assets Account					0
Revenue expenditure funded from capital under statute	(3,077)				3,077
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					
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
					0
Statutory provision for the financing of capital investment	534				(534)
Capital expenditure charged against the General Fund Balance	1,898	(401)			(1,497)
Adjustments primarily involving the Capital Grants Unapplied Account:					
					0
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	45			(45)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				717	(717)
Adjustments primarily involving the Capital Receipts Reserve:					
					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	443		(443)		0
Use of the Capital Receipts Reserve to finance new capital expenditure			443		(443)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
					0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Adjustments primarily involving the Financial Instruments Adjustment Account:					
					0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)				24
Adjustments primarily involving the Pensions Reserve:					
					0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,650				(7,650)
Employers pension contributions and direct payments to pensioners payable in the year	1,587				(1,587)
Adjustments primarily involving the Collection Fund Adjustment Account:					
					0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(13)				13
Adjustments primarily involving the Accumulated Absences Account:					
					0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)				14
Total Adjustments	7,146	(401)	0	672	(7,417)

6 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 01.04.10 £000	Income/ Expenditure 2010/11 £000	Transfer In from other reserves 2010/11 £000	Balance at 31.03.11 £000	Income/ Expenditure 2011/12 £000	Transfer In from other reserves 2011/12 £000	Balance at 31.03.12 £000
General Fund:							
General Fund Balance	(1,463)	(49)		(1,512)	186	(86)	(1,412)
General Fund Reserve	(8,754)	878	(401)	(8,277)	736	(1,125)	(8,666)
Local Development Reserve	(78)	0	0	(78)	0	0	(78)
Repairs and Renewals Reserve	(731)	14	0	(717)	80	0	(637)
s106 Reserves	(386)	(51)	0	(437)	(128)		(565)
Insurance Reserve	(36)	0	0	(36)	0	0	(36)
Vehicle Replacement Reserve	(596)	80	0	(516)	0	0	(516)
Other	(428)	(5)	0	(433)	86	(495)	(842)
Other Earmarked Reserves	(11,009)	916	(401)	(10,494)	774	(1,620)	(11,340)

7 OTHER OPERATING EXPENDITURE

	2011/12 £000	2010/11 £000
Parish council precepts	2,243	2,221
Gains/losses on the disposal of non-current assets	(438)	(443)
Total	1,805	1,778

8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £000	2010/11 £000
Interest payable and similar charges	138	138
Pensions interest cost and expected return on pensions assets	(1,112)	66
Interest receivable and similar income	(335)	(352)
Income and expenditure in relation to investment properties and changes in their fair value	(4,171)	(2,382)
Total	(5,480)	(2,530)

9 TAXATION AND NON SPECIFIC GRANT INCOMES

	2011/12 £000	2010/11 £000
Council tax income	(10,369)	(10,293)
Non domestic rates	(3,531)	(5,420)
Non-ringfenced government grants	(1,842)	(821)
Capital grants and contributions	(2,027)	(44)
Total	(17,769)	(16,578)

10 PROPERTY, PLANT AND EQUIPMENT
Movements in 2011/12

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2011	79,851	6,423	0	320	86,594
additions	1,962	366		1,275	3,603
reclassifications	(497)				(497)
revaluation increase/(decreases) recognised in the Revaluation Reserve	(4,633)				(4,633)
revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,749)				(2,749)
other movements in cost or valuation	349				349
At 31 March 2012	74,283	6,789	0	1,595	82,667
Accumulated Depreciation and Impairment					
At 1 April 2011	(3,120)	(2,050)	0	0	(5,170)
depreciation charge	(1,593)	(729)			(2,322)
depreciation written out to the Revaluation Reserve					0
depreciation written out to the Revaluation Reserve	1,732				1,732
recognised in the Surplus/Deficit on the Provision of Services	1,318				1,318
other movements in depreciation and impairment	5				5
At 31 March 2012	(1,658)	(2,779)	0	0	(4,437)
Net Book Value					
at 31 March 2012	72,625	4,010	0	1,595	78,230
at 31 March 2011	76,731	4,373	0	320	81,424

Movements in 2010/11

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2010	77,388	5,414	0	720	83,522
additions	1,406	1,009			2,415
reclassifications	(203)			(400)	(603)
revaluation increase/(decreases) recognised in the Revaluation Reserve	954				954
other movements in cost or valuation	306				306
At 31 March 2011	79,851	6,423	0	320	86,594
Accumulated Depreciation and Impairment					
At 1 April 2010	(1,027)	(1,431)	0	(6)	(2,464)
depreciation charge	(1,539)	(619)			(2,158)
depreciation written out to the Revaluation Reserve	431				431
impairment losses/ (reversals)	(996)				(996)
other movements in depreciation and impairment	11			6	17
At 31 March 2011	(3,120)	(2,050)	0	0	(5,170)
Net Book Value					
at 31 March 2011	76,731	4,373	0	320	81,424
at 31 March 2010	76,361	3,983	0	714	81,058

Depreciation

Operational assets are depreciated over the rest of their useful lives on a straight line basis.

Assets are not generally depreciated in the year of acquisition, but they are depreciated in the year of disposal.

Assets in the course of construction are not usually depreciated until the year following the one in which they are first brought into use. The lives of operational properties are individually assessed by the valuing officer. Vehicles have a seven year life; the software licences, which comprises the intangible asset has a life of four years.

Capital Commitments

At 31 March 2012, the Authority was committed to the following significant capital works contracts:-

	£000
Oakhurst Business Park Phase 3	189
HDC Data Centre	124
Multi-Storey car park	25

The comparative figure for 31 March 2011 was £68k

Effects of Changes in Estimates

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out internally.

Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost		4,010		4,010
Valued at fair value as at				
31 March 2012	44,286			44,286
31 March 2011	21,584			21,584
31 March 2010	1,223			1,223
31 March 2009	5,532			5,532
	72,625	4,010	0	76,635

11 HERITAGE ASSETS

Cost or Valuation	Art works £000	War memorial £000	Total £000
1st April 2010	459	250	709
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Impairment	0	0	0
Depreciation	0	0	0
31st March 2011	459	250	709
Cost or Valuation			
1st April 2011	459	250	709
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Impairment	0	0	0
Depreciation	0	0	0
31st March 2012	459	250	709

Art works

The art works are a number of sculptures and installations either constructed by the council or provided as a part of a large development. There are no current valuations for the works and it is deemed that the usefulness of a valuation to the account reader is not commensurate with the costs. The historic costs of some these works from the 2000's onwards are available so these are used as values in the balance sheet.

War memorial

The original war memorial dates from the 1920's although it has been altered at various times since. The historic costs are not available so it is valued exceptionally at its depreciated replacement cost. This reflects its exceptional nature as it is not kept as a work of art but as a symbolic place for a public cultural function and which the Council would be expected to provide in a comparable way.

12 INVESTMENT PROPERTIES

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

	2011/12	2010/11
	£000	£000
Income from investment property	(2,494)	(2,354)
Direct operating expenses arising from investment property	(1,677)	(28)
Net gain/ (loss)	(4,171)	(2,382)

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

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

	2011/12	2010/11
	£000	£000
Balance at start of year	28,972	27,999
Additions:		
- Purchases	1,754	
- Construction		
Subsequent expenditure		81
Disposals		
Net gains/(losses) from fair value adjustments	1,896	249
Transfers:		
- to/from Property, Plant and Equipment	497	587
Other changes	0	56
Balance at end of the year	33,119	28,972

13 INTANGIBLE ASSETS

The Authority accounts for software that has a useful life of more than 1 year and is above the de-minimis level as intangible assets, to the extent that the software is not an integral part of a particular system and accounted for as part of Property, Plant and Equipment. The intangible assets include purchased licences.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £6k charged to revenue in 2011/12 was charged to the IT Services cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Assets balances during the year is as follows:

	2011/12 Purchased Software £000	2010/11 Purchased Software £000
Balance at start of year:		
- Gross carrying amounts	131	131
- Accumulated depreciation	(106)	(75)
Net carrying amount at start of year	25	56
Additions	0	0
Depreciation for the period	(6)	(31)
Other changes		
Net carrying amount at end of year	19	25
Comprising:		
Gross carrying amounts	131	131
Accumulated depreciation	(112)	(106)
	19	25

14 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

The figures here for current creditors and debtors will not necessarily match the Balance Sheet as some transactions e.g. Council Tax are excluded from financial instruments.

	Long Term		Current	
	31.03.12 £000	31.03.11 £000	31.03.12 £000	31.03.11 £000
Investments, Cash and Cash equivalents				
Loans and receivables	0	1,000	3,027	6,030
Cash and Cash equivalents			1,809	4,666
Total	0	1,000	8,347	11,296
Debtors				
Loans and receivables	28	54		
Financial assets carried at contract amounts			402	636
Total	28	54	402	636
Borrowings				
Financial liabilities at amortised cost	(4,000)	(4,000)	0	0
Total	(4,000)	(4,000)	0	0
Other Long Term Liabilities				
Finance lease liabilities	(24)	(32)	0	0
Total	(24)	(32)	0	0
Creditors				
Financial liabilities carried at contract amounts			(5,367)	5,094
Total	0	0	(5,367)	5,094

Income, Expense, Gains and Losses

	2011/12			2010/11		
	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Total	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	138		138	138		138
Total expense in Surplus or Deficit on the Provision of Services	138	0	138	138	0	138
Interest income		(335)	(335)		(352)	(352)
Total income in Surplus or Deficit on the Provision of Services	0	(335)	(335)	0	(352)	(352)
Gains on revaluation			0			0
Losses on revaluation			0			0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment			0			0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	0	0	0	0	0	0
Net gain/(loss) for the year	138	(335)	(197)	138	(352)	(214)

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at depreciated cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the current applicable rates. For PWLB loan the prevailing redemption rates are the basis of fair value.

No early repayment or impairment is recognised.

If an instrument matures within the next 12 months, the carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows where the fair value is materially different from carrying value:

	31.03.12		31.03.11	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(4,000)	(4,546)	(4,000)	(4,061)
Loans and receivables	1,000	1,109	1,000	1,208

Loans and receivables relates to a long term loan whose interest rate is considerably more favourable than those presently available leading to a fair value well in excess of the carrying value.

The financial liability is a long term borrowing whose rate is less favourable than the applicable prevailing rate.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values of long term debtors are not materially different from carrying amount.

Reclassifications

There were no re-classifications in 2011/2012.

15 INVENTORIES

	Balance outstanding at start of year	Purchases	Recognised as expense in the year	Written off balances	Reversals of write-offs in previous years	Balance outstanding at year-end
31 March 2011						
Consumables	21	16	(16)	0	0	21
IT Consumables	14	4	0	0	0	18
Fuel	28	490	(496)	0	0	22
Trade Bins	30	97	(105)	0	0	22
Car Park Tickets	8	28	(21)	0	0	15
Total	101					98
31 March 2012						
Consumables	21	12	(12)	0	0	21
IT Consumables	18	0	(18)	0	0	0
Fuel	22	654	(634)	0	0	42
Trade Bins	22	73	(48)	0	0	47
Car Park Tickets	15	32	(36)	0	0	11
Total	98					121

16 ASSETS HELD FOR SALE

There were no assets held for sale in 2011/12.

17 DEBTORS

	31.03.12 £000	31.03.11 £000
Sundry Debtors	1,650	1,431
Central government bodies	136	188
Payments in advance	420	571
Council Tax debtors	305	258
WSCC Council Tax debtor	203	74
SPA Council Tax Debtor	24	9
NNDR due from pool	245	2,206
Housing benefit overpayments	1,747	1,481
Moat Management service charge	307	260
Other local authorities	266	406
	<u>5,303</u>	<u>6,884</u>
Provision for doubtful debts	(1,803)	(1,441)
	<u>3,500</u>	<u>5,443</u>

18 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31.03.12 £000	31.3.11 £000
Cash held by authority	0	0
Bank current accounts	(565)	(1,130)
Short-term deposits with building societies	5,885	6,395
Total Cash and Cash Equivalents	5,320	5,265

19 CREDITORS

	31.03.12 £000	31.03.11 £000
Sundry Creditors	(3,876)	(4,149)
Housing Benefit Subsidy	0	(1,175)
Prepayment of Council Tax	(150)	(167)
Total	(4,026)	(5,491)

20 PROVISIONS

	Provision for doubtful debts	Provision for corporate restructure	Provision for concessionary Fare	Provision for Accumulated Absences	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2010	(1,167)	(672)	(50)	(144)	(2,033)
Additional provisions made in 2010/11	(675)	0	0	(14)	(689)
Amounts used in 2010/11	401	225	10		636
Unused amounts reversed in 2010/11	0	0	0	0	0
Balance at 1 April 2011	(1,441)	(447)	(40)	(158)	(2,086)
Additional provisions made in 2011/12	(826)	(118)	(12)	0	(956)
Amounts used in 2011/12	464	107	0		571
Unused amounts reversed in 2011/12	0	0	0	10	10
Balance at 31 March 2011	(1,803)	(458)	(52)	(148)	(2,461)

Provision for Doubtful Debts

Estimated debts that will not be collectible

Corporate Restructure

During 2008/09 the council initiated a review of the management structure within the authority and a provision was set up for the redundancy and pension costs of this restructure. The balance remaining in the provision is to cover any future payments to the pension fund for early access costs.

In 2011/12 the provision was increased to meet the costs of a restructure of the personal assistant's posts.

Concessionary Fares

This provision was established in 2009/10 as a result of appeals by bus operators for additional reimbursement of costs relating to the concessionary fares scheme. Final decisions have not yet been made on all appeals but it is considered probable that the Council will have additional costs.

Provision for Accumulated Absences

Established in 2009/10 to cover employees' untaken leave at the end of each year.

21 USABLE RESERVES

Movements in reserves are detailed in the Movement in Reserves Statement in Notes 5 and 6.

	31.03.12	31.03.11
	£000	£000
Revenue Reserves:		
General Fund Revenue Reserve	(8,666)	(8,276)
Local Development Reserve	(78)	(78)
Repairs and Renewals Reserve	(637)	(717)
Section 106 Reserves	(565)	(438)
Insurance Reserve	(36)	(36)
Vehicle Replacement Reserve	(516)	(516)
Other Reserves	(842)	(434)
General Fund Balance	(1,412)	(1,512)
	(12,752)	(12,007)
Capital Grants Unapplied	(532)	(1,123)
Total Usable Reserves	(26,036)	(25,137)

22 UNUSABLE RESERVES

	31.03.12	31.03.11 Restated	01.04.10 Restated
	£000	£000	£000
Revaluation Reserve	(12,985)	(15,889)	(14,431)
Capital Adjustment Account	(86,628)	(86,802)	(88,281)
Financial Instruments Adjustment Account	(169)	(193)	(217)
Pensions Reserve	8,791	2,873	34,480
Collection Fund Adjustment Account	55	54	41
Accumulated Absences Account	148	158	144
Total Unusable Reserves	(90,788)	(99,799)	(68,264)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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,
- disposed of and gains are realised.

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

	31.3.12	31.3.11	1.4.10 (Re-stated)
	£000	£000	£000
Balance at 1 April	(15,889)	(14,431)	(9,550)
(Upward)/downward revaluation of assets	2,462	(1,534)	(4,865)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	488	149	318
Difference between fair value depreciation and historical cost depreciation	308	289	203
Accumulated gains on assets sold or scrapped	0	0	400
Newly recognised assets	(354)	(362)	(937)
Balance at 31 March	(12,985)	(15,889)	(14,431)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses in Investment Properties and revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve

	2011/12 £000	2010/11 £000
Balance at 1 April	(86,802)	(88,281)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	1,815	2,936
- Revenue expenditure funded from capital under statute	2,730	3,077
Adjusting amounts written out of the Revaluation Reserve	(308)	(289)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(438)	(443)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(753)	(1,053)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(1,865)	(717)
- Statutory provision for the financing of capital investment charged against the General Fund	(665)	(534)
- Use of general revenue reserves for the financing of capital investment	(342)	(1,498)
Balance at 31 March	(86,628)	(86,802)

Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2011/12 £000	2010/11 £000
Balance at 1 April	(193)	(217)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	24	24
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	24	24
Balance at 31 March	(169)	(193)

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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.

	£000	£000
Balance at 1 April	2,873	34,480
Actuarial gains or losses on pensions assets and liabilities	6,897	(22,370)
Reversal of items relating to retirement benefits debited or credited to the surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,155	(7,650)
Employers pensions contributions and direct payments to pensioners payable in the year	(2,134)	(1,587)
Balance at 31 March	8,791	2,873

Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	54	41
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1	13
Balance at 31 March	55	54

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £000	2010/11 £000
Balance at 1 April	158	144
Settlement or cancellation of accrual made in the end of the preceding year	(158)	(144)
Amounts accrued at the end of the current year	148	158
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	14
Balance at 31 March	148	158

CASH FLOW STATEMENT - OPERATING ACTIVITIES

23

The cash flows for operating activities include the following items:

	2011/12 £000	2010/11 £000
Interest received	(338)	(356)
Interest paid	138	138
Dividends received	0	0

24 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation, depreciations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employers pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates

The income and expenditure of the Authority's principal directorates in the budget reports for the year is as follows:

Directorate Income and Expenditure

	Corporate Management	Democratic Core, Representation & Elections	Strategic Planning & Performance	Revenue & Benefits	Financial & Legal Services	Corporate Support Services Inc Estates	Housing & Community Development	Leisure & Economic Development	Planning & Environmental Services	Refuse & Cleansing	Parking	Total
Segment Income and Expenditure 2011/12	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(6)	(52)	(32)	(2,184)	(1,485)	(3,933)	(1,748)	(2,754)	(2,441)	(2,624)	(3,166)	(20,425)
Government grants	0	0	0	(35,750)	(5)	0	(136)	0	(1)	0	0	(35,892)
Total Income	(6)	(52)	(32)	(37,934)	(1,490)	(3,933)	(1,884)	(2,754)	(2,442)	(2,624)	(3,166)	(56,317)
Employee expenses	1,467	205	762	4	1,602	3,317	1,234	1,501	2,878	3,433	430	16,833
Other service expenses	46	800	159	38,431	761	2,542	1,222	2,702	718	2,660	1,028	51,069
Total Expenditure	1,513	1,005	921	38,435	2,363	5,859	2,456	4,203	3,596	6,093	1,458	67,902
Net Expenditure	1,507	953	889	501	873	1,926	572	1,449	1,154	3,469	(1,708)	11,585
Support service recharges	(1,299)	1,642	160	557	(1,612)	(3,602)	898	1,039	1,069	489	430	(229)
Net Expenditure after recharges	208	2,595	1,049	1,058	(739)	(1,676)	1,470	2,488	2,223	3,958	(1,278)	11,356
Segment Income and Expenditure 2010/11	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	1	(20)	(181)	(1,409)	(2,160)	(3,002)	(1,339)	(2,716)	(2,358)	(2,481)	(3,100)	(18,765)
Government grants	(1)	0	0	(34,557)	(619)	(3)	(231)	(2)	0	(48)	0	(35,461)
Total Income	0	(20)	(181)	(35,966)	(2,779)	(3,005)	(1,570)	(2,718)	(2,358)	(2,529)	(3,100)	(54,226)
Employee expenses	1,579	184	687	7	1,393	2,783	1,172	1,485	2,834	4,293	538	16,955
Other service expenses	96	690	286	36,439	2,835	2,410	1,035	2,808	621	2,771	881	50,872
Total Expenditure	1,675	874	973	36,446	4,228	5,193	2,207	4,293	3,455	7,064	1,419	67,827
Net Expenditure	1,675	854	792	480	1,449	2,188	637	1,575	1,097	4,535	(1,681)	13,601
Support service recharges	(1,798)	1,670	270	428	(1,528)	(3,294)	884	1,084	1,170	485	406	(223)
Net Expenditure after recharges	(123)	2,524	1,062	908	(79)	(1,106)	1,521	2,659	2,267	5,020	(1,275)	13,378

Reconciliation of Segment Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2011/12 £000	2010/11 £000
Net expenditure in the Segments Analysis	11,356	13,378
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,410	(4,710)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	4,041	2,383
Cost of services in Comprehensive Income and Expenditure Statement	20,807	11,051

Recognition to Subjective Analysis

	Segment Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2011/12	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(20,425)	0	2,297	2,494	0	(15,634)	(2,494)	(18,128)
Surplus or deficit on associates or joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	335	0	0	335	(6,614)	(6,279)
Income from council tax	0	0	0	0	0	0	(10,369)	(10,369)
Government grants and contributions	(35,892)	0	309	(390)	0	(35,973)	(3,869)	(39,842)
NNDR Redistribution	0	0	0	0	0	0	(3,531)	(3,531)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(438)	(438)
Total Income	(56,317)	0	2,941	2,104	0	(51,272)	(27,315)	(78,587)
Employee expenses	16,833	0	(1,158)	0	0	15,675	0	15,675
Other service expenses	51,069	0	1,950	13	0	53,032	247	53,279
Support Service recharges	(229)	0	0	0	0	(229)	0	(229)
Depreciation and impairment	0	0	1,815	1,924	0	3,739	(1,924)	1,815
Interest payments	0	0	(138)	0	0	(138)	5,305	5,167
Precepts & Levies	0	0	0	0	0	0	2,244	2,244
Total Expenditure	67,673	0	2,469	1,937	0	72,079	5,872	77,951
Surplus or deficit on the provision of services	11,356	0	5,410	4,041	0	20,807	(21,443)	(636)

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27 OFFICERS REMUNERATION

Corporate Post Holder Title	Salary Fees & Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions	Employer Pension Contributions	Contribution to capital cost for early access to pension	Total Remuneration including pension contributions
2011/12	£	£	£	£	£	£	£
Chief Executive	117,790			117,790	19,429		137,219
Director Community Services	90,435			90,435	15,697		106,132
Director of Corporate Resources (Section 151 Officer)	62,547			62,547	9,660		72,207
Director Development & Environment	99,351			99,351	16,343		115,694
				0			
Head of Strategic Planning & Performance	54,400			54,400	9,520		63,920
Head of Financial & Legal Services	72,029			72,029	12,600		84,629
Head of Corporate Support Services	68,076			68,076	11,900		79,976
Head of Leisure & Economic Development	46,831			46,831	5,190		52,021
Head of Planning & Environmental Services	68,516			68,516	11,900		80,416
Head of Operational Services	73,979			73,979	12,855		86,834
Head of Housing & Community Development	67,923			67,923	11,790		79,713
	821,877	0	0	821,877	136,884	0	958,761
2010/11	£	£	£	£	£	£	£
Chief Executive	122,429			122,429	14,877		137,306
Director Community Services	88,035			88,035	11,698		99,733
Director of Corporate Resources (Section 151 Officer)	105,273			105,273	13,983		119,256
Director Development & Environment	98,951			98,951	12,514		111,465
				0			
Head of Strategic Planning & Performance	54,456			54,456	7,290		61,746
Head of Financial & Legal Services	68,273			68,273	9,112		77,385
Head of Corporate Support Services	67,897			67,897	9,112		77,009
Head of Leisure & Economic Development	64,681			64,681	9,058		73,739
Head of Planning & Environmental Services	68,775			68,775	9,196		77,971
Head of Operational Services	73,281			73,281	9,844		83,125
Head of Housing & Community Development	66,529			66,529	8,883		75,412
	878,580	0	0	878,580	115,567	0	994,147

The number of employees , including senior officers, whose remuneration excluding pension contributions was £50,000 or more in bands of £5000 were;

Remuneration Band	Number of Employees 2011/12	Number of Employees 2010/11
£50,000 - £54,999	6	6
£55,000 - £59,999	4	3
£60,000 - £64,999	0	2
£65,000 - £69,999	3	4
£70,000 - £74,999	2	1
£75,000 - £79,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	0	1
£90,000 - £94,999	1	1
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	1
£110,000 - £114,999	0	1
£115,000 - £119,999	1	0
£120,000 - £124,999	0	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0

The number of exit packages with total cost per band and total cost of the redundancies are as follows:

Exit package cost band	Number of Compulsory redundancies		Number of other agreed departures		Number of exit packages by exit band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £000	2010/11 £000
£0 - £20,000	4	12	4	2	8	14	66	103
£20,001 - £40,000	1	4	0	0	1	4	23	108
£40,001 - £60,000	3	2	0	0	3	2	159	117
£60,001 - £80,000	0	1	0	0	0	1	0	78
£80,001 - £100,000	0	1	0	0	0	1	0	96
Total	8	20	4	2	12	22	248	502

28 EXTERNAL AUDIT COSTS

	2011/12	2010/11
	£000	Restated £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	110	116
Fees payable in respect of statutory inspections	0	0
Fees payable for the certification of grant claims and returns for the year	31	25
Fees payable in respect of other services provided during the year	0	30
Total	141	171

The 2010/11 figures have been restated to exclude the rebates issued to the Council by the Audit Commission relating to IFRS and the local VFM work. The costs incurred for other services relate to the work undertaken by the Audit Commission to consider an objection to the accounts by a local resident.

29 GRANT INCOME

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

	2011/12	2010/11
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Demand on the collection Fund	(10,369)	(10,293)
Non-domestic rates redistribution	(3,531)	(5,420)
Revenue Support Grant	(1,091)	(787)
Council Tax Freeze Grant	(203)	0
Locally Based Grants	(107)	(33)
New Homes Bonus	(441)	0
s.106 contributions	(1,551)	0
Capital Government grants	(476)	(44)
Total	(17,769)	(16,577)
Credited to Services		
Benefits Grants	(35,573)	(34,375)
Concessionary Fares	0	(521)
Other Government Grants	(284)	(820)
Other grants	(429)	(296)
Total	(36,286)	(36,012)

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

30 RELATED PARTIES

The Authority 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 Authority.

Central Government - has effective control over the general operations of the Authority, it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 23 (Amounts reported for resource allocation decisions). Grant receipts outstanding at 31 March 2012 are shown in note 28 (Grant income).

Local Government - West Sussex County Council, Sussex Police Authority and Parish Councils within Horsham District for precepts (details contained within the Collection Fund Account);

West Sussex County Pension Fund for pension from and on behalf of Horsham District Council employees (details contained within the Income and Expenditure Account);

Council Members - Councillors have direct control over the council's financial and operating policies. The total of members allowances paid in 2011/12 is shown in note 25.

Grant monies of £4.5k were paid in 2011/12 by the Council to support a charity providing youth support which a council member is the Chief Executive and trustee.

Senior Officers - are defined as the Chief Executive together with the Directors and Heads of Service which together make up the Corporate Management Team. These Officers have the responsibility of managing the Council and have power to direct or control the major activities of the authority, in particular those involving the expenditure of money. Details of senior officer remuneration is shown in note 26. There were no related party disclosures by senior officers in 2011/12.

Partnerships

Census

As part of the CenSus partnership between Horsham , Mid Sussex and Adur District Council there is an agreement to share certain costs.

As at 31 March 2012 the following amounts were due in respect of the year.

ICT

Horsham Liability to Mid Sussex	£48,130
Horsham Liability to Adur & Worthing	£25,376

Mid Sussex liability to Horsham	£33,962
Adur & Worthing liability to Horsham	£38,574

Revenues and Benefits

Horsham liability to Mid Sussex	£272,726
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Sussex Building Control

Horsham District Council provide the Building Control service for Crawley Borough Council and as part of the agreement Crawley pays a contribution towards the costs of running this service. As at 31st March 2012 the following amount was due in respect of costs for 2011/12.

Crawley liability to Horsham	£61,641
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Access Officer

Crawley liability to Horsham	£5,107
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Procurement

Mid Sussex Liability to Horsham	£22,977
Crawley liability to Horsham	£11,399

31 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	8,439	7,111
Capital Investment		
Property, Plant & Equipment	3,603	2,414
Investment Properties	1,754	82
Intangible Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	2,730	3,077
Sources of finance		
Capital receipts	(438)	(443)
Government grants and other contributions	(2,618)	(1,770)
Sums set aside from revenue:		
Direct revenue contributions	(342)	(1,498)
MRP/loans fund principal	(665)	(534)
Closing Capital Financing Requirement	12,463	8,439
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)		
Increase in underlying need to borrowing	4,024	1,328
Assets acquired under finance leases	0	0
Increase/ (decrease) in Capital Financing Requirement	4,024	1,328

32 LEASES

Authority as Lessee

	31 March 2012 £000	31 March 2011 £000
Finance Leases		
Vehicles, Plant, Furniture & Equipment	47	47
	47	47

The Council's lone finance lease is for a digital projector. The Council is committed to making minimum payments of £10,600 under the lease.

The annual depreciation and minimum revenue provision is £9,500 payable up and including 2014/15

Operating Leases

The Council leases printer/copiers for its offices - The lease was entered into in July 2009

Minimum lease payments due in future years:

	31 March 2012 £000	31 March 2011 £000
Not later than one year	42	42
Later than one year and not later than five years	42	94
Later than five years	0	0
	84	136

The expenditure charged to revenue services in the Comprehensive Income and Expenditure Statement during the years in relation to operating leases was:

	2011/12 £000	2010/11 £000
Minimum lease payments	42	42
Contingent rents		
	<u>42</u>	<u>42</u>

Authority as Lessor

Finance Leases

The Council has no investment in finance leases.

Operating Leases

The Council leases out a range of properties under operating leases for community services and commercial returns.

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	1,900	1,700
Later than one year and not later than five years	5,800	5,700
Later than five years	9,400	10,300
	<u>17,100</u>	<u>17,700</u>

place after the lease was entered into, such as adjustments following rent reviews. The council received contingent rent of £0.47m in 2011/12 (£0.47m in 2010/11).

33 REVALUATION GAINS

During 2011/12, the Authority has recognised a net revaluation gain of £513k in relation to the following:

	£000
Miscellaneous Properties	105
BBHLC	1,948
Arun House	348
Land at Shipley Road	(1,734)
Swimming Pools	(188)
Capitol	(1,026)
Horsham Park	219
Southwater Health Centre	(356)
TA Centre	258
Other	(87)
	<u>(513)</u>

The revaluation gains have been credited to the following lines within the Comprehensive Income and expenditure Statement.

	£000
Central Services	12
Cultural	954
Environmental	(88)
Planning	368
Highways and Roads	61
Housing	52
Corporate and Democratic	52
Cost of Services	<u>1,411</u>
Investment Properties	<u>(1,924)</u>
Provision of Services	<u>(513)</u>

34 TERMINATION BENEFITS

The Authority terminated the contracts of 12 employees in 2011/12 incurring redundancy costs of £191k, payments in lieu of notice of £39k and pension liability costs for early access of £17.6k. The pension liability costs are spread over three years in the financial statements.

In 2010/11, 20 contracts were terminated, 17 were redundant posts and the remainder were on other other grounds. The total cost was £317k redundancy costs, £11k payments in lieu of notice and £20k pension liability costs. In addition two employees left in 2010/11 as part of the corporate restructure and the redundancy and pension costs were met by the Provision for Corporate Restructure.

35 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be paid until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

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

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases and early access pension costs. In 2011/12 these amounted to £162,005 (£175,347 in 2010/11) representing 1.6% of pensionable pay (1.6% in 2010/11). The Council also made capital payments totalling £106,773 in 2011/12 relating to costs for the early access to pension for staff who left and were eligible in the corporate restructure, this has been funded by a provision which was established in 2008/09 for the purpose.

Change in accounting policy

Under the 2008 SORP the council has adopted the amendment to IAS19, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. Further details are given in the exceptional items note.

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 actually 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 Movements 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.

	2011/12	2010/11
	£000	£000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
- current service cost	2,187	2,373
- past service costs	10	(10,581)
- settlements and curtailments	30	80
- establishment of Census opening liability 1.4.10	0	412
- Net liabilities assumed on business combination	40	0
Financing and Investment Income and Expenditure		
- interest cost	5,167	6,106
- expected return on scheme assets	(6,279)	(6,040)
Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services	1,155	(7,650)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	6,897	(22,370)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	8,052	(30,020)
<u>Movement in Reserves Statement</u>		
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(1,155)	7,650
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers contributions payable to scheme	2,134	1,587
	979	9,237

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £12.063m.

Assets and Liabilities in relation to Post -employment Benefits

Reconciliation of present value of the scheme liabilities:

Funded Liabilities

LGPS

	2011/12 Census £000	2011/12 HDC £000	2010/11 Census £000	2010/11 HDC £000
Reconciliation of present value of the scheme liabilities:				
Balance at 1 April	1,941	91,960	2,031	117,440
Current service cost	177	2,010	103	2,270
Interest cost	157	5,010	106	6,000
Contributions by scheme participants	61	650	34	680
Actuarial gains and losses	13	3,680	(112)	(20,650)
Benefits paid	0	(4,380)	0	(3,500)
Past service costs	0	10	(221)	(10,360)
Loss on curtailments	0	30	0	80
Liabilities assumed in a business combination	795	0	0	0
Balance at 31 March	3,144	98,970	1,941	91,960

Reconciliation of fair value of the scheme assets:

Balance at 1 April	1,888	89,140	1,619	82,960
Expected rate of return	189	6,090	120	5,920
Actuarial gains / (losses)	(104)	(3,100)	18	1,590
Assets distributed on settlements	0	0	0	0
Employer contributions	144	1,990	97	1,490
Contributions by scheme participants	61	650	34	680
Benefits paid		(4,380)	0	(3,500)
Assets acquired in a business combination	755	0	0	0
Balance at 31 March	2,933	90,390	1,888	89,140

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on the schemes assets in the year was £3.096m (£86k for Census and £3.010m for HDC).

Scheme History

	2011/12 Census	2011/12 HDC	2010/11 Census £m	2010/11 HDC £m	2009/10 HDC £m	2008/09 HDC £m	2007/08 HDC £m
Present value of liabilities	2,933	90,390	1,888	89,140	82,960	61,540	78,240
Fair value of assets in the local Government Pension Scheme	(3,144)	(98,970)	(1,941)	(91,960)	(117,440)	(75,150)	(76,330)
Surplus / (Deficit)	(211)	(8,580)	(53)	(2,820)	(34,480)	(13,610)	1,910
Experience Gains/(Losses) on assets	(104)	(3,100)	18	1,590	20,610	(21,770)	(5,590)
Experience Gains/(Losses) on liabilities	0	(1,320)	2	11,760	0	(90)	(3,280)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £8.791m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £104.1m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by Hymans Robertson LLP the scheme's actuary. The total contributions expected to be made to the Local Government Pension scheme by the council in the year to 31 March 2013 is £1.847m (this includes £143k estimated for HDC Census).

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The pension scheme is assessed by Hymans Robertson for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary have been:

	<u>2011/12</u>	<u>2010/11</u>
Long term expected rate of return on assets in the scheme:		
Equity investments	6.2%	7.5%
Bonds	4.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.7
Women	24.2	24.2
Longevity at 65 for future pensioners:		
Men	24.3	24.3
Women	26.4	26.4
Rate of inflation / pension	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Expected return on assets	5.8%	6.9%
Rate of discounting scheme liabilities	4.8%	5.5%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
Differences between the expected and actual return on assets	-3.4%	1.8%	24.8%	-35.4%	-7.1%
Experience gains and losses on liabilities	1.3%	-12.5%	0.0%	0.1%	4.3%

36 CONTINGENT LIABILITIES

Claims arising from changing legislation affecting Local Land Charges fees have been made to the Council. Litigation is ongoing and the amount of any potential compensation payments is unknown at this time.

37 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 :

- a) Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council
- b) Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- c) Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements
- d) Re-financing risk** – the possibility that the Council might need to renew a financial instrument on its maturity at disadvantageous interest rates or terms.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The detail Strategy is approved each year by the Council and incorporates indicators stipulated by the CIPFA codes on Treasury Management and CIPFA prudential code. The authorised limit for external borrowing in 2011/12 was £10m and limit per institution was £5m and limit for long term investment was £5m. The actual performance against Treasury Management Strategy is reviewed by the Accounts, Audit and Governance Committee of the Council annually.

The analysis below summarises the Council's exposure to risk using historic default rates for different categories of instruments. Historic default rates are, of course, no guide to the future so the figures below must be viewed in that light. Current credit conditions are a reason for some concern but this is not judged to require an adjustment for current market conditions to the historic rates which are a long-term average.

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectibility at 31 March 2012	Estimated maximum exposure at 31 March 2011
	£000			£000	£000
	A	B	C	(AxC)	
AAA rated counterparties	4,511	0.00%	0.00%	-	-
AA rated counterparties	-	0.02%	0.02%	-	2
A rated counterparties	4,400	0.08%	0.08%	4	3
BBB rated counterparties	-	0.22%	0.22%	-	5
Trade debtors	1,117	0.00%	0.00%	-	-

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The trade debtors figure takes into account the bad debt provision which is based on the best estimate of default so no further default estimate is shown.

The Council does not generally allow credit for its trade debtors, such that £0.91m of the £1.1m balance is past its due date for payment.

The past due amount can be analysed as follows:

Age	31-Mar-12 £000s	31-Mar-11 £000s
Less than three months	702	225
Three to six months	89	166
Six months to one year	51	127
More than one year	68	79
Total	910	597

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This ensures that cash is available when it is needed.

The Council has an overdraft facility of £0.5m and can borrow from the money markets to cover any day to day cash flow need. The PWLB also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful).

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

	31-Mar-12 £000s	31-Mar-11 £000s
Less than one year	5,367	5,094
Between one and two years	-	-
Between two and five years	24	32
More than five years	4,000	4,000
Total	9,391	9,126

Market Risk

Interest rate risk

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

- borrowings at fixed rates - the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure statement will rise; and
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not have an impact. However, changes in interest receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Account and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Director of Corporate Resources will monitor market and forecast interest rates within the year to adjust exposures appropriately.

Sensitivity to Interest Rate Changes

Because of the financial instruments held, a change in interest rates with all other variables remaining constant will have no financial effect on the Comprehensive Income and Expenditure Statement.

Price Risk

The Council, excluding the pension fund, does not generally invest in instruments such as equities or marketable bonds with this type of risk.

Foreign exchange risk

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

38 FURTHER INFORMATION ON HERITAGE ASSETS

The Council has been active in maintaining its museum collection, artworks and other heritage assets although it has not published a formal overarching heritage assets policy it will be developing one in 2012. The museum itself has a Collecting and Disposal Policy for the period 2008-2012 which will be revised this year. The museum is actively cataloguing its collection and this is becoming available on its website www.horshammuseum.org.

The Council's District Plan includes as a priority area the building of an arts, leisure and culture reputation that supports the local economy by the promotion of local arts and culture to both residents and visitors. The council operates a museum in Horsham with significant collection of historic documents, ceramics, photographs, furniture and other exhibits. It also provides a number of public artworks and maintains the major town war memorial.

The Museum has very limited means for acquisitions and in the past five years has made no significant purchases with only one item exceeding £1000.

Museum collection

The museum collections cover a range of areas of interest. There is no reliable cost information for the collection and a comprehensive valuation would be costly as the collections are very varied and of items of lower value and is not deemed to be worth the extra information it would bring the users of the accounts.

The major collections are listed below with some detail of their nature and scale:

Paintings, drawings and prints

The museum did not have an art gallery until 2010 but rather a collection of pictures were acquired because of local connections. None of the pictures in museum collection has a significant value with the highest valued thought to be in £1000's.

Ceramics

The Museums collections consist of historic examples from across UK as well as contemporary items made by potters from South East, usually Sussex.

Furniture

A number of items are held with modest value. The only notable piece is a large 17ft oak refectory table dating to 1670.

Fossil Collection

The Museum has three notable specimens – Polacanthus Rudgewikensis and two dragonfly specimens, as well as 2,000 minerals specimens.

Manuscript collection

The museum holds 400 papers connected to the Shelley Family who resided in the district.

There is also a large collection of legal papers concerning 18th and 19th century crime, trade and civic life and a notable collection of documents on political corruption.

The collections include around 900 sale particulars from the 1780s to date. Older sale particulars may have a modest market value. There is also a collection of over 1000 Victorian birthday and Christmas cards each of which may have collectors' market value.

The museum has 1,875 posters dating back to the 18th century. Each poster will have a modest value.

There is also a large collection (approximately 2500) of ephemera of the like of train tickets, celebratory dinner tickets, knitting patterns and sale lists of wine for Christmas.

Photographic collection

This consists of about 3,000 slides, 3,000 photographic images, 2,000 postcards and collections associated with prominent photographers notably – Thomas Honywood, Felice Beato and Samuel Bourne.

Thomas Honywood was born in Horsham and the collection of 100 or so photographs and photographically printed textiles includes important pieces of his work. Felice

Beato and Samuel Bourne are noted early photographers and the Museum has 320 or so images.

The slides are the Cramp collection depicting mainly Horsham through the ages. The postcard collection spans the full range of interest and type and due to an active postcard market may have modest value.

Book Collection

Horsham museum has one of the largest collections of books on or by Percy Bysshe Shelley and his circle notably Mary Shelley, Thomas Medwin, Thomas Jefferson Hogg and Byron. It also has books by noted authors associated with the district Hilaire Belloc, JE Millais and WS Blunt.

Horsham museum ethnographic and archaeological collections

The ethnographic collection has a range of over 1000 objects. It includes Japanese armour, Tribal hardwood clubs, a 17th century Thai reclining Buddha.

Lorinery and saddlery items

The Museum holds 5000 items although no single item is outstanding in importance.

Other collections

There are various historical items not within a category above such as a fire engine, various pieces of agricultural equipment and a collection of historical cycles.

Art works

The council holds a number of art works either constructed by the council or provided as a part of a large development as planning gain.

There are no current valuations for the works as it is deemed that the usefulness of a valuation to the account reader is not commensurate with the costs. The market value of the works is very dependent on the reputation of the artist. Although some the artists concerned are well known nationally it is not thought that any of the works is outstanding enough to bring a very large value in the market. The historic costs of some these works from the 2000's onwards are available so these are used as values in the balance sheet.

The more recent works include Sundial by John Skelton (1923-99); William Pirie and Sundial by Lorne McKean and collaborators; five bronze roundels by Edwin Russell; St Leonard's Forest Dragon and Southwater Iguanodon by Hannah Stewart; Rising Universe installation by Angela Connor and the Tree of Light by Steve Geliot. Older works include a bronze of Fighting Grouse by JG Millais (1865-1931)

War memorial

Stone obelisk designed by local architect C B Godman with memorial wall surrounded by decorative fences. This is valued exceptionally as depreciated replacement cost as it is not kept per se for its artistic merit but as a symbolic place for a public cultural function and which the Council would be expected to provide in a comparable way.

39 HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the accounting policies, pages 10 to 16, the Council now recognises heritage assets on the Balance Sheet at valuation.

Heritage Assets

In applying the new accounting policy in 2011/12, the Authority will include an additional £709k for the recognition of heritage assets that were not previously recognised in the Balance Sheet, with a corresponding increase in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have therefore been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £709,400. These assets were not previously recognised. The Revaluation Reserve has increased by the same amount.

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

Effect on Opening Balance Sheet 1 April 2010:

	Opening Balances at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000
Heritage Assets	0	709	709
Total Long Term Assets	110,152	709	110,861
Net Assets	81,824	709	82,533
Unusable Reserves			
Revaluation Reserve	(13,722)	(709)	(14,431)
Total Reserves	(81,824)	(709)	(82,533)

Movement in Reserves Statement

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below:

	As Previously Stated 31 March 2011	As Restated 31 March 2011	Restatement 2011
	£000	£000	£000
Balance as at the end of the previous reporting period - 31 March 2010	(81,824)	(709)	(82,533)
Surplus on the Provision of Services	(6,279)	0	(6,279)
Other Comprehensive Income and Expenditure	(24,117)	0	(24,117)
Adjustments between the accounting basis and the funding basis under regulations	0	0	0
Increase/ decrease in the year	(30,396)	0	(30,396)
Balance at the end of the current reporting period 31 March 2011	(112,220)	(709)	(112,929)

The resulting restated Balance Sheet for March 2011 is provided on page 21. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2011:

	Opening Balances at 31 March 2011	As Restated 31 March 2011	Restatement 2011
	£000	£000	£000
Heritage Assets	0	709	709
Total Long Term Assets	111,475	709	112,184
Net Assets	112,220	709	112,929
Unusable Reserves:			
Revaluation Reserve	(15,180)	(709)	(15,889)
Total Reserves	(112,220)	(709)	(112,929)

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £709,400 on the Balance Sheet resulting in an increase to the Revaluation Reserve of the same amount.

COLLECTION FUND

2010-11 £		2011-12 £
	<u>Income</u>	
79,112,186	Income from Council Tax	79,762,283
	Transfers from General Fund	
6,302,463	- Council Tax Benefits	6,333,849
3,693	- Transitional Relief	2,176
6,306,156		6,336,025
36,042,554	Income Collectable from Business Ratepayers	37,775,897
	Contributions	
62,635	-Towards previous years' estimated Collection Fund deficit	0
121,523,531	Total Income	123,874,205
	<u>Expenditure</u>	
85,434,375	Precepts and Demands	85,811,103
	Business Rate	
35,869,992	- Payment to National Pool	37,601,724
172,562	- Costs of Collection	174,173
36,042,554		37,775,897
	Bad and Doubtful Debts	
66,353	- Write-offs	1,679
86,391	- Provisions	300,244
152,744		301,923
121,629,673	Total Expenditure	123,888,923
(106,142)	Increase/(Reduction) in Fund Balance for the year	(14,718)
(337,089)	Balance Brought Forward	(443,231)
(443,231)	Balance carried forward	(457,949)

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax

This account represents the statutory requirement for each billing authority to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. Since the introduction of Council Tax on 1 April 1993, the Collection Fund is consolidated with the other accounts of the Council. The accounts have been prepared on an accruals basis.

The Council Tax is based upon property values as at 1st April 1991. Property values are grouped within a range of value bands, as shown below. In order to calculate the Council Tax base, the number of properties within each band is shown as a "Band D equivalent" by expressing each band as a proportion of Band D as indicated in the table below.

BAND	VALUE RANGE	PROPORTION OF BAND "D"	BAND "D" EQUIVALENT NO. OF PROPERTIES
	£		
Reduced A	up to 40,000	5/9	0
A	up to 40,000	6/9	1,135
B	40,000-52,000	7/9	3,458
C	52,000-68,000	8/9	8,984
D	68,000-88,000	1	10,890
E	88,000-120,000	11/9	11,265
F	120,000-160,000	13/9	10,125
G	160,000-320,000	15/9	10,811
H	over 320,000	2	1,345
COUNCIL TAX BASE			58,013

The reduced Band A charge is applied to those residents entitled to a disabled relief reduction.

Note 2 - Income from Business Rates

Under the revised arrangements for uniform business rates, the Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total Non-Domestic Rateable Value at 31st Dec 2011 was £101.088m and the National Non-Domestic Rate multiplier for the year was 0.450. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which, in turn, pays back to authorities their share of the pool based on a standard amount per head of the local adult population.

Note 3 - Precepts and Demands

<u>2010-11</u>		<u>2011-12</u>	
£		£	
10,313,460	Horsham District Council Precept	10,370,548	
7,996,122	Sussex Police Authority	8,030,145	
<u>67,124,793</u>	West Sussex County Council	<u>67,410,410</u>	
<u>85,434,374</u>	Total	<u>85,811,103</u>	

Note 4 - Council Tax Surpluses and Deficits

In accordance with the accounting code of practice surpluses and deficits arising from the Collection of Council Tax are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund.

Accumulated Deficit at 31/3/12	457,949
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Apportionment based on 2011/12 precepts and demands:

	Total	%	£
Horsham District Council	10,370,547	12.09%	55,366
Sussex Police Authority	8,030,146	9.36%	42,864
West Sussex County Council	<u>67,410,410</u>	78.56%	<u>359,719</u>
	85,811,103	100.00%	457,949

GLOSSARY

ACCRUALS	Amounts charged for goods or services received or provided during the year, for which payment has not been made or income due has not been received at the year end.
BALANCES	The amounts remaining at the year end on the various funds of the Council
CAPITAL EXPENDITURE	Expenditure on the acquisition of assets either directly by the Local Authority or indirectly in the form of grants to other persons or bodies that will give benefit for a number of years.
CAPITAL RECEIPTS	Receipts from the sale of property , plant and equipment e.g. land, buildings etc.
CENTRAL SUPPORT SERVICES	The expenditure on the central administration of the Council, including the cost of accommodation.
COLLECTION FUND	A statutory fund maintained by a billing authority that is used to record local taxes and non-domestic rates collected by the authority, payments to precepting authorities, the national pool of non-domestic rates and its own general fund.
COMMUNITY ASSETS	Assets that are not used for operational purposes, have an indeterminable useful life and which a local authority intends to hold in perpetuity. Land held as open space or common land is an example of a community asset.
CONTINGENT ASSET	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.
COUNCIL TAX	A locally determined charge based on property values and levied by a local authority to enable it to provide its services.
CREDITORS	Individuals and organisations to whom the Council owes money.
DEBTORS	Individuals and organisations who owe money to the Council
REVENUE EXPENDITURE FUNDED AS CAPITAL UNDER STATUTE (REFCUS)	Expenditure that may properly be treated as capital expenditure but which does not represent a Council tangible asset (property, plant and equipment).
DEPRECIATION	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.
EARMARKED RESERVES	Amounts set aside for specific purposes falling outside the definition of provisions.
FAIR VALUE	Amount for which asset could be exchanged or liability settled between two knowledgeable parties with no other motive than to secure a fair price.

In most cases this is the actual price paid.

FINANCE LEASE

A lease used to finance the purchase of fixed assets where ownership of the asset passes to the authority at the end of the lease. Finance leases are treated as a credit arrangement i.e. as if it was similar to borrowing.

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset or liability

FINANCIAL ASSET

A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability

FINANCIAL LIABILITY

A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability.

FIXED ASSET

A tangible asset that yields benefit to an authority and the services it provides for a period of more than one year.

GENERAL FUND

The main revenue fund of a billing authority from which day to day spending on services (other than the provision of Council housing services) is met.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount that must be charged to an authority's revenue account to be set aside to pay back debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

This is the charge payable on all business premises and is calculated by multiplying the rateable value of the property by a nationally set rate multiplier

OPERATING LEASE

Lease of equipment in a similar arrangement to that used for the hire or rent of equipment where ownership of the asset remains with the lessor.

PRECEPT

An amount charged to the collection fund to finance services provided by another authority e.g. the Sussex Police Authority, West Sussex County Council.

PRECEPTING AUTHORITIES

Those authorities which are not billing authorities i.e. do not have responsibility for the collection of Council Tax and Non-Domestic Rates e.g. West Sussex County Council.

PROVISION

A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain.

PUBLIC WORKS LOAN BOARD

The Public Works Loan Board (PWLB) is a statutory body operating within Central Government responsible for lending money to local authorities and other bodies.

FINANCIAL REPORTING STANDARDS

Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.

Report to Accounts, Audit & Governance Committee

26th June 2012

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt



“Draft” Annual Governance Statement

Executive Summary

The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement for 2011/12. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement as well as a review of the Council's Governance framework against the best practice framework devised by CIPFA/SOLACE.

The aim of the review process is to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. Additionally, the review process has identified any shortfalls in these arrangements to enable them to be addressed.

Recommendations

- i) The Committee is asked to review and comment on the “draft” Annual Governance Statement for 2011/12.

Reasons for Recommendations

- i) As part of good governance, it is important that the Annual Governance Statement is approved by Members at the Accounts, Audit and Governance Committee meeting in September.

Background Papers: Supporting evidence.

Consultation: The Corporate Management Team, Monitoring Officer and Chief Internal Auditor.

Wards affected: All

Contact: Katharine Eberhart

Background Information

1 Introduction

- 1.1 The Accounts and Audit (England) Regulations 2011 require the Council to review, at least annually, the effectiveness of its governance arrangements and publish an Annual Governance Statement.

Background/Actions taken to date

- 1.2 Senior officers have been consulted (see 5.1 below) and supporting documentation has been updated to reflect the current position.

2 Statutory and Policy Background

Statutory background

- 2.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires that:-
- 4(1) the Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk; and
 - 4(2) the Council shall conduct a review at least once in a year of the effectiveness of its system of internal control; and
 - 4(3)
 - a) the findings of the review must be considered by the Members of the Council meeting as a whole or by a committee
 - b) following the review the body or committee must approve an Annual Governance Statement prepared in accordance with proper practices in relation to internal control; and
 - 4(4) the Annual Governance Statement shall accompany the Statement of Accounts.
- 2.2 In 2007 CIPFA/SOLACE published a framework for Corporate Governance: "Delivering Good Governance in Local Government Framework." This framework provides a useful and practical update to the original Framework and follows the six core principles of good governance outlined in the Good Governance Standard for Public Services (2004) which was developed by the Commission on Good Governance in Public Services.

3 Details

3.1 Scope of Responsibility

Horsham District Council is responsible for ensuring that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging these responsibilities the Council is responsible for putting arrangements in place for the proper governance of its affairs in accordance with statute.

3.2 The Council's Governance Framework

The Council follows the CIPFA/ SOLACE framework for delivering good governance. The Annual Governance Statement is based on this framework and is prepared and submitted

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to the Accounts, Audit and Governance Committee (AAGC) for approval. The Annual Governance Statement is linked to the preparation of statutory accounts which are published in accordance with CIPFA guidelines.

The AAGC receives external assurance reports from the Audit Commission, and the Council receives minutes from that Committee. Internal and External Audit produce reports on the adequacy of Corporate Governance arrangements across the Council, and one of the key roles of Internal Audit is to ensure that there are robust systems of internal control in place to mitigate risks and provide assurance to Members.

The Annual Governance Statement is approved by the AAGC. The terms of reference for the AAGC include responsibility for reviewing the key areas which comprise corporate governance, namely: - accounts, audit, treasury management and risk management. Members of the Accounts, Audit, and Governance Committee have received external training on how to review the Council's Annual Statement of Accounts and their responsibilities as members of the Committee. In addition, Internal Audit has provided training to Members on the Council's risk management process. Further training has been provided following changes in membership of the Committee.

On an annual basis the Council publishes the Annual Statement of Accounts, and also produces the Council's Annual report, which provides information on the Authority's performance against its priorities as identified in the District Plan. The Cabinet is responsible for approving the Council's Risk Management Strategy. The Council reviews and agrees the Treasury Management Strategy, and the AAGC receives reports on the Council's treasury management performance. The Chief Internal Auditor reports quarterly to the AAGC providing details of key audit findings and remedial actions agreed.

Internal Audit undertakes a four year rolling programme of audits and carries out annual audits of the Council's key financial systems which are reviewed by the Audit Commission auditors as part of the International Standards of Auditing (ISA) requirements. Internal Audit reports include "SMART" risk-assessed agreed action plans which are followed up at six-monthly intervals. Annual reports are presented by the Chief Internal Auditor to the AAGC with an opinion on the internal control environment.

3.3 CIPFA / SOLACE – Fundamental Principles of Corporate Governance

Core Principle (1) ~ Determining the Council's Purpose, its vision for the local area and intended outcomes for the Community.

The Council aims to deliver high quality services that meet the needs of the local community. This is set out in the Council's District Plan for Horsham 2011–2015 which is the core of the Council's purpose and vision and defines the Council's key priorities and strategic aims. The District Plan supports the Council's Sustainable Community Strategy which is produced by the Horsham District Community Partnership, a broad partnership of groups and organisations, covering a wide range of public, private, voluntary and community interests, which sets out the Council's vision for working in partnership over the longer term. The District Plan is formally reviewed and updated each year and a new District Plan 2011-15 was introduced in April 2011.

Service Plans are produced by each department in accordance with the Council's strategic aims and objectives, and are also linked to their own national and local performance indicators and the risks recorded on their risk registers. In this way, the Council's performance is continuously monitored against its objectives to provide assurance to the community.

The Council conducts a wide range of service specific surveys to ascertain the views and needs of its residents. In addition, it consulted widely as part of developing the new

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Sustainable Community Strategy. A priority within the new District Plan is "The customer at the heart of what we do" and a key element of that priority is to consult residents, businesses and staff regularly and provide feedback. Prior to the changes introduced by the current government, The Council conducted a Residents' Survey in autumn 2011 using the Horsham District News magazine which goes to every home in the District as a means of disseminating the survey, supported by various measures to encourage participation. The results were shared with Members, respondents and the public, and the information provided is used as a resource which informs the Council when setting and reviewing its priorities.

The Council has a clear complaints procedure which is available via the Council's website or paper based from the Council's offices. A six-monthly report on all complaints dealt with by the Local Government Ombudsman is presented to the Standards Committee. Complaints, suggestions and comments received are reported quarterly to Corporate Management Team and the Performance Management Working Group.

The Council carries out a regular survey of users of its services and the forms and guidance are available on the Council's website. The Local Government Ombudsman has recommended Horsham District Council's quarterly complaints; compliments and suggestions process nationally as an example of best practice.

Core Principle (2) ~ Members and Officers working together to agree common goals with clearly defined functions and roles.

The Council's Constitution gives guidance on the roles and responsibilities of the Chief Executive and Chief Officers and a new Scheme of Delegation to Officers was approved by Council in February 2012. The remainder of the Constitution is currently being reviewed.

The Leader and the Chairmen and Vice Chairmen of Standing Committees receive verbal briefings from Chief Officers on a regular basis and Members now receive training as part of the induction process. An induction programme for new and existing Members followed the local elections in May 2011. A Protocol for Partnership working has been incorporated into the Council's Constitution which details the roles and responsibilities of Members.

The Director of Corporate Resources is the designated Section 151 Officer and the Council's Constitution contains specific details of the overall financial responsibilities of that role. Managers are responsible for legal compliance and the Council Solicitor works closely with departments to advise on legal issues which affect the Council.

The Council's District Plan for 2011–2015 defines the Council's vision and strategy and sets out the Council's key priorities and strategic aims. The Council has the 'Covalent' performance monitoring software in place and key performance indicators are monitored monthly by Corporate Management Team and reviewed quarterly by Cabinet. The Annual Report reviewing the Council's activity, costs and performance is made available on the Council's website. Following the introduction of Central Government's 'Transparency Agenda', the Council releases details of payments to suppliers exceeding £500 on the Council's website on a monthly basis.

In promoting the Council's activities externally, the most visible methods are the Council's website and online presence, the Horsham District News magazine, media relations, publicity leaflets, campaigns and events, and the use of outdoor media. The Council is also developing its social media usage and uses Facebook, Twitter and videos. Amongst the internal communications methods used for staff and Members are the 'Grapevine' newsletter, monthly key messages, team and other meetings, Tom's Talks, Ask Tom (questions to the Chief Executive), the 'Eureka' staff suggestion scheme, the Intranet, and the weekly Members' Bulletin. A new Corporate Communications Strategy was approved

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by Council in September 2011 and a minor restructure of the Communications Team to enable it to deliver the strategy was agreed in February 2012.

Face to face discussions take place with staff through the Management Team / Staff Joint Meeting (to discuss matters of relevance and importance to staff) and the Joint Consultative Forum (a formal meeting between staff representatives and representatives of the Council's Personnel Committee).

Core Principle (3) ~ Promoting our Values and Upholding High Standards of Conduct and Behaviour.

The culture of the organisation sets the foundation for the prevention of fraud and corruption by creating an environment that is based on openness and honesty in all Council activities. The culture is founded upon good organisational performance, external recognition, high staff morale and good employee attitude to internal controls.

The Council has the following policies/procedures/accreditations in place which aim to prevent or deal with such occurrences:

- Anti-Fraud and Corruption Policy.
- Confidential Reporting Code.
- HR Disciplinary Policies.
- Council's Equality Scheme.
- Investors in People.
- Acceptable Use Policy

The Council has adopted a Single Equality Scheme and produces an annual Equality and Diversity Report monitoring progress against the scheme. Both are available on the Council's website along with a wide range of Equality and Diversity information. Training on Equality and diversity awareness was incorporated within the post-local election induction for Members following the District Council elections in May 2011, and internal training on Equality and Diversity is addressed through the corporate induction process and specific training on equality impact assessments.

The Council has incorporated in its Constitution a Member Code of Conduct, a code of conduct for employees and a protocol on Members/staff relations. The Council's Standards Committee promotes and maintains high standards of conduct by Councillors and also investigates allegations of misconduct by Members. The Council is in the process of establishing a revised Standards regime for Members in order to accord with the provisions of the Localism Act 2011.

A register of interests is held for officers which is reviewed annually by the relevant service head or director. Members are required to declare any interests and Member Registers are available on the Council's website. Members are asked by the Monitoring Officer to review their registers annually. The completion and review of the Member Register of Interests is part of the work programme of the Standards' Committee. Revisions to the Member Register of Interests will be made in order to comply with the new provisions of the Localism Act 2011 upon receipt of government regulations defining the new "disclosable pecuniary interest".

Core Principle (4) ~ Taking informed and Transparent Decisions and Managing Risk.

The Council's Constitution sets out how the Council operates and the process for policy and decision-making.

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A new Risk Management Strategy was developed in April 2012 and **will be** signed by the Cabinet Member for Efficiency and Resources under delegated authority. The AAGC has responsibility for reviewing the effectiveness of the risk management framework to ensure that the process is embedded into the culture of the authority. All major projects incorporate a full risk assessment prior to action being taken. All project initiation documents include a risk assessment in the report to committee. Internal Audit undertakes an independent review of the risk management framework and provides assurance that risk is managed in accordance with the Council's Risk Management Strategy and procedures.

Core Principle (5) ~ Effective Management – Capacity and Capability of Members and Officers.

There is a comprehensive induction and training programme for new officers. Training programmes for Council employees are identified from staff appraisals and personal development programmes. In addition, as specific issues arise, training and development opportunities are provided to ensure that the lessons learned can be shared. New Members to the Council also have an induction programme. They have a comprehensive training programme that incorporates dealing with new legislation, understanding current legislation and developing their personal skills.

Core Principle (6) ~ Engaging with Local People and other Stakeholders to Ensure Robust Accountability

The Council's policy on Complaints, Compliments and Suggestions clearly sets out an invitation to residents to contact the Council. Consultation is important on all major issues especially around long term planning for the future of the district, and input from residents is welcomed. The Council listens to resident's comments and reacts accordingly.

The Council's Committee meetings are held in public. The press and public are only excluded when a report is presented as a Part 2 item in accordance with Part 1 of Schedule 12A to the Local Government Act 1972.

The Council's Scheme of Delegation is incorporated into the Council's Constitution. Any amendments to the Scheme of Delegation are subject to Council approval. The Scheme of Delegation was updated in April 2010 and again in February 2012 following management restructures.

"All Our Futures" is the Sustainable Community Strategy for Horsham District. The Strategy provides a framework for meeting the needs of local people looking ahead to 2026 but concentrating on what needs to be done over the next four years. Separate detailed action plans are being developed by four "Goal Groups" drawn from the Community Partnership's membership for addressing the Partnership's objectives. An independent review of the work of the Community Partnership was conducted by the Council's Social Inclusion Working Group on behalf of the Scrutiny and Overview Committee in 2011 and reported a number of positive findings along with some recommendations to further strengthen the Partnership. The Council has also engaged in the sharing of some of its key services with neighbouring authorities through the Central Sussex Partnership (CenSus). This has resulted in operational and administration efficiencies producing savings.

The Council has improved arrangements on partnerships by moving management of the CenSus Partnership to a Joint Committee comprising elected Members from Horsham, Mid-Sussex and Adur and Worthing District Councils.

3.4 Significant Governance Issues**3.4.1 Introduction**

New significant governance issues are reported to the AAGC. The process of preparing the Annual Governance Statement has in itself added value to the corporate governance and internal control framework of the Council. Appendix 2 details the outcomes of actions agreed in the 2009/10 and 2010/11 Annual Governance Statements together with agreed actions in respect of the 2011/12 Annual Governance Statement.

3.4.2 Improvements to the Council's Control Environment

- i) Project Management. A new Project Assurance Core Team (PACT) has been formed which reviews the Council's 'key' projects on a monthly basis. Issues, risks and progress against key milestones are formally reported to the Corporate Management Team (CMT) on a monthly basis. Once reviewed by CMT, the report is then sent to Members.
- ii) Budgetary Control. There are now structured working arrangements between Heads of Service and accountants on budget issues. The main focus for 2012/13 is to improve budgetary reporting and to consolidate in the areas of ownership and accountability. In addition, there will be a new requirement for budget holders to forecast to year end as part of the monthly budget monitoring process.
- iii) Information Security. The Council has appointed an Information Manager whose role includes coordinating the Council's approach to information security. This post holder is working closely with Internal Audit to develop an information assurance framework. The work being undertaken will help to safeguard the Council against significant data breaches and other high impact risks.
- iv) Business Continuity Planning. During the last financial year the Council's Emergency Planning Team have met with each service area from across the authority conducting business continuity interviews. The purpose of these interviews was to fully understand the threats and impacts to the organisation and enable CMT to formulate appropriate responses to these threats in the event of a disruption to normal business. Phase 2 of this programme will be undertaken during 2012/13 which will involve the development of an appropriate plan for the purposes of minimising service/business disruption in the event of a disaster.
- v) Internal Audit Report follow ups. A new process for reporting on actions agreed but not implemented within agreed timescales has been agreed which will be implemented from June 2012.

3.4.3 Significant Internal Control Issues

A number of control issues have been identified during the year, and action plans have been put in place to address these. The following weaknesses are considered to be significant:

- i) At the beginning of the 2011/12 financial year, Internal Audit raised concerns about the limited participation in the CenSus (Central Sussex Partnership) information security project which was largely due to difficulties in recruiting someone for the Information Security Manager (ISM) post. This resulted in project delays, and the Council has continued to be vulnerable in terms of

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ongoing information security risks. The ISM vacancy has now been filled and good progress is now being made to address the risks.

- ii) A comprehensive review of Health and Safety was undertaken by an outside consultant using the HSG65 “Successful Health & Safety Management” standards as a benchmark. A report was issued in December 2011 which contained a number of recommendations which will help the Council to work towards an efficient and compliant corporate Health & Safety Management system. A prioritised action plan has been developed, and all actions are due to be implemented by the end of December 2013.

3.5 Certification

It is our opinion that Corporate Governance, along with supporting controls and procedures, remains strong for the Council.

Signed

.....

Leader of the Council

.....

Chief Executive

on behalf of the Members and senior officers of the Council.

4 Next Steps

- 4.1 The Committee is asked to approve the “draft” Annual Governance Statement.

5 Outcome of Consultations

- 5.1 The Corporate Management Team and Council’s Monitoring Officer have been consulted, and comments have been incorporated into the Annual Governance Statement.

6 Other Courses of Action Considered but Rejected

- 6.1 None.

7 Staffing Consequences

- 7.1 There are no direct staffing consequences arising from this report.

8 Financial Consequences

- 8.1 There are no direct financial considerations arising from this report.

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal?	There are no additional risk considerations other than those detailed in Appendix 2.
Risk Assessment attached Yes/No	See Appendix 2 for Annual Governance Statement Action Plan.
How will the proposal help to reduce Crime and Disorder?	Effective risk management helps to ensure that the Council achieves its objectives within this area.
How will the proposal help to promote Human Rights?	Effective risk management helps to ensure that the Council achieves its objectives within this area
What is the impact of the proposal on Equality and Diversity?	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2010/11 AND PROGRESS TO DATE

No.	Key Risk Identified	Action Required	Responsible Officer	Progress to Date
1.	<u>Council's Constitution</u> In the absence of an up-to-date Constitution, decisions may be made without the proper authority.	Update the Council's Constitution.	Director of Corporate Resources.	Some updates were approved during 2011/12. See Action Plan for 2012/13.
2.	<u>Business Continuity</u> Disruption to service delivery in the event of a disaster.	Ensure the new post holder delivers a business continuity system for adoption by the Council.	Director of Community Services.	Departmental business continuity plans have been completed. See Action Plan for 2012/13.

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2011/12 AND PROGRESS TO DATE

No.	Key Risk Identified	Action(s)	Responsible Officer	Progress to Date
1.	The Council faces significant financial pressures from both the impact of the recession and reductions in central government funding.	<p>(i) The Council's Medium Term Financial Strategy, which has been approved by full Council, will be monitored, reviewed and updated on a monthly basis.</p> <p>(ii) Implementation of a recently published budgetary control guidance document and improved focus on risk management to ensure that a balanced budget, agreed by Council, is delivered for 2011/12.</p>	<p>Director of Corporate Resources.</p> <p>Corporate Management Team.</p>	<p>Budget monitoring reports have been reviewed on a monthly basis by the Corporate Management Team. Expenditure in 2011/12 has been contained within budget, despite pressures from inflation on fuel and other items.</p> <p>Progress on budget has also been reported regularly to Cabinet.</p> <p>Financial pressures arising from the increase in homelessness have been addressed by increasing the budget for the purchase of houses for temporary letting to homeless families, thus reducing dependence on bed and breakfast.</p>
2.	Loss of ICT and telephone service due to failure in the Data Centre.	Relocation of the Computer Data Centre to County Hall North.	Director of Corporate Resources.	Key infrastructure and systems now relocated to new Data Centre at County Hall North. The final moves will take place by July 2012. Proposals have been made regarding replacement of the telephony solution and linked to the proposal; to join the West Sussex Wide Area Network.
3.	The Council may not be able to continue to provide current service levels with the existing level of resources.	Budget and service level monitoring will remain a high level priority. Further guidance notes have been issued to all budget holders.	Chief Executive.	<p>The Council approved a budget in 2011/12 which relied on only limited use of reserves. Further savings of £1m were identified for 2012/13, involving some limited reductions in services, with the approved budget requiring a contribution of £300k from reserves.</p> <p>The annual budget was supported by an equality impact assessment available on the</p>

				Council's website
4.	Failure to address key project risks due to failure to comply with the Council's agreed procedures.	<p>(i) All major projects will be recorded on a Project Risk Register for monitoring purposes.</p> <p>(ii) CMT will ensure compliance with agreed procedures on major projects as part of enhanced performance management measures and supported by Internal Audit.</p>	<p>Corporate Management Team.</p> <p>Corporate Management Team.</p>	The Project Assurance Core Team (PACT) monitors key projects on behalf of CMT and Members and significant risks are escalated as appropriate. Greater use of project management methodology is evident and a number of training sessions have been provided to improve knowledge and skills in this area.

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2012/13

No.	Key Risk Identified	Action(s)	Responsible Officer	Action by Date
1.	<u>Council's Constitution</u> Financial loss / corporate fraud due to out-of-date Financial Regulations.	Update the Council's Financial Regulations and Contract Standing Orders.	Director of Corporate Resources.	30 th September 2012
2.	<u>Business Continuity</u> Disruption to service delivery in the event of a disaster.	Complete the development of a business continuity plan for the Council.	Director of Community Services.	31 st October 2012
3.	<u>Information Security</u> Significant data breach.	Development of information security policies for CenSus and training for staff & Members.	Director of Corporate Resources.	30 th September 2012 (Implementation programme will be ongoing)
4.	<u>Health & Safety</u> Non-compliance with legislation.	Implementation of Consultant's recommendations which have been captured into a prioritised action plan. All actions are due to be implemented by the end of December 2013.	Chief Executive.	31 st December 2013

Report to Accounts, Audit & Governance Committee

26th June 2012

By the Chief Internal Auditor

INFORMATION REPORT

Not exempt



Internal Audit – Quarterly Update Report

Executive Summary

This report summarises work completed by the Internal Audit Section since March 2012.

Recommendations

The Committee is recommended:

- i) To note the summary of audit and project support work undertaken since March 2012.

Reasons for Recommendations

- i) To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers:	CIPFA Code of Practice 2006 and Internal Audit Reports.
Consultation:	N/A
Wards affected:	All
Contact:	Paul Miller, Chief Internal Auditor, Ext 5319

Background Information

1. Introduction

The purpose of this report

- 1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since March 2012.

2. Statutory and Policy Background

Statutory Background

- 2.1 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

Relevant Government Policy / Professional Standards

- 2.2 Internal Audit follows the standards set out in the “*Code of Practice for Internal Audit in Local Government*” published by the Chartered Institute of Public Finance and Accountancy known as CIPFA.

Relevant Council Policy

- 2.3 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the results of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3. Summary of Audit Findings

- 3.1 Payroll

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

Following an internal audit recommendation last year, payroll amendments are now being submitted to West Sussex County Council via the Government Secure Extranet (GCSX), and payroll amendment forms are being stored electronically. A few weaknesses were identified relating to financial reconciliations and the completion of casual worker time sheets. Appropriate remedial action has been agreed to minimise risks in these areas.

3.2 Staff Recruitment

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

The auditor found that the staff vacancy clearance process is working effectively. Personnel Services are ensuring that managers are obtaining the necessary clearance before recruiting new employees, and improvements have been introduced to ensure that evidence of the clearance is being retained for each new appointment. The recruitment system is well documented and checklists are being used throughout the process to ensure that key requirements are being complied with.

At the time of the audit, it was identified that there was no mechanism to verify professional and other qualifications recorded in job application forms. It has been agreed that successful applicants will be asked to bring evidence of their qualifications to Personnel Services on their first day as part of the formal induction process.

3.3 Public Health ~ Premises Inspections

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

Audit sample testing confirmed that food premises inspections are being carried out in accordance with the frequencies required and in conjunction with the current inspection schedule. New businesses are being set up on the CAPS Uniform system as expected and inspections of new businesses are being carried out as required.

The only area of weakness identified concerns the lack of up-to-date policies and procedures. These have not been reviewed or updated for several years. It has been agreed that a review of policies and procedures will be carried out over the next six months on a risk priority basis.

3.4 Asset Management

OVERALL AUDIT OPINION: **MODERATE ASSURANCE**

The Estates Team consistently exceeds the 95% occupancy target for HDC owned and managed commercial and industrial estate space occupied. The 2010/11 outturn was 98.4% and the 2011/12 quarter 3 performance was 98.2%. These are good achievements in the current economic climate.

A number of control weaknesses have been identified and actions have been agreed to address these. In particular, the Council's Asset Management Plan (AMP) has not been updated since December 2008 and there is a lack of clarity in terms of the various officer and Member groups, their terms of reference and the frequency of meetings. It has been agreed that the AMP will be updated and the terms of reference for the various property groups will be reviewed.

The Council has yet to formally consider the implementation of an integrated land and property asset database, despite this being an agreed action in the 2009 Audit. It has been agreed that a business case will be developed to establish the benefits

of implementing an integrated asset management system, taking into account any opportunities for undertaking this in partnership with WSCC.

3.5 Treasury Management

OVERALL AUDIT OPINION: MODERATE ASSURANCE

Audit testing confirmed that the Council's stated Treasury Management policies and practices comply with the CIPFA Code of Practice on Treasury Management in Public Services. There is periodic monitoring of compliance with Prudential Indicators and Treasury Management Practices, and an appropriate level of reporting to the Accounts, Audit, and Governance Committee. Financial transactions reviewed had been processed accurately.

However, the auditor identified a number of weaknesses. Of particular concern were three investments with building societies that were, at the time of the investment, on the approved counterparty list as they satisfied the minimum asset criteria of £0.5bn. However, they were rated below the minimum Counterparty criteria by one or more of the three rating agencies. On a strict interpretation of the criteria the investments represented a departure from the Council's Treasury Management Strategy. However, the investments were repaid on time and any risk that may have existed did not materialise. It has been agreed that measures will be put in place to ensure that, in future, the Council only invests with institutions that satisfy the minimum financial criteria. A copy of the relevant Counterparty List will be retained on file for each investment and signed off by a senior manager (i.e. Group Accountant or above) as meeting the Council's minimum financial criteria. The 2012/13 Treasury Management Strategy will clarify the criteria to be used in investing with rated and unrated building societies.

A number of other control weaknesses were identified and appropriate remedial action has been agreed.

3.6 Debtors

OVERALL AUDIT OPINION: MODERATE ASSURANCE

Income Section staff have been pro-active in improving sundry debtor recovery rates by introducing initiatives such as encouraging debtors to switch to direct debit as a means of repaying debts. The auditor conducted a broad analysis of debt recovery over the last two full financial years (i.e. 2009/10 and 2010/11) which indicated that there has been an improvement in debt recovery.

However a number of control weaknesses were identified. For example, whilst a set of operational procedures exists in Finance, there is no corporate policy in relation to sundry debt management. Furthermore, it was identified that there have been delays in referrals to Legal Services. It has been agreed that a formal policy will be written before the end of the current calendar year and that a review process for significant "aged" debts will be introduced.

3.7 Contracts**OVERALL AUDIT OPINION: MODERATE ASSURANCE**

The auditor identified that a number of agreed actions from the previous internal audit have not been implemented. For example, with the exception of one out of ten cases sampled, official contract documentation could not be found where expenditure with a particular supplier in a given year exceeded £50,000. This contravenes the Council's Contract Standing Orders, and there is also a risk that EU Regulations may be contravened where expenditure exceeds EU Thresholds. It has been agreed that the Joint Procurement Adviser will convene a meeting with Finance to explore the feasibility of producing alert reports from the Council's Financial system (TOTAL) for Heads of Service so that appropriate action can be taken.

3.8 Casual Workers**OVERALL AUDIT OPINION: MODERATE ASSURANCE**

There is no HDC policy on the use of casual workers and there is in general a lack of a clear understanding amongst line managers of what constitutes a casual worker under employment law. It has been agreed that the Principal Personnel Officer will develop a policy and procedures for casual workers, and once written, formal training will be provided to line managers.

4. Project Support Work**4.1 Information Security Project**

Internal Audit has continued to actively support the joint Information Security Project.

The Head of Corporate Support Services has seconded a member of the Business Services team into the role of Information Management Officer. This appointment has ensured that HDC now has an appropriate person to carry out the Information Security Manager's role on the CenSus project team allowing Internal Audit to focus on the provision of ongoing assurance to the project. The Information Security Manager has introduced an awareness session for Information Security which is being rolled out across the Council for officers and Members.

Significant progress is being made by the CenSus Project Team in developing a suite of policies to support information security management. Each Council participating in the CenSus partnership will have its own approval process. The appointment of a senior solicitor who has a background in Information Management has provided HDC with additional support in reviewing the policies before they are approved to ensure they meet the requirements of HDC.

5. Audit Plan ~ Progress to date

- 5.1 Concerns were raised at the March 2012 Accounts, Audit and Governance meeting about the adequacy of internal audit resources. The Chief Internal Auditor was asked to provide a quarterly update on the number of man days used against the

Agenda Item 11

audit plan. As at the 31st May, the audit plan for 2012/13 was on track. A further update will be provided in the September report.

6. Audit Follow ups

- 6.1 The table below provides details of the number of agreed actions from internal audit reports which have been implemented. The information is expressed in actual terms (see columns 2 and 3) and percentage terms (column 5). For comparison purposes, the percentage for the previous quarter is recorded in column 4.

Financial Year	No. of Agreed Actions		Percentage Implemented	
	Followed up	Implemented	March 2012	June 2012
2009/10	128	107	74%	84%
2010/11	155	121	68%	78%
2011/12	66	30	N/A	45%

Please Note:

(i) The data provided in the above table is a “snapshot” as at 8TH June 2012.

(ii) The figures recorded relate to the number of agreed actions which have been subject to a formal follow up. The ‘total’ number of agreed actions for 2011/12 is 225, and the figure recorded in column two for 2011/12 will increase each quarter. All agreed actions due to be implemented during 2011/12 will be formally followed up by the end of December 2012.

- 6.2 Members of the Accounts, Audit and Governance Committee requested details of agreed actions not yet implemented together with details of the responsible officer. This information is provided in Appendix 3 which is an “exempt” document due to the sensitive nature of some of the content. The table also provides an update for each item and a revised implementation date. This document is a rolling exception report and will be updated and reported to this Committee on a quarterly basis.
- 6.3 It is recognised by CMT that there is a need to improve, and new ways of working will be introduced to help ensure that outstanding items are identified and addressed on a timely basis. When finalising internal audit reports, line managers are always encouraged to record “realistic” implementation dates. However, in future, Heads of service will be given an opportunity to review the agreed action plan prior to the final audit report being issued.”

7. Next Steps

- 7.1 Not applicable.

8. Outcome of Consultations

- 8.1 Not applicable.

9. Other Courses of Action Considered but Rejected

- 9.1 Not applicable

10. Staffing Consequences

10.1 There are no direct staff consequences.

11. Financial Consequences

11.1 There are no financial consequences.


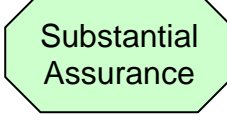


Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks	All internal audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit opinion (see Appendix 2 for definitions).
Risk Assessment attached Yes/No	No
Crime and Disorder	This report has no effect on Crime & Disorder issues.
Equality and Diversity/ Human Rights	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

Appendix 2

Categorisation of Audit Opinions

 <p>Full Assurance</p>	<p>System of Control: There is a sound system of control in place which minimises risk to the Council; and</p> <p>Compliance with Controls: Audit testing identified that all expected controls are being consistently applied.</p>
 <p>Substantial Assurance</p>	<p>System of Control: Whilst there is basically a sound system of control (i.e. key controls are in place), there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with controls in a few areas.</p>
 <p>Moderate Assurance</p>	<p>System of Control: There are some weaknesses in the system of control (i.e. the absence of two or more key controls) which is placing the Council at risk in a number of areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with two or more key controls.</p>
 <p>No Assurance</p>	<p>System of Control: The system of control is very weak or non-existent, which is placing the Council open to significant risk: and/or</p> <p>Compliance with Controls: Audit testing identified a high number of key controls which are not being complied with.</p>

Report to Accounts, Audit and Governance Committee

26th June 2012

By the Chief Internal Auditor

INFORMATION REPORT

Not exempt



Annual Internal Audit Report 2011/12

Executive Summary

This report has been compiled to document and communicate an overall opinion based on the work undertaken by Internal Audit during 2011/12.

The report has been structured to:

- Summarise audit activity for 2011/12.
- Summarise the effectiveness of audit work.
- Provide an overall opinion on the control environment.

Recommendations

To note the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems.

Reasons for Recommendations

The Council's Chief Internal Auditor is required to produce a formal annual report and opinion in accordance with the requirements of the CIPFA Code of Practice for Internal Auditing in Local Government 2006 (the CIPFA Code).

Background Papers:	Internal Audit Reports.
Consultation:	N/A
Wards affected:	All
Contact:	Paul Miller, Chief Internal Auditor, Ext 5319

Background Information

1. Introduction

1.1 Purpose of Report

The main purposes of the report are to:

- Summarise the work undertaken by the Council's Internal Audit Section.
- Comment on the performance of the Internal Audit Section during the year and compliance with proper practice.
- Provide management and Members with an opinion on the adequacy and effectiveness of the Council's internal control environment, based on the internal audit work undertaken, together with any qualifications to the opinion.

It should be emphasised that internal audit work can provide reasonable, not absolute, assurance and it cannot guarantee that any system reviewed is free from material weakness. The opinion given on the overall system of internal control is based solely on the audit work undertaken.

1.2 Quarterly Reports

The Accounts, Audit and Governance Committee receives quarterly reports on the work carried out by Internal Audit as part of the governance arrangements introduced in 2009.

1.3 Strategic Audit Plan

The Internal Audit Team works to a four year strategic audit plan, prepared by the Chief Internal Auditor, and aims to review the Council's major areas of operation and systems on a rolling cycle. The strategic plan was developed using a risk-based assessment which determines priorities and time allocations for each audit. Areas and systems which are considered to be fundamental to the Council's operations, or which are considered to be high risk, are normally reviewed on an annual basis.

1.4 Staffing

During 2011/12, the audit team operated with 3.5 members of staff (three full time employees and one part-time). All auditors have the requisite experience to effectively fulfil their responsibilities, and three members of staff are professionally qualified.

Due to the incidence of two special investigations and the long term absence of the Senior Internal Auditor, an additional auditor was appointed for three days per week for a period of six months. This helped to ensure that all of the Council's key financial systems were reviewed and enabled sufficient coverage of other areas to enable an opinion to be provided on the overall control environment.

2. Statutory and Policy Background

Statutory Background

- 2.1 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

Relevant Government Policy / Professional Standards

- 2.2 Internal Audit follows the standards set out in the “*Code of Practice for Internal Audit in Local Government*” published by the Chartered Institute of Public Finance and Accountancy known as CIPFA.

Relevant Council Policy

- 2.3 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the results of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3. Effectiveness of Internal Audit

2.1 Progress against Annual Audit Plan

In order to respond to a number of risk areas identified during the year, the audit plan was sufficiently flexible to allow for additional audits to be undertaken. The areas added were budgetary control, purchase cards, hospitality and staff loans. In addition, a special “lessons learnt” report was produced following a lengthy special investigation. The need to review these additional areas impacted on the original audit plan and resulted in seven audits being deferred to 2012/13 as reported at the March meeting.

During the year, 90% of audits were completed (or are at ‘draft’ report stage) which included all key financial systems. A summary of progress against the 28 discrete projects as at 8th June 2012 is given below:

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	<u>No. of Audits</u>
Original Audit Plan	30
Add Additional Audits	5
Less Audits deferred to 2012/13	<u>(7)</u>
Final Audit Plan 2011/12	<u>28</u>
Audits completed 2011/12	24
Audits at draft report stage	3
In progress	<u>1</u>
	<u>28</u>
% of audits completed (original plan)	90% (Target 85%)

2.2 Compliance with the CIPFA Code

The Council's Internal Audit Service is operated in accordance with the CIPFA Code of Practice for Internal Auditing 2006. A self assessment was undertaken in March 2012 which demonstrates compliance in all relevant areas.

2.3 Implementation of Agreed Actions

The percentage of agreed action items implemented is one of the key measures used to demonstrate the effectiveness of the section, although the actual implementation of agreed actions is a management responsibility. From a review of 155 agreed actions for 2010/11, 121 have been implemented (78%). Performance is now being closely monitored and agreed actions which have not been implemented are now being reported to the Accounts, Audit and Governance Committee on a quarterly basis.

2.4 Reporting

Draft audit reports and working papers are subject to a quality review undertaken by the Chief Internal Auditor before the final report is issued. A new performance indicator was introduced in April 2010, to measure the percentage of reports issued within 15 days of the final audit meeting. The target for 2011/12 was set at 85%, and 100% has been achieved. The average timescale for all reports issued was 10.6 days.

2.5 Management Feedback

On completion of each assignment, we consult management formally as to their opinion on the approach and value of the audit work. 11 replies were received, expressing 10 constituent opinions, and these are summarised as follows:

<u>Opinion</u>	<u>2011/12</u>
Very Satisfied	87
Satisfied	22
Unsatisfied	1

The percentage of "very satisfied" and "satisfied" responses achieved was 99% against a target of 95%.

3. Opinion on the Control Environment

This section of the report draws attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the Annual Governance Statement and includes an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment and discloses any qualifications to that opinion, together with the reasons for the qualification.

My overall opinion is that "moderate" assurance can be given that there is generally a sound system of internal control designed to meet the Council's objectives, and that the controls are generally being applied consistently. The opinion is based upon audit work undertaken during the year and knowledge of the control environment from other independent reviews (such as health and safety) and project work (such as information security). The number of outstanding agreed action items from audit follow ups was also taken into account.

Assurance Areas:	
Risk Management	During 2010/11, Horsham District Council has made further progress in embedding risk management. The majority of risk registers were formally reviewed on a quarterly basis, and the Council's revised Risk Management Strategy set out the actions needed to further embed risk management into the culture of the organisation. A new Risk Management Strategy has now been written for 2012/15 which contains a new action plan which will help to secure further improvement.
Governance	The Council is committed to the principles of good corporate governance, which are already demonstrated through many aspects of good practice. However, although some progress has been made in reviewing the Council's Constitution, further revisions are needed. In particular, the Council's Financial Regulations and Contract Standing Orders are in need of review.
Internal Control	<p>Internal controls are basically sound in most areas, but there are some significant weaknesses which are outlined below:</p> <ul style="list-style-type: none"> • <u>Information Security.</u> In particular, policies, training and data classification need to be addressed. An officer has now been tasked with improving this area as a priority, and it is anticipated that significant progress will be made during 2012/13. • <u>Health and Safety.</u> A comprehensive review of Health and Safety was undertaken by an outside consultant, and a report was issued which contained a number of recommendations for improvement. A prioritised action plan has been developed which will help the Council to work towards an efficient and compliant corporate Health & Safety Management system by the end of December 2013.

	The table of internal audit assurance opinions, at Appendix 2, shows the balance of substantial and moderate audit opinions on individual audit reports. This summary indicates that controls need to be strengthened in a number of areas of the Council's operations.
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Qualifications to the Opinion

My opinion is based upon, and limited to, the work performed during the year. The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council, but is based upon the range of individual opinions arising from risk based audit assignments completed during 2011/12. Opinions for individual audits are detailed in Appendix 2 of this report, and definitions of the opinions can be found in Appendix 2 of the Quarterly Internal Audit Report.

4. Next Steps

Not applicable.

5. Outcome of Consultations

Not applicable.

6. Other Courses of Action Considered but Rejected

Not applicable.

7. Staffing Consequences

There are no direct staffing consequences.

8. Financial Consequences

There are no financial consequences.

Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks	The Internal Audit function contributes to the effectiveness of the Council's risk management arrangements.
Risk Assessment attached Yes/No	No
Crime and Disorder	This report has no effect on Crime & Disorder issues.
Equality and Diversity/ Human Rights	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

Appendix 2

AUDITS	INTERNAL AUDIT ASSURANCE OPINIONS			
	FULL	SUBSTANTIAL	MODERATE	NONE
Asset Management			✓	
Benefits		✓		
Cash & Bank		✓		
Creditors			✓	
Council Tax		✓		
Debtors			✓	
Business Rates		✓		
Payroll		✓		
Treasury Management			✓	
Budgetary Control		✓		
Capitol Theatre		✓		
Car Parks			✓	
Casual Workers			✓	
Contracts			✓	
Health & Safety			✓	
Hospitality			✓	
Information Security			✓	
Performance Indicators		✓		
Planning Fees		✓		
Premises Inspections		✓		
Recruitment		✓		
Rookwood Golf Club			✓	
Staff Loans			✓	
Transparency Agenda			✓	
Transport & Plant			✓	

***Note:** Internal audit at Horsham audited the Council Tax system on behalf of Horsham, Mid Sussex and Adur District Councils (the CenSus Partnership). The opinions for Housing Benefits and Business Rates have been provided by the Internal Audit teams working on behalf of Mid Sussex District Council and Adur District Council respectively.*

Report to Accounts, Audit & Governance Committee

26th June 2012

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt



Risk Management – Quarterly Update Report

Executive Summary

This report includes an update on the Corporate Risk Register for consideration, and provides an update on progress with the quarterly departmental risk register reviews. Also included in the report is the Council's updated Risk Management Strategy 2012/15 which includes an action plan for 2012/13.

Recommendations

The Committee is recommended to:

- 1) Consider the updated version of the Corporate Risk Register (see Appendix 2).
- 2) Consider the revised Risk Management Strategy 2012/15 (see Appendix 3).
- 3) Note the progress which has been made with the departmental risk registers.

Reasons for Recommendations

As part of good governance, it is important that these documents are considered by Members.

Background Papers:	Management Information obtained from Covalent
Consultation:	The Corporate Management Team and Chief Internal Auditor
Wards affected:	All
Contact:	Katharine Eberhart, Ext 5301

Background Information

1. Introduction

The Purpose of this Report

- 1.1 The Accounts, Audit and Governance Committee is charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.
- 1.2 The deadline for completing the fourth quarter review of departmental risk registers has now passed, and feedback on progress is summarised in this report.

2. Risk Management Update

2.1 Corporate Risk Register

- The Corporate Management Team (CMT) has reviewed all outstanding actions on the Corporate Risk Register and comments have been updated to reflect the current position for each risk.
- As agreed, risks CRR11, CRR23 and CRR25 have been removed from the "live" Corporate Risk Register as all planned actions have been implemented and the level of risk in each case has been reduced to an acceptable level. Risks which have been removed from the "live" register are reviewed by CMT on an annual basis.
- A number of new strategic risks have been added to the Corporate Risk Register (see CRR29, CRR30, CRR31, CRR34, CRR36 & CRR37).

2.2 Risk Management Strategy

The Council's first formal Risk Management Strategy (2008 to 2011) has now expired, and good progress has been made in embedding risk management into the culture of the organisation. The Corporate Risk Register and Departmental Risk Registers are reviewed and updated on a quarterly basis and risk is considered in all reports to Council, Cabinet and Council Committees.

A new Risk Management Strategy has now been developed covering the period 2012 to 2015 (see Appendix 3) to further develop the Council's approach to managing risk. The Strategy outlines the Council's approach to risk management (including risk appetite), and incorporates responsibilities and an action plan for improvement.

2.3 Departmental Risk Registers

A total of 14 out of 18 departmental risk register reviews (78%) were completed and signed off by the 21st May 2012 cut-off date.

3. Next Steps

- 3.1 Implementation of the Action Plan for 2012/13 as detailed in the Risk Management Strategy.

4. Outcome of Consultations

4.1 Not applicable.

5. Other Courses of Action Considered but Rejected

5.1 Not applicable.

6. Staffing Consequences

6.1 There are no direct staff consequences.

7. Financial Consequences

7.1 There are no financial consequences.

Appendix 1

Consequences of the Proposed Action











Consequences of the proposed action on:	
Risks	The report provides an update on the Council's corporate risks and how these are being managed by the Corporate Management Team.
Risk Assessment attached Yes/No	See Appendix 2 for the latest version of the Council's Corporate Risk Register.
Crime and Disorder	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equality and Diversity/ Human Rights	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

Statutory and Policy Background

Statutory Background	The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003 (amended 2006): "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions and which includes arrangements for the management of risk".
Relevant Government Policy / Professional Standards	Risk management is an essential element of good corporate governance. The CIPFA/SOLACE Framework on Corporate Governance requires councils to establish and maintain a systematic strategy, methodology and processes for managing risk. They must also report publicly on the effectiveness of these arrangements.
Relevant Council Policy	The Council's Risk Management Strategy 2012/15 will be published on the Council's Intranet. A Corporate Risk Register is managed by the Council's Corporate Management Team, and each Head of Service is responsible for managing one or more departmental risk registers. When undertaking major projects, a risk log is maintained which is a requirement of the PRINCE 2 Lite methodology adopted by the Council.

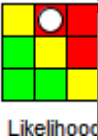





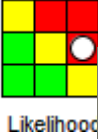



Appendix 2 ~ Corporate Risk Report with Actions June 2012 V3

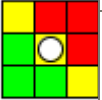




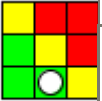



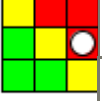

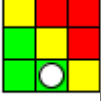


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Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 Failure to identify appropriate actions to deal with reduced funding.	Job losses, reduced income, capital receipts reduced or not realised, service cuts (non-statutory functions, increased workload (e.g. debt recovery), and possible damage to reputation. Loss of discretionary services impacting on quality of life.	Sue McMillan		CRR.01.8 Develop & Deliver a new Medium Term Financial Strategy (31 st October 2012).	CMT			June 2012 Update: Control Actions CRR.01.3, CRR.01.5, CRR.01.6 & CRR.01.7 have been removed on the basis that these actions are ongoing and embedded. Control Actions CRR.01.9 and CRR.01.10 have been added.
				CRR.01.9 Develop and deliver Business Transformation Programme. Business Transformation Team to be in place (& interim manager appointed if necessary) (by 30/9/12).	CMT			
				CRR01.01.10 Scope key projects and identify timelines, together with dependencies and critical resource requirements (by 31/10/12).	CMT			
CRR05 Inadequate "information security"	Financial penalties & damage to reputation.	Peter Dawes		CRR.05.1 Develop an ICT Security Policy (by 30/09/12)	Peter Dawes			June 2012 Update: See Footnote. ¹
				CRR.05.2 Develop processes & procedures which underpin the IT Security Policy (by 30/09/12).	Peter Dawes			
				CRR.05.4 Provide a programme of training on Information Security to all staff (by 30/09/12).	Peter Dawes			

¹ HDC is working with CenSus Partners to develop common information security policies across all four councils. An Information Management Officer has been appointed to lead and manage HDCs approach to information security and Data Protection and the 'KISS campaign' was launched to raise awareness of information security issues, encouraging everyone to 'Keep Information Safe and Secure'. Mandatory 'KISS awareness sessions' are being provided to all staff. Cllr Helena Croft will lead on information security for Members. The Information Security project will be completed by September 2012 and the training and awareness for both staff and Members is ongoing.

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
				CRR.05.8 Review Member email access and policies to ensure the use of HDC e-mail only (by 30/09/12).	Peter Dawes			
CRR06 Lack of a tested Business Continuity Plan	Disruption to service, legislative breaches (if critical paperwork lost), loss of income & failure to achieve objectives.	Natalie Brahma-Pearl		CRR.06.1 Develop corporate business continuity plan and regular review (to be completed by 31/10/12).	Greg Charman			June 2012 Update: All departments have been visited with the exception of four (where key officers were unavailable at the time of the visit). Recovery plans have been written for all departments visited. Once recovery plans have been written for the last four departments, the outcomes will inform the IT recovery plan. A reciprocal arrangement has been set up with Crawley Borough Council for accommodation sharing which has limited the Council's exposure to risk.
				CRR.06.2 Develop departmental business continuity plans and regular review (by 31/8/12).	Greg Charman			
				CRR06.3 To field test reciprocal business recovery arrangements with Crawley Borough Council	Greg Charman			
CRR21 There is currently no formal system in place for calling out staff	An incident which cannot be resolved causing service interruptions at HDC Offices or other buildings for which we are responsible	Natalie Brahma-Pearl		CRR.21.1 Review Duty Officer and Out of Hours system (by 1/4/12 ~ Revised date 1/9/12)	Natalie Brahma-Pearl			June 2012 Update: An initial review has taken place and we are working through the implications if the current system is changed. There is cover in place at the moment, but this is dependent upon the goodwill of officers. We do, however, have an up-to-date cascade call-out system if an incident were to happen, so HDC can respond. We will also be moving more information to our website so customers can see what service we provide out of hours in the event of an emergency.
				CRR.21.2 Review appropriate Role Profiles to ensure that Out of Office cover is addressed (by 1/4/12 ~ Revised date 1/9/12)	Natalie Brahma-Pearl			
CRR24 Loss of Telephone System due to hardware failure	Failure of business objectives Non compliance with statutory requirements Financial business loss Disruption of service Damage to reputation	Peter Dawes		CRR.24.02 Explore partnership opportunities.	Graham Crossingham			June 2012 Update: The risk of failure has been mitigated on the current system. The final decision on the telephony solution will depend on the agreed approach for the wide area network. Options have been reviewed and costed. 'SIPTrunk'
				CRR.24.03 Consider purchase of new system - report will be produced shortly (by 31/3/12).	Graham Crossingham			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
								technology will be installed to improve resilience and flexibility in advance of the final WAN decision.
CRR27 Health & Safety ~ Failure to comply with Council Policy & Procedures and Legislative requirements	Death/serious injury/injury Non compliance with statutory requirements Financial business loss Damage to reputation	Tom Crowley		CRR.27.03 Develop Action Plan to address risks identified (By 31/1/12)	Peter Dawes	✓		June 2012 Update: The action plan has been produced and is reviewed by CMT. Over 20 staff have been trained to NEBOSH standard to help manage H&S. Major issues have been addressed and options for H&S recruitment are being considered.
				CRR.27.04 An update on progress regarding implementation of the action plan will be presented to CMT in April 2012.	Peter Dawes	✓		
CRR28 Loss of ICT infrastructure due to current time limited problems with the air handling systems at CHN Data Centre	Failure of business objectives Disruption of service Damage to reputation	Peter Dawes		CRR.28.01 Issues escalated to WSCC who have changed control systems (check twice weekly)	Graham Crossingham	✓		June 2012 Update: Issue with air handling and power now resolved & escalation procedures agreed. Additional resilience infrastructure and monitoring installed. Control actions now implemented to mitigate this risk. This item will therefore be removed from the Corporate Risk Register.
				CRR.28.02 Installed own 24/7 monitoring equipment	Graham Crossingham	✓		
				CRR.28.03 Implemented interim 24/7 temperature control	Graham Crossingham	✓		
				CRR.28.04 Agreed timescale for system fix (chase twice weekly)	Graham Crossingham	✓		
CRR29 Pressure on the Council's financial position due to new government initiative to localise Council Tax Benefit	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.29.01 Member Advisory Group (31/1/13)	Katharine Eberhart	▶		June 2012 Update: New risk added.
				CRR.29.02 Postponing any change to current policy for a year (31/1/13)	Katharine Eberhart	▶		
CRR30 Potential financial loss due to new government initiative for the localisation of business rates	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.30.1 National updates (31/3/13)	Katharine Eberhart	▶		June 2012 Update: New risk added.
				CRR.30.2 County Working Group (31/3/13)	Katharine Eberhart	▶		
CRR31 Potential financial loss due to new government initiative to move towards the Universal Credit.	Non compliance with statutory requirements. Financial business loss. Disruption of service. Damage to reputation.	Katharine Eberhart		CRR.31.1 Review Updates - National Guidelines (31/3/13)	Katharine Eberhart	▶		June 2012 Update: New risk added.

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR34 Poor performance and/or decision-making following a reduction in the number of directors, increasing work pressures on Directors, Heads of Service and Line Managers	Failure of business objectives	Tom Crowley		CRR.34.1 Regular 1-2-1's with Directors and Heads of Service (Monthly)	T. Crowley; N. Brahma-Pearl; K. Eberhart			June 2012 Update: New risk added.
				CRR.34.2 Review at CMT (Bi-Monthly)	T. Crowley; N. Brahma-Pearl; K. Eberhart			
				CRR.34.3 Review of performance statistics (Monthly)	T. Crowley; N. Brahma-Pearl; K. Eberhart			
CRR36 Legislative breach due to failure to update policies, systems and procedures in readiness for the implementation of the Localism Bill	Non compliance with statutory requirements. Damage to reputation	Katharine Eberhart		CRR.36.1 Project Plan detailing actions	Katharine Eberhart			June 2012 Update: New risk added.
				CRR.36.2 Implement Action Plan (30/9/13)	Katharine Eberhart			
CRR37 The challenge of delivering the day job and projects against a background of business transformation & new initiatives increases pressure on staff and stress-related absences	Death/Serious Injury/Injury/Illness Disruption of service	Tom Crowley		CRR.37.1 Develop Project Plan 30/6/12)	Katharine Eberhart			June 2012 Update: New risk added.
				CRR.37.2 Member Programme Board will set clear priorities (31/7/12)	Katharine Eberhart			
				CRR.37.3 Monitor performance statistics (Monthly)	Katharine Eberhart			

Appendix 3

HORSHAM DISTRICT COUNCIL – RISK MANAGEMENT STRATEGY 2012 TO 2015

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Foreword

The Council introduced its first strategy for addressing risk management in March 2008. Since then, good progress has been made in embedding risk management throughout the Council.

Risk management is not about being risk averse but, rather, it is about understanding and evaluating risks, whether they are an opportunity or a threat, and making informed decisions about how those threats are managed, or opportunities fully exploited, in order to maximise the efficiency of our services.

This strategy requires elected Members and employees alike to assist in, and take responsibility for, the identification, control and reduction of risk and containment of cost in all aspects of their activities and areas of responsibility.

The benefits gained with a risk management framework are improved strategic, operational and financial management, better decision making, improved compliance and, most importantly, improved customer service delivery and better outcomes for the residents of Horsham.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities, and minimises the risks it faces, thereby improving our ability to deliver our priorities and improve outcomes.

.....
Tom Crowley
Chief Executive

Date:

.....
Councillor Roger Arthur
Cabinet Member for Efficiency and Resources

Date:

1.0 STATEMENT OF COMMITMENT

- 1.1 Horsham District Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level, and also maximise opportunities to achieve the Council's objectives and deliver core service provisions.
- 1.2 All employees must understand the nature of risk and accept responsibility for risks associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from senior management and Members.
- 1.3 The Council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of Members and active participation of managers.
- 1.4 The Council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost effective way. In doing so, the Council will better achieve its objectives and enhance the value of the services it provides, while working within tight budgetary constraints.
- 1.5 The Council, as a corporate body, is bound by legal obligations to provide for the health and safety of its Members, employees and those that it serves. The Council is also obliged to protect its material assets and to minimise its losses and liabilities.
- 1.6 Approval and publication of this document demonstrates that the strategy is fully supported by Council Members, the Chief Executive and the Corporate Management Team which are accountable for the effective management of risk within the Council.

2.0 OBJECTIVES

2.1 The objectives of this strategy are:

- To identify the Council's significant risks and manage risk in accordance with best practice.
- To anticipate and respond to changing social, environmental and legislative requirements.
- To ensure that the risk management framework is consistently applied to change initiatives such as the Council's business transformation programme.
- To ensure that project risks are properly managed in accordance with the Council's project management methodology, and that a "lessons learnt" record is maintained and made available to all project managers.
- To raise awareness of the need for risk management by all those connected with the Council's delivery of service and to support and promote risk management through training and awareness activities.
- To establish risk management as an intrinsic part of the Council's processes to support the achievement of objectives.
- To continue to embed risk management as part of the Council's culture of governance.

2.2 These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within the Council for risk management.
- Including risk management issues when writing reports and considering decisions.
- Continuing to demonstrate the application of risk management principles in the activities of the Council, its employees and Members.
- Reinforcing the importance of effective risk management as part of the every day work of employees and Members.
- Maintaining registers of risks linked to the Council's business, corporate and operational objectives, and also those risks which are linked to working in partnership.
- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision.
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence.
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the Council's ability to function.
- Monitor arrangements regularly and seek continuous improvement.

3.0 DEFINITIONS

3.1 Governance

Governance is the combination of processes and structures implemented by senior managers in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

3.2 RISK

Risk can be defined as uncertainty of outcome (whether positive opportunity or negative threat). Risk is ever present and some amount of risk-taking is inevitable if the Council is to achieve its objectives. The aim of risk management is to ensure that the Council makes cost-effective use of a risk process that has a series of well defined steps to support better decision-making through good understanding of risks and their likely impact.

3.3 RISK MANAGEMENT

Risk management involves having processes in place to monitor risks; access to reliable, up-to-date information about risks; proportionate controls in place to deal with those risks; and decision-making processes supported by a framework of risk analysis and evaluation.

4.0 NATIONAL CONTEXT

4.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003 (amended 2006): "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions and which includes arrangements for the management of risk".

4.2 Risk management is an essential element of good governance. The CIPFA/SOLACE Framework on Governance requires Councils to establish and maintain a systematic strategy, methodology and processes for managing risk. They must also report publicly on the effectiveness of these arrangements.

5.0 RISK MANAGEMENT FRAMEWORK

- 5.1 The overall framework adopted by the Council consists of a series of stages to be followed by all staff, including partners and project managers, to achieve an effective and consistent risk management process. These steps are shown in Figure 5.1 and are outlined below in paragraphs 5.2 to 5.6.

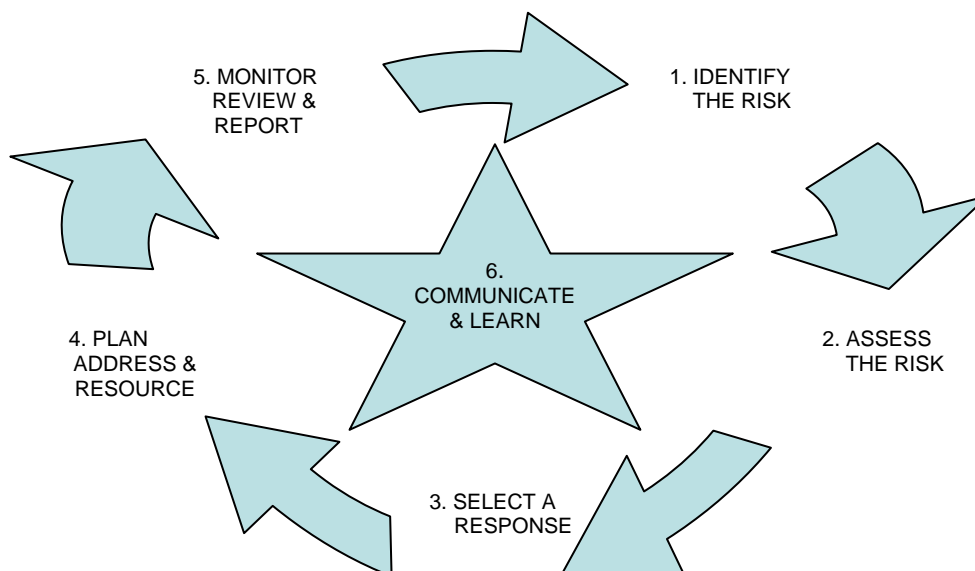


Figure 5.1 ~ Risk Management Cycle

- 5.2 Identify the Risk: This step identifies the potential risk or opportunities facing the Council and this activity must be undertaken as part of an ongoing strategic and service planning process. It is clear that the Council can only manage those risks that have been identified. The more comprehensive the approach to risk identification, the better placed the Council will be to manage risk
- 5.3 Assess the Risk: Risk assessment is the process of categorising risks and measuring the impact and likelihood of the risk occurring. Likelihood and impact are expressed in terms of high, medium or low.
- 5.4 Select a Response: The options available are avoid, reduce likelihood or impact (or both), transfer, accept, fund or contingency planning.
- 5.5 Plan, Address and Resource: This step involves identifying who will carry out the various actions and timescales for implementation (or frequency of checking).
- 5.6 Monitor, Review and Report: Corporate and Departmental risk registers are reviewed on a quarterly basis and quarterly progress reports are submitted to the Accounts, Audit and Governance Committee.
- 5.7 Communicate and Learn: Communication and learning runs through the whole risk management process.

6.0 RISK PROFILE

- 6.1 Once the likelihood and impact of each risk have been assessed, the risk is plotted and prioritised using a simple 3 x 3 matrix.
- 6.2 The summary risk profile shown at Figure 6.2 below, shows the matrix which will be used to “plot” the likelihood and impact of risk, which enables risks to be classified as low, medium, or high.

3	6	9	Likelihood
2	4	6	
1	2	3	
Impact			

Risk Status:

High
Medium
Low

Figure 6.2 ~ Impact/Likelihood Assessment

- 6.3 A risk score of 9 (i.e. likelihood 3 and impact 3) is the most serious risk score that resides within this box which would require urgent attention.
- 6.4 Once risks have been appropriately mitigated, the risk profile will change to reflect the residual risk score.

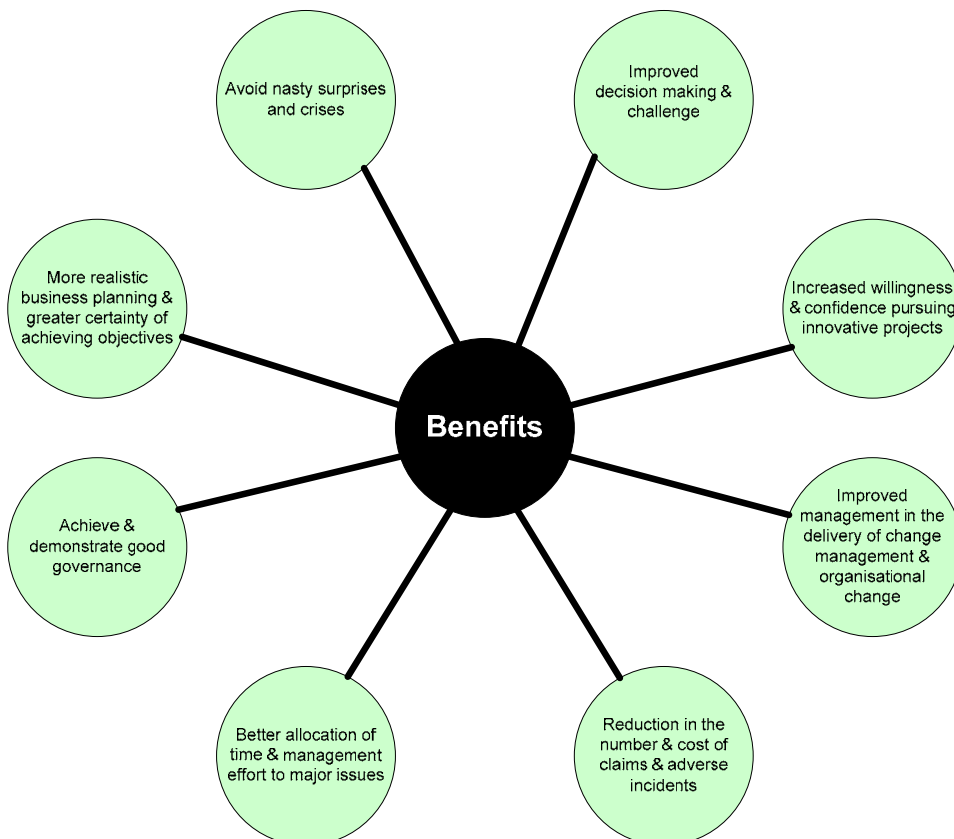
7.0 RISK APPETITE:

- 7.1 Before it is determined what to do about the risks, the amount of risk the authority is prepared to tolerate must be considered. The Authority's overall tolerance to exposure to risk must be considered as well as a view of individual risks. A table setting out the Risk Tolerance (risk appetite) for Horsham District Council, together with appropriate actions and responses, is shown in Figure 7.1 below

Level of Risk	Level of Concern	Impact	Action
Very High (9)	Extreme	Catastrophic	Full action is required immediately
High (6)	Major	Critical	Action is required within 3 months
Medium (3-4)	Reasonable	Marginal	Action plans required within 6 months and managed with contingency plans
Low (1-2)	Minimum	Negligible	Risk is accepted. Contingency or reduction only when cost/time effective.

Figure 7.1 ~ Risk Appetite

8.0 BENEFITS OF GOOD RISK MANAGEMENT



9.0 ROLES AND RESPONSIBILITIES

INDIVIDUAL/GROUP	SUMMARY OF RESPONSIBILITIES
Cabinet and Elected Members	Oversee the effective management of risk throughout the Council, gain an understanding of its benefits, ensuring officers develop and implement an all encompassing approach to risk management.
Member Champion <i>(Cabinet Member for Efficiency & Resources).</i>	Gain an understanding and promote risk management and its benefits throughout the Council, ensuring Members take risk management into consideration when making decisions.
Accounts, Audit & Governance Committee	Provide independent assurance to the Council by monitoring the effectiveness of the Council's Risk Management, Internal Control and overall assurance framework.
Director of Corporate Resources	Provide strategic leadership on all risk management issues, with primary responsibility for the implementation and review of the Council's Risk Management Strategy, providing quarterly updates on risk management to the Accounts, Audit and Governance Committee.
Corporate Management Team	Assist the Director of Corporate Resources in the promotion and implementation of the Council's Risk Management Strategy.
Risk Management Group	Ensure the Council implements and manages risk effectively through the delivery of the Risk Management Strategy and consider risks affecting the delivery of services.
Chief Internal Auditor	Assist the Director of Corporate Resources in co-ordinating the Council's overall approach to risk management and maintain the Corporate Risk Register.
Heads of Service	Take a leading role in identifying and managing departmental risks and opportunities to the Council, providing support to risk champions in maintaining departmental risk registers. Significant risks should be referred to the Corporate Management Team for possible inclusion in the Corporate Risk Register.
Risk Champions	Assist the Head of Service in coordinating risk register reviews, maintaining departmental risk registers on Covalent and retaining documentary evidence of mitigating control actions.
Line Managers	Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives.
Project Managers	Ensure that risks and issues are actively managed and reported in accordance with the Council's project management methodology. Any significant risk or issue should be highlighted with the project sponsor.
Employees	Assess and manage risks effectively in their job, and report hazards / risks to their line manager.

10.0 ARRANGEMENTS FOR RISK MANAGEMENT

10.1 Governance

- 10.1.1 The Director of Corporate Resources reports on the effectiveness of the risk management process and any changes to the Annual Governance Statement to the Corporate Management Team and Accounts, Audit & Governance Committee. This is supported by the Corporate Governance Statement contained within the Council's Constitution.
- 10.1.2 A new Operational Risk Management Group will be formed which will meet quarterly. The terms of reference detailed in Appendix A will help to ensure that risk management is further embedded into the culture of the organisation. In particular, refresher training will be provided to enhance risk management skills and raise awareness of the process to identify, evaluate and control the risks associated with services provided by the Council.
- 10.1.3 The Risk Management Strategy is approved by the Cabinet Member for Efficiency and Resources on behalf of the council and is subject to review on an annual basis.
- 10.1.4 A corporate risk register is maintained by the Council's Corporate Management Team which provides a record of the main strategic and operational risks. In addition, departmental risk registers are maintained by heads of service and a separate project register (which records the top 12 council projects) is also maintained.
- 10.1.5 The Risk Management Strategy and procedures clearly communicate roles and responsibilities for risk management.

10.2 Performance Management

- 10.2.1 During the service planning process, risks detailed on the departmental risk registers will be reviewed and updated, new risks identified and analysed and outstanding additional control measures fed in to service objectives within service plans for the coming year.
- 10.2.2 Risk management informs the strategic decision-making process and Members are aware of the risk effects of decisions being made.
- 10.2.3 Risk management is integrated into the business planning and performance management frameworks.
- 10.2.4 The Accounts, Audit and Governance Committee is responsible for reviewing the overall effectiveness of the Risk Management Process.

10.3 Internal Control

10.3.1 Controls

Controls ensure that processes operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records are complete, secure and accurately maintained.

10.3.2 Systems of Control

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

10.3.3 Control Environment

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing and monitoring the achievement of the organisation's objectives;
- The facilitation of decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is applied to the risk management process, and how staff are trained and equipped to manage risk in a way appropriate to their authority and duties;
- Ensuring the economic, effective and efficient use of resources and ensuring continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the organisation and financial reporting;
- The performance management of the organisation and the reporting of performance management.

Managers will be responsible for ensuring that proper controls are in place to ensure that resources are used appropriately, delivery of the Council's objectives and to provide value for money.

The audit process independently monitors the controls and procedures across the Council to enhance value for money, ensure system reliance, minimise risk and act upon suspicion of fraud or corruption. The Audit Commission relies on the audit processes in place in formulating their opinion of the Council's control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.

10.4 Project Management

- 10.4.1 A project management toolkit has been established for the Council, which draws on many areas of good practice that already exist across the Council and provides a practical reference point for managers and staff involved in projects.
- 10.4.2 Independent project assurance for the Council's key projects is provided by a Project Assurance Core Team (PACT) which reports progress to the Corporate Management Team and Members on a monthly basis. The monthly update includes an assessment of current risks and issues.
- 10.4.3 A repository of risks from previous projects will be developed which will be made available to all project managers.

10.5 Data Quality

- 10.5.1 The Council needs to ensure that the data we use for performance monitoring and to inform decision-making is accurate, reliable and fit for purpose. If the information is misleading, decision-making may be flawed, resources may be wasted, poor services may not be improved and policy may be ill-founded. These could represent significant risks to the council. There is also a danger that good performance may not be recognised and rewarded.

10.6 Anti-Fraud & Corruption and Anti Bribery

- 10.6.1 The Council has an Anti-Fraud and Corruption Policy which sets out roles and responsibilities. The Council will develop an anti-fraud and corruption framework, which will direct the council towards ensuring a professional and ethical approach to combating fraud. The Council will develop a strategic approach in order to minimise the risk of losses through fraud and corruption.
- 10.6.2 The council is committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to establish 'business as usual' anti-bribery compliance, rather than as a one off exercise.

10.7 Whistleblowing

- 10.7.1 Horsham District Council is committed to the highest possible standards of propriety and accountability in the conduct of its activities for the community. Employees are often the first to realise that something wrong may be happening within the Council. The Council's Confidential Reporting Code is intended to help employees who have concerns over any potential wrong-doing within the council.

10.8 Business Continuity

- 10.8.1 The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. The Council must ensure risk management processes are applied throughout the business continuity lifecycle.

10.9 Monitoring / Reporting

10.9.1 The Corporate Risk Register is reviewed on a quarterly basis.

10.9.2 Departmental Risk Registers are reviewed on a quarterly basis.

10.9.3 The Project Risk Register (referred to in 10.4.2 above) is reviewed on a monthly basis.

APPENDIX A

OPERATIONAL RISK MANAGEMENT GROUP ~ TERMS OF REFERENCE

1. Ensure that the Risk Management Strategy is fit for purpose and up to date.
2. Play a key role in the implementation of the Risk Management Strategy.
3. Review training requirements regarding risk management and health and safety issues across the Council.
4. Oversee work in relation to operational risk management, ensuring that operational risks are being identified, managed and reported in a proper manner.
5. Encourage an innovative approach to risk where appropriate.
6. To receive reports on the number and nature of all accidents, dangerous occurrences and notifiable diseases in Horsham District Council, and monitor trends.
7. To receive and examine safety audit reports, to note areas where improvements can be made and make recommendations to management.
8. To receive information from the Insurance Officer regarding all aspects of claims against Horsham District Council.
9. Engage with the Council's partners to ensure that all risks relating to the relationships and services provided by partners are understood by all and properly managed.
10. Sharing of risk information.

Membership:

Chair	Director of Corporate Resources
Vice Chair	Head of Planning & Environmental Services
Group Members	Representative from Operational Services
	Representative from Leisure & Economic Development
	Representative from Community Development
	Representative from Business Services
	Chief Internal Auditor
	Health & Safety Officer
	Insurance Officer

APPENDIX B

ACTION PLAN 2012 to 2013

	Action	Responsibility	Target Date
1.	Establish terms of reference and membership of the Risk Management Group.	CMT	Completed 10/05/12
2.	Set up an Operational Risk Management Group to monitor and report on the effectiveness of risk management, promoting good practice.	Director of Corporate Resources	30/06/12
3.	Set up a rolling programme of Risk Register health checks for all services and major projects.	Risk Management Group	Quarterly
4.	Review and rationalise the Risk Management procedure manual.	Chief Internal Auditor	31/07/12
5.	A repository of risks from previous projects will be developed which will be made available to all project managers.	Systems Development Manager	31/10/12
6.	Initiate a training programme for key officers within departments, using scenarios which are relevant to the service area.	Chief Internal Auditor	30/03/13

APPENDIX C

GLOSSARY OF TERMS

- **CIPFA** ~ Chartered Institute of Public Finance and Accountancy
- **GOVERNANCE** ~ the combination of processes and structures implemented by senior managers in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives the way in which an organisation is managed and controlled. It is about integrity, openness and accountability.
- **INTERNAL CONTROL** ~ the actions taken by management to plan, organise and direct the performance of sufficient actions to provide reasonable assurance that business objectives will be achieved.
- **MITIGATION** ~ selection and implementation of appropriate options for dealing with risk.
- **OPERATIONAL** ~ these concern the day-to-day issues that the council is confronted with as it works to deliver its strategic objectives.
- **PROJECT MANAGEMENT METHODOLOGY** ~ the method by which projects are managed and controlled. HDC has adopted a customised PRINCE 2 methodology for Horsham District Council.
- **RESIDUAL RISK** ~ the remaining levels of risk after risk mitigation measures have been taken.
- **RISK** ~ Risk can be defined as uncertainty of outcome (whether positive opportunity or negative threat). Risk is ever present and some amount of risk-taking is inevitable if the council is to achieve its objectives.
- **RISK APPETITE** ~ the level of risk which is tolerated, and associated controls required.
- **RISK CHAMPION** ~ a nominated officer who promotes risk management and provides advice to officers on the principles of risk management.
- **RISK MANAGEMENT** ~ involves having processes in place to monitor risks; access to reliable, up-to-date information about risks; proportionate controls in place to deal with those risks; and decision-making processes supported by a framework of risk analysis and evaluation the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them or responding to them.
- **RISK PROFILE** ~ a matrix used to “plot” the probability and impact of risk, showing identified risk classifications (as low, medium, high or very high).
- **RISK REGISTER** ~ the document used to summarise risk information.
- **SOLACE** ~ Society of Local Authority Chief Executives

- **STRATEGIC** ~ these concern the medium-term and long-term strategic objectives of the Council. They can be affected by such areas as capital availability, political risks, legal and regulatory changes, reputation and changes in the physical environment.
- **THREATS** ~ a source of potential harm or a situation with a potential to cause loss.