



ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE

THURSDAY 27TH SEPTEMBER 2012 AT 5.30pm
COMMITTEE ROOM 1, PARK NORTH, NORTH STREET, HORSHAM

Councillors: David Holmes (Chairman)
Gordon Lindsay (Vice-Chairman)
John Bailey Jim Rae
Roy Cornell Stuart Ritchie
Leonard Crosbie

Tom Crowley
Chief Executive

AGENDA

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1. Apologies for absence	
2. To approve as correct the minutes of the meeting of the Committee held on 26 th June 2012	1
3. To receive any declarations of interest from Members of the Committee	
4. To receive any announcements from the Chairman of the Committee or the Chief Executive	
5. Annual Governance Report – to be presented by the District Auditor <i>(please see separate document)</i>	
6. Statement of Accounts 2011/12 <i>(Hard copies of the appendix to this report are available on request or it may be viewed online with the agenda at: http://www.horsham.gov.uk/council/agendas-reports.aspx)</i>	9
7. Letter of Representation 2011/12	12
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| 11. | Risk Management – quarterly update | | 46 |
| 12. | 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 | | |
| 13. | To consider the following exempt or confidential information: | | |
| | | Reason for exemption | |
| (a) | <u>Report of the Chief Internal Auditor</u>
Appendix 3 of the Internal Audit – Quarterly Update Report | Paragraph 3 | 56 |

ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
26TH JUNE 2012

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

Also present: Councillor Christian Mitchell
Helen Thompson, District Auditor
Emma Bryant, Audit Manager

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor David Holmes be elected Chairman of the Committee for the current Council year.

AAG/2 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED

That Councillor Gordon Lindsay be appointed Vice-Chairman of the Committee for the current Council year.

AAG/3 **TIME OF MEETINGS**

RESOLVED

That meetings of the Committee be held at 5.30pm for the ensuing Council year.

AAG/4 **MINUTES**

The minutes of the meeting held on 28th March 2012 were approved as a correct record and signed by the Chairman.

The Chairman referred to Minute AAG/37 regarding an objection to the 2011/12 Accounts, in respect of a statement he had made indicating that he had not seen the details of the marketing exercise and evaluation criteria regarding the Town Hall, which he had subsequently acknowledged was incorrect as all Members of the Council had been supplied with the information in February 2012.

AAG/5 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

There were no announcements.

AAG/7 **HORSHAM'S FINANCIAL ACCOUNTS – OUTTURN FOR 2011/12 –
REVENUE, CAPITAL AND REPAIR & RENEWALS BUDGETS**

The Director of Corporate Resources reported on the 2011/12 outturn on revenue, capital and repair & renewals funds, compared with the revised budget for the year. It was noted that, in general, expenditure had been kept within budget and an underspend had been achieved.

The underspend on revenue against the approved budget amounted to £1,235,000, and included budgets which were proposed for slippage and an exceptional item (a one-off VAT refund of £603,000). The salaries budget was underspent by £9,000, achieving the budgeted vacancy saving of £250,000. Grants and contributions received in 2011/12 but not fully spent in the year totalled £176,000. Redundancy costs agreed by the Council to be funded from reserves totalled £371,000.

The approved budget carry forwards from 11/12 had been added to the relevant budgets for 2012/13. Members were reassured that all requests to carry forward budgets were carefully scrutinised before being agreed.

Most of the savings/underspends that had occurred in 2011/12 had already been factored into the 2012/13 budget, where it was anticipated that the saving would be achievable in future years. Also, the 2011/12 outturn figures would be used as part of the budget challenge process for the preparation of the 2013/14 budget, to ensure budgets were not overstated.

Capital outturn for 2010/11 was £7,865,000, £1,967,000 below the budget. Expenditure from the Repairs and Renewals Fund totalled £237,000 against a budget of £427,000, and the unspent budgets would be rolled into 2012/13.

It was noted that the issue of continued underspends on the Repair & Renewals Fund was being addressed.

RESOLVED

- (i) That the report be noted.
- (ii) That the slippage approved by the Director of Corporate Resources be noted.

REASON

There is a statutory requirement to report on the Council's financial position at the end of each year.

AAG/8 **DRAFT STATEMENT OF ACCOUNTS 2011/12**

The Head of Financial & Legal Services indicated that the draft Statement of Accounts 2011/12 had been circulated for Members' information and that the final version would be submitted to the next meeting of the Committee for approval.

It was noted that the figure stated for Warnham Mill Pond Reservoir was what had currently been included in the budget, based on earlier estimates. The entries in respect of the swimming pools at the Pavilions in the Park, Steyning and Billingshurst related both to works required before the new Leisure Management Contract was entered into and some defects from the original build.

Members discussed the presentation of the accounts. Whilst it was accepted that the accounts had to be in the prescribed format, it was suggested that the explanatory foreword could be presented in a way, so as to be more easily understood. The auditor clarified that additional guidance would be given on the format of the explanatory forward.

AAG/9 **INTERNAL AUDIT ANNUAL REPORT 2011/12**

The Chief Internal Auditor advised that the annual report had been compiled to document and communicate an overall opinion based on the work undertaken by Internal Audit during 2011/12.

The internal audit team worked to a four-year strategic audit plan, prepared by the Chief Internal Auditor, and aimed to review the Council's major areas of operation and systems on a rolling cycle. The strategic plan had been developed using a risk-based assessment which determined priorities and time allocations for each audit. Areas and systems which were considered fundamental to the Council's operations, or which were considered to be high risk, were normally reviewed on an annual basis.

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 had impacted on the original audit plan and resulted in seven audits being deferred to 2012/13, as reported to the last meeting of the Committee. During 2011/12, 90% of the planned work had been completed or was at draft report stage, including a review of all key financial systems. A summary of progress against the 28 discrete projects as at 8th June 2012 was submitted.

The Internal Audit service was operated in accordance with the CIPFA Code of Practice for Internal Auditing 2006.

AAG/9 Internal Audit Annual Report 2011/12 (cont.)

The percentage of agreed action items implemented was one of the key measures used to demonstrate the effectiveness of the section, although the actual implementation of agreed actions was a management responsibility. From a review of 155 agreed actions for 2010/11, 121 had now been implemented. Performance was now being closely monitored and agreed actions which had not been implemented were now being reported to the Committee on a quarterly basis.

The Chief Internal Auditor was of the overall opinion that moderate assurance could be given that there was generally a sound system of internal control, designed to meet the Council's objectives, and that the controls were generally being applied consistently. Areas of particular comment included:

- Risk Management - During 2010/11, the Council had 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 was committed to the principles of good corporate governance, which were already demonstrated through many aspects of good practice. However, although some progress had been made in reviewing the Council's Constitution, further revisions were needed. In particular, the Council's Financial Regulations and Contract Standing Orders are in need of review.
- Internal Control - Internal controls were basically sound in most areas but there were some significant weaknesses in respect of:
 - Information Security, where policies, data classification and business continuity needed to be addressed. An officer had now been tasked with improving this area as a priority, and it was anticipated that significant progress would be made during 2012/13; and
 - Health & Safety, where a comprehensive review of Health & Safety had been undertaken by an outside consultant and a report issued, which contained a number of recommendations for improvement. A prioritised action plan had been developed which would help the Council to work towards an efficient and compliant corporate Health & Safety Management system by the end of December 2013.

The submitted table of internal audit assurance opinions showed the following balance of substantial and moderate audit opinions on individual audit reports, which indicated that controls needed to be strengthened in a number of areas of the Council's operations:

AAG/9 Internal Audit Annual Report 2011/12 (cont.)

Internal Audit Opinion	Definition of Opinion	Number in 2011/12
Full Assurance	There is a sound system of control in place which minimises risk to the Council; and audit testing identified that all expected controls are being consistently applied	0
Substantial Assurance	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 audit testing identified a lack of compliance with controls in a few areas	11
Moderate Assurance	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 audit testing identified a lack of compliance with two or more key controls	14
No Assurance	The system of control is very weak or non-existent, which is placing the Council open to significant risk: and/or audit testing identified a high number of key controls which are not being complied with	0

The Director of Corporate Resources advised that the aim was to have more substantial assurances than moderate and that the number of outstanding actions needed to be reduced.

The Committee indicated that it hoped to see improvement in the future in the level of assurance recorded in respect of vital financial areas, such as Asset Management, Creditors, Debtors and Treasury Management whilst maintaining the level of substantial assurance in those areas currently rated as such.

RESOLVED

That 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 be noted.

REASON

To comply with the CIPFA Code of Practice for Internal Auditing in Local Government 2006.

AAG/10 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since March 2012.

A summary of audit findings in respect of payroll, staff recruitment, public health (premises inspections), asset management, treasury management, debtors, contracts and casual workers was submitted.

Members expressed concern regarding the control weaknesses that had been identified in respect of asset management and noted that it had been agreed that the Asset Management Plan would be updated and the terms of reference for the various property groups would be reviewed.

With regard to treasury management, it was noted that the wording of the Treasury Management Policy in respect of building society investments had now been amended to remove any ambiguity.

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 a member of the Business Services team had been seconded to the role of Information Management Officer, which ensured that the Council now had 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 assurance to the project. The Information Security Manager had introduced an awareness session for Information Security which was being rolled out across the Council for officers and Members.

Whilst concerns had been raised by the Committee at its last meeting regarding the adequacy of internal audit resources, it was noted that, as at 31st May 2012, the audit plan for 2012/13 was on track. A further update would be provided as part of the next quarterly report.

The Chief Internal Auditor also reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2011/12, 2010/11 and 2009/10, together with details of agreed actions not yet implemented, an update for each item and a revised implementation date.

The Committee expressed its gratitude to the Chief Internal Auditor for highlighting areas of concern and noted that they were to be addressed.

RESOLVED

That the summary of audit and project work undertaken since March 2012 be noted.

AAG/10 Internal Audit – Quarterly Update Report (cont.)

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/11 DRAFT ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor submitted the Annual Governance Statement in draft form for Members' comments and questions. The Statement was designed to demonstrate how the Council delivered good governance and to meet the requirements of the Accounts and Audit (England) Regulations 2011.

Members and the District Auditor commented on the draft Statement with particular reference to:

- the need to reflect the overall assurance opinion of Internal Audit in respect of internal control within the section on the Council's Governance Framework
- the deletion of the word "new" in relation to the Sustainable Community Strategy in Core Principle (1) and the need to check the statement regarding the Strategy in Core Principle (6)
- suggested amendments to the wording of actions 3 and 4 in the Action Plan for 2011/12

The Annual Governance Statement would be submitted for final approval by the Committee at its next meeting in September.

AAG/12 RISK MANAGEMENT – QUARTERLY UPDATE REPORT

The Chief Internal Auditor 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 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)) had been removed as previously agreed, as all planned actions had been implemented and the

AAG/12 Risk Management – Quarterly Update Report (cont.)

level of risk reduced to an acceptable level. Risks removed from the live register were reviewed by Corporate Management Team on an annual basis. It was also noted that a number of new risks had been added to the corporate risk register.

The Council's first formal Risk Management Strategy (2008 to 2011) had now expired and good progress had been made in embedding risk management into the culture of the organisation. A new Risk Management Strategy had therefore been developed covering the period 2012 to 2015 to further develop the Council's approach to managing risk. The Strategy outlined the Council's approach to risk management and incorporated responsibilities and an action plan for improvement.

As at 21st May 2012, a total of 14 out of 18 departmental risk register reviews had been completed.

RESOLVED

- (i) That the updated Corporate Risk Register be approved.
- (ii) That the revised Risk Management Strategy be noted.
- (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/13 FEEDBACK ON TRAINING

Members indicated that they were satisfied with the training that they had recently received and that the provider was excellent. They expressed a desire to attend further training sessions in due course in order to keep their knowledge up to date.

AAG/14 URGENT MATTERS

There were no urgent matters to be considered.

The meeting finished at 7.27pm having commenced at 5.30pm.

CHAIRMAN

Annual governance report

Horsham District Council

Audit 2011/12



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Key messages

This report summarises the findings from my 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 18 September 2012 I expect to issue an unqualified audit opinion.

The financial statements presented for audit were complete and were generally compliant with current accounting and disclosure requirements. You produced the draft financial statements by statutory deadlines and your internal timetable. Key internal control processes, such as the bank and control account reconciliations, had been performed and were available at the start of the audit. Although most working papers were available at the start of the audit they were not all in a format that met the specified requirements. I have made a recommendation to review the working papers and their format in the 'other matters' section of the report.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

You have a good track record of meeting your financial targets and I am satisfied that your budget planning and preparation arrangements are sound. In my 2010/11 annual governance report I raised a number of recommendations to improve the consistency, transparency and accuracy of your budget reporting. I am satisfied that you have developed your arrangements during the course of the year to address these issues.

You are a relatively low spending council and your expenditure is reducing at a slightly quicker rate than at comparable authorities. However, your medium term financial planning forecasts a budget gap and it is likely to be increasingly difficult to maintain your financial resilience in the future. Difficult decisions will need to be made, and you will need to continue to find value for money improvements, to close the forecast budget gap and maintain a reasonable level of revenue reserves.

Certificate

Subject to the full completion of outstanding work on whole of government accounts or any other matters which come to my attention, I intend to issue the certificate alongside the opinion and VFM conclusion.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or myself that I am required by auditing and ethical standards to report to you.

During the year the Audit Commission's Audit Practice undertook non-audit work for the Council for a fee of £29,850 as I received correspondence from a local elector which I accepted as a valid objection. I completed my work on the objection and issued my decision letter on 1 March 2012. There are audit and legal fees relating to dealing with receipt of the objection. Because of the unpredictable nature of the work involved these fees are not part of the fixed fee for audit.

I ask the Accounts, Audit and Governance Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

My work is almost complete subject to completion of:

- review of the amended statements, annual governance statement and supporting working papers;
- clearance of review points; and
- completion of the work on whole of government accounts.

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

I detected a small number of errors during the audit that I wish to draw to your attention. I have summarised corrected errors in appendix 2. Where I detected errors relating to a specific or significant risk, or where errors have led to agreed recommendations, I consider them in more detail in the main body of the report.

Significant risks and my findings

I reported to you in my March 2012 Audit Plan the significant and specific risks that I identified relevant to my audit of your financial statements. In Tables 1 and 2 I set out my findings against each of these risks.

Table 1: **Significant risks and findings**

Risk	Finding
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Code requires you to value PPE at fair value (with some exceptions). The valuation is a complex process and this means there is a risk the financial statements may be materially misstated because of:</p> <ul style="list-style-type: none"> ■ applying the wrong valuation basis; ■ failing to derecognise the carrying value of assets or components of assets that you replace or restore; ■ using inappropriate asset lives, residual values, or cost or fair value; or ■ failing to apply the Code's requirements for componentisation for depreciation purposes. <p>You maintain your asset register in a spreadsheet that is highly complex. My work last year identified that you do not have an end user policy. End user computing is the term applied to small scale office-system developments by user departments. The fixed asset register spreadsheet developed by the Finance department as part of the financial reporting process is an example of this. An assessment of the general controls applied to end user computing is required to gain assurance that there will be no adverse impact on the financial statements. Without a specified end user policy in place, there is a risk that errors in financial data may result because of:</p> <ul style="list-style-type: none"> ■ lack of testing to ensure developments work correctly 	<p>To gain assurance over the valuation of property, plant and equipment shown in your financial statements, I have:</p> <ul style="list-style-type: none"> ■ reviewed your arrangements for instructing your valuer and the controls over the information provided to your valuer; ■ carried out procedures to assess whether I can place reliance on the work of your valuer; ■ carried out tests of detail on valuations and associated depreciation calculations; ■ used my own consulting valuer, Gerald Eve, to inform my review of your valuer; and ■ undertaken work to ensure that totals within the fixed asset register are properly derived and agree to the amounts in the ledger. <p>I am satisfied from my work that:</p> <ul style="list-style-type: none"> ■ I am able to rely on the work of your valuer to gain assurance over the valuation of property, plant and equipment shown in your financial statements; ■ based on my sample testing, valuations and associated depreciation calculations are correct in your fixed asset register and financial statements; and ■ based on information produced by Gerald Eve, the approach taken by your valuer is reasonable. <p>In my 2010/11 annual governance report, I recommended that you should componentise assets revalued in forthcoming years to ensure compliance with IAS 16. Although you have adopted a componentisation policy in 2011/12 I found that no assets have been componentised during the year. I noted that assets revalued in 2011/12 included leisure centres which I would expect to have significant components. These should be identified and separately depreciated.</p> <p>See recommendation 1</p> <p>My work to consider your IT control environment identified that you still do not have an end user policy or other general controls over the spreadsheet based fixed asset register you use to prepare your financial statements. This continues to create a risk to</p>

Risk	Finding
<p>and are fit for purpose;</p> <ul style="list-style-type: none"> ■ inappropriate access to change data, either in error or maliciously; and ■ poor or no documentation leading to a lack of contingency or weaknesses in systems knowledge 	<p>my audit of the financial statements.</p> <p>See recommendation 2</p>
Recommendation	
<p>R1 Componentise assets revalued in forthcoming years to ensure compliance with IAS 16 and the componentisation levels set out in your componentisation policy. Ensure your consideration of components against your policy is clearly evidenced.</p>	
<p>R2 Develop and apply an end user policy or other similar general control to provide greater assurance over the accuracy of the data in your spreadsheet based fixed asset register.</p>	

Table 2: **Specific risks and findings**

Risk	Finding
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. As this is a new requirement, there is a risk that you may not be able to identify and account for all heritage assets within the time available.</p> <p>A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that you hold and maintain principally for its contribution to knowledge and culture. For Horsham District Council this may include historical monuments, museum artefacts or art works.</p>	<p>I have evaluated the management controls you have in place to recognise and value heritage assets. I have undertaken testing to check you have accounted for heritage assets in accordance with FRS 30 and the Code; and the financial statements are materially correct.</p> <p>I am satisfied that you have reasonable processes for the identification and, where appropriate valuation and recognition, of heritage assets. I am satisfied the heritage asset disclosures made in your financial statements are complete and comply with the requirements of the Code.</p>

Risk

IAS 19 – pension scheme assets and liabilities

Your financial statements will contain several material entries for retirement benefits, including the pension scheme assets and liabilities. The valuation of these items is a complex process and this means there is a risk the financial statements may be materially misstated.

Finding

To gain assurance over the pension scheme assets and liabilities in the financial statements, I have:

- reviewed your arrangements for instructing the actuary and controls over information provided to the actuary;
- undertaken procedures to rely on the work of the scheme actuary, Hymans Robertson, which include the use of my own consulting actuary; and
- undertaken tests to ensure you account for and disclose the pension scheme assets and liabilities correctly within the financial statements.

I am satisfied from my work that you have satisfactory arrangements for instructing the actuary and operate controls to gain assurance over information provided to the actuary. I am satisfied that I am able to rely on the actuary's work and that pension scheme assets and liabilities are correctly accounted for and disclosed in the financial statements.

Housing benefit reconciliation

My work on documenting the housing benefit system has identified that the reconciliation of the Academy system (housing benefits) and the Task system (general ledger) had not been undertaken since June 2011. There is a risk that differences between the Academy system and the ledger may not be identified if reconciliations are not completed on a regular and timely basis.

I have undertaken testing of the year-end housing benefits reconciliation to the general ledger as part of my post-statement work. I am satisfied that the year-end control account reconciliation has been undertaken on a timely basis and that there are no significant differences arising.

Weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- you have amended the statement so that it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 3: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
<p>From my work on car parking income, I have found that you are experiencing continuing difficulties with car parking ticket machines inaccurately recording income expected and received. I reported this in my 2010/11 annual governance report.</p> <p>I have reviewed a schedule of differences between income expected and income banked. As in 2010/11, the income received in 2011/12 was greater than that recorded by the car parking ticket machines. The value of the difference in 2011/12 was £45,000 and I remain satisfied that there is no material risk of fraud or mis-statement.</p>	<p>There is a risk that car parking income is not accurately or completely recorded.</p>	<p>Officers are investigating the possibility of replacing or upgrading the car parking ticket machines.</p> <p>See recommendation 3.</p>

Recommendation

R3 Continue to ensure that differences between car parking income recorded by the machines and income banked are investigated as far as possible; and investigate the possibility of replacing or upgrading the car parking ticket machines.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

The matters I wish to report are set out in table 4 below.

Table 4: **Other matters**

Issue	Finding
Accounting policies	I reviewed your accounting policies and identified a small number of areas where the accounting policies required expansion or were inconsistent with the financial statements. You have reviewed and amended your accounting policies for these findings.
Related party transactions – note 30	<p>I evaluated your arrangements for identifying and disclosing related parties within the financial statements. I have reviewed the disclosure in note 30 and found there was an omission of £59,000 in respect of the Census partnership.</p> <p>In addition, six members did not submit related party declarations. Related party transactions can arise where the close family of a councillor or senior officer holds a position of influence with an organisation with which the Council transacts. I carried out additional procedures to gain assurance that related party transactions are completely and correctly disclosed.</p>

Issue	Finding
	<p>You expanded the disclosure of related party transactions in the revised financial statements to highlight that these returns were not received and include the omitted £59,000 in respect of the Census partnership.</p>
<p>Annual Governance Statement (AGS)</p>	<p>In my 2010/11 annual governance report, I recommended there should be clear links between the AGS and the key sources of assurance which are used to compile it. In 2011/12, the Accounts, Audit and Governance Committee considered the draft AGS after they had received the Head of Internal Audit's Annual Report. Members also have the opportunity to comment on the AGS prior to approving it at the September committee meeting.</p> <p>My review of the AGS identified that it did not meet the new Code requirement to include a specific statement on whether the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.</p> <p>The revised AGS includes a statement that the Council does comply with these requirements.</p>
<p>Working papers</p>	<p>In February 2012, I provided you with a draft list of working paper requirements and discussed these with officers. You provided some good working papers, for example those provided for debtor and creditor balances. However, not all working papers requested were available at the start of my audit, for example the year end payroll reconciliation. Some working papers provided were not sufficient to allow my team to undertake its work without further discussions with officers. For example, an extended trial balance showing adjustments between the ledger trial balance and financial statements was requested separately.</p> <p>My audit team will continue to work with your officers to ensure that all working papers:</p> <ul style="list-style-type: none"> ■ are available at the start of the audit in a format that meets specified requirements; and ■ include some explanatory narrative. <p>See recommendation 4.</p>

Issue	Finding
Property, plant and equipment (PPE)	<p>During the year you disposed of three small plots of land that were not separately identified in your asset register and were not reflected in the carrying value of PPE in your financial statements.</p> <p>As a result of my work you have included additional narrative disclosure to Note 7 of your financial statements to explain that part of the gain on disposal of non-current assets relates to assets sold that have no carrying value in your accounts.</p>
Recommendation	
<p>R4 Ensure that working papers produced to support your accounts:</p> <ul style="list-style-type: none"> ■ are available at the start of the audit in a format that meets specified requirements; and ■ include some explanatory narrative. 	

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office.

Work on your Whole of Government Accounts return remains in progress at 18 September. I will provide an update at the Accounts, Audit and Governance Committee.

Value for money

I am required to conclude whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my March 2012 Audit Plan I reported to you the risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that you have proper arrangements to secure economy, efficiency and effectiveness in the use of your resources. I include my draft conclusion in Appendix 1.

Table 5: **Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2011/12: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The main risk to financial resilience remains the continuing challenge of achieving a balanced budget over the medium term with reduced funding.	 In my 2010/11 annual governance report, I made three recommendations to improve your budget reporting. I have followed up those recommendations and am satisfied you have taken action to address them. Although further improvements are currently underway in respect of budget monitoring, I am satisfied that progress is being made in respect of all of the recommendations made. The first two of my 2010/11 recommendations focused on the need to improve the consistency, transparency and accuracy of budget reporting. I found that officers have been working on developing the format of budget reports to improve clarity. The first of the revised format budget reports was considered by the Corporate Management Team in July 2012. The Director of Corporate Resources has also introduced a new process requiring budget holders to predict the year-end outturn on a monthly basis to improve the accuracy of budget forecasting to members.

Criteria	Risk	Findings
		<p>My third 2010/11 recommendation was to bring together the multiple actions plans to address the operational services overspending into one document to allow effective monitoring. Although this was not done the individual actions have been pursued and changes (e.g. new project management assurance processes and more robust budget monitoring) have been embedded. The final part of the Council's work on this front was undertaken by the Scrutiny and Overview Committee's Acorn Plus Working Group. The purpose of this was to ensure that the roles of Cabinet Members in the Acorn Plus project were understood. This led to Council agreeing a series of changes to the constitution to clarify Cabinet Member roles. The Acorn Plus project has now been fully rolled out and the overspend issues have been dealt with. In 2011/12 the operational services budget was restructured to reflect the new service and its operations. Although there was a further overspend in 2011/12 (approximately £300,000) the budget estimate was much closer than in the previous year reflecting the improved understanding of the revised operation.</p> <p>You have continued to achieve your financial plans in 2011/12 despite challenging economic circumstances, reporting an underspend of £1.235 million against your revised budget. However, you predict that it will be increasingly difficult to maintain your financial resilience in the future. Your draft revenue budget for 2012/13 originally showed a deficit of £1.3 million but was updated to include a series of proposals which reduced the deficit to £300,000. A revised budget was approved at the February Council meeting where you agreed to meet the remaining £300,000 deficit from reserves.</p> <p>Your medium term financial projections show an increasing budget gap which you are seeking to close. You have undertaken modelling for the 2013/14 budget and beyond which is based on reasonable assumptions and properly considers the potential impact of the significant planned changes to local government finance. This shows a growing revenue deficit. In the short term this can be offset by use of the New Homes Bonus and other revenue reserves, but further value for money improvements are required over the medium term for your financial plans to be sustainable.</p> <p>Based on my review of the action you are taking to reduce the budget deficit and model your finances in the future, I am satisfied that your budget planning and preparation arrangements are sound. However, difficult decisions will need to be made, and you will need to continue to</p>

Criteria	Risk	Findings
		find value for money improvements, to ensure that the budget gap is managed and a reasonable level of revenue reserves is maintained.
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>		<p>I am satisfied that you have sound arrangements to monitor and report your performance. The Performance Management Working Group (a sub committee of the Scrutiny Committee) has monitored performance throughout 2011/12, receiving quarterly reports produced from the Covalent system on an agreed set of indicators. The Chair of the Working Group reports to the following Scrutiny and Overview Committee on the outcome of the Group's considerations. From 2012/13 the Performance Management Working Group and Budget Review Working Group have merged and will monitor both finance and performance issues prior to Scrutiny Committee consideration. The first meeting was held in May this year so it is too early to comment of the effectiveness of the revised approach at this stage.</p> <p>Based on the Audit Commission's VFM profile database, which uses 2010/11 spending data, your spending is lower than average compared to your statistical nearest neighbours. Your spending in 2010/11 reduced for the first time in a number of years, and reduced at a slightly quicker rate than at your nearest neighbours. The Council's involvement in the successful Census revenues and benefits partnership is a contributory factor to this overall reduction in costs. 2010/11 data showed a decrease in housing and council tax benefit administration costs despite there being no change in caseload. However, you will need to continue to reduce your overall costs or increase funding to have sustainable financial plans over the medium term.</p>

I identified two specific risks within my 2011/12 Audit Plan relating to the National Fraud Initiative and your procurement exercise in relation to the Old Town Hall. I have set out my findings in Table 6.

Table 6: Value for money conclusion specific risks and my findings

Criteria	Risk	Findings
<p>3. Proper arrangements – National Fraud Initiative</p> <p>The national fraud initiative (NFI) is a data matching exercise carried out by the Audit Commission every two years. It compares information held by and between about 1,300 organisations including councils, the police, hospitals and nearly 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments, all hosted on a secure website. When there is a match, there may be something that warrants investigation.</p> <p>In my annual audit letter last year I reported you had made limited progress with clearing data matches other than those for housing benefits which are reviewed by Census.</p>	<p>The Council has a statutory duty to undertake work on the NFI matches.</p>	<p>I discussed your approach and progress on NFI matches with the Head of Internal Audit and the Audit Commission's NFI Performance Specialist. In addition, I have reviewed your progress on the NFI system.</p> <p>You have made improvements in undertaking the exercise and, as a result, avoided being named in the National Fraud Initiative Report 2012. I am satisfied that most matches are now being progressed. However, most of this work is offline and the quality of follow up is inconsistent. For example, in one report only six of the 15 matches identified have been followed up. There is no evidence to show why the remaining matches have not been investigated or where matches are being followed up offline. The NFI system has a report comments feature which enables the reviewer to add comments and say if no further work is being undertaken and why, for example, where matches are poor quality or a sample approach is adopted to follow up. You should use this report's comments function to evidence your approach and the action taken. I also identified a small number of reports which have not been reviewed and have discussed these with the Head of Internal Audit to ensure that these are addressed.</p> <p>I found that housing benefit matches continue to be well progressed. These are undertaken by the Census partnership.</p> <p>In February 2012, further matches in respect of council tax were released. I note that although you have started to undertake work on these, the approach is not systematic. The Audit Commission's NFI Co-ordinator has suggested a more efficient approach but this has not yet been adopted. You should consider using this 'smart working' approach which is set out in the guidance notes.</p> <p>Overall, I am satisfied that you are progressing this issue. However, your approach is not consistent and not satisfactory in all areas. You should adopt a clearer, more strategic approach to addressing the matches and make better use of the facilities within the system to evidence this.</p> <p>See recommendation 5 below</p>

Criteria	Risk	Findings
<p>3. Proper arrangements - Old Town Hall procurement exercise</p> <p>You decided last year to market the Old Town Hall more widely than in previous years. I have completed my work on an objection to the 2010/11 accounts on issues relating to this. I concluded that the issues raised did not require reporting in the public interest. However, I wrote to you with recommendations for improving your processes.</p>		<p>In December 2011, a decision was made at the Council meeting that the Old Town Hall would be marketed for disposal either by freehold sale or leasehold. Members agreed that there would be no restrictions put on use to ensure that it would attract the broadest level of interest, however the usage would have to be appropriate for the location.</p> <p>You appointed two marketing agents for this exercise. Agreed marketing materials were prepared and expressions of interests were invited from interested parties. Criteria were agreed to evaluate the bids received.</p> <p>You received five bids by the deadline of 13 April 2012. Submissions were assessed by a group of members using the evaluation criteria. This included an assessment of the financial merits of the bids. The results of the evaluation were reported to full Council on 15 May 2012 and a formal decision was made to lease the premises to the winning bidder.</p> <p>I have considered the process you followed for the disposal of the Old Town Hall. I am satisfied that the arrangements adopted were transparent and reasonable.</p>

Recommendation
<p>R5 Adopt a clearer, more strategic approach to addressing the NFI matches. You should make better use of the facilities within the NFI system to evidence your approach.</p>

Fees

I reported my planned audit fee in the 28 March Audit Plan.

I will complete the audit within the planned fee.

Table 7: **Fees**

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	109,820	109,820
Claims and returns ⁱ	30,905	30,905
Non-audit work ⁱⁱ	0	0
Total	140,725	140,725

ⁱ The fee shown for certification of claims and returns for 2011/12 is an estimate based on work undertaken in 2009/10. The actual fee may be less than estimated. The Audit Commission Act requires me to charge fees for certification work that cover the full cost of the work. The Audit Commission sets a schedule of hourly rates for different levels of staff and the final fee for this work is dependent on the work undertaken and the grades of staff used to deliver the work.

ⁱⁱ I received correspondence from a local elector which I accepted as a valid objection. I concluded my work on the objection and issued my decision letter on 1 March 2012. There are audit and legal fees in connection with dealing with receipt of the objection. Due to the unpredictable nature of the work involved these fees are not part of the fixed fee for audit. Although this was billed in the current financial year, the fee related to 2010/11 and is therefore not shown in the above fee table.

Appendix 1 – Draft independent auditor's report

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

Opinion on the Authority financial statements

I have audited the financial statements of Horsham District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Horsham District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Corporate Resources and Auditor

As explained more fully in the Statement of the Director of Corporate Resources Responsibilities, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Resources; and the overall presentation of the financial statements. In addition, I

read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Horsham District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Horsham District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate/Delay in certification of completion of the audit

I certify that I have completed the audit of the accounts of Horsham District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. **OR**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Helen Thompson, District Auditor

Bicentennial Building, Southern Gate, Chichester, West Sussex, PO19 8EZ

28 September 2012

Appendix 2 – Corrected errors

There were a small number of minor internal consistency, disclosure and numeric errors in the draft financial statements which have been amended. I identified the following errors during the audit which management have addressed in the revised financial statements, which I wish to specifically draw to your attention.

Item of account	Nature of error
Note 5 - Adjustments between accounting basis and funding basis under regulations	I identified an internal consistency error where £48,000 relating to 'other gains transferred from the revaluation reserve' has not been shown in the movement in usable reserves column. As a result, the movement in usable reserves column cast, but did not agree to the Movement in Reserves Statement.
Note 5 - Adjustments between accounting basis and funding basis under regulations	<p>My review of the statements identified that capital grants of £591,000 shown in Note 5 was incorrectly disclosed within the 'Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement' as 'capital grants and contribution applied'.</p> <p>This should have been disclosed against the 'Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement' as 'application of grants to capital financing transferred to the Capital Adjustment Account'. The financial statements have now been amended to correct this error.</p>
Note 21 – Usable reserves	I identified a casting error in note 21. Usable reserves and capital grants unapplied total £13,284,000 but were shown in Note 21 as £26,036,000. The same issue also occurred in the prior year comparative. For 2010/11 usable reserves and capital grants unapplied total £13,130,000 but were shown in Note 21 as £25,137,000. The financial statements have been amended and the note now casts correctly for both the current and prior year.

Item of account	Nature of error
Note 22 – Unusable reserves – Capital Adjustment Account	<p>My work on the Capital Adjustment Account (CAA) identified an inconsistency between the capital grants and contributions applied in note 5 (Adjustments between accounting basis and funding basis under regulations) and those disclosed in the CAA. Whilst these could be agreed in total, the CAA showed Capital Grants Unapplied of £753,000 and Note 5 disclosed Capital Grants Unapplied of £591,000.</p> <p>The CAA now reflect's Capital Grants Unapplied of £591,000 and the CAA is now consistent with Note 5 (Adjustments between accounting basis and funding basis under regulations).</p>

Appendix 3 – Draft letter of management representation

Horsham District Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Horsham District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and

- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Investments and borrowing

I confirm that long and short term investments and long and short term borrowing have been completely disclosed in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Horsham District Council

I confirm that the this letter has been discussed and agreed by the Accounts, Audit and Governance Committee on 27 September 2012

Signed:

Name: Katharine Eberhart

Position: Director of Corporate Resources

Date: 27 September 2012

Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of a Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Accounts, Audit and Governance Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 5 – Action plan

Recommendations

Recommendation 1

Componentise assets revalued in forthcoming years to ensure compliance with IAS 16 and the componentisation levels set out in your componentisation policy. Ensure that your consideration of components against your policy is clearly evidenced.

Responsibility	Julian Olszowka / John Loxley
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Priority	High
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Date	31 March 2013
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Comments	Agreed
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Recommendation 2

Develop and apply an end user policy or other similar general control to provide greater assurance over the accuracy of the data in your spreadsheet based fixed asset register.

Responsibility	Julian Olszowka
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Priority	Medium
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Date	31 March 2013
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Comments	A decision has been made to order the asset module of the Council's financial management system. Implementation will involve migration of the data held on the current spreadsheet-based asset register and system testing by a parallel run of the 2011/12 entries. If the outcome is satisfactory, the system will be used to produce the 2012/13 accounts and should provide greater assurance to the auditors and greater resilience to the Authority.
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Recommendation 3

Continue to ensure that differences between car parking income recorded by the machines and income banked are investigated as far as possible; and investigate the possibility of replacing or upgrading the car parking ticket machines.

Responsibility	Ian Jopling
Priority	Medium
Date	31 March 2013
Comments	The specification for new car parking machines will encompass recommendations of Internal Audit. One of the requirements for the new machines at Swan Walk car park is that, as far as possible, the same back office systems can be used as new machines are rolled out to other car parks across the district. It is hoped to order new machines for Swan Walk car park before the end of the financial year.

Recommendation 4

Ensure that working papers produced to support your accounts:

- are available at the start of the audit in a format that meets specified requirements; and
- include some explanatory narrative.

Responsibility	Emma Thomas / Julian Olszowka
Priority	High
Date	30 June 2013
Comments	We have requested that clearer information is provided prior to the audit on the required format of working papers.

Recommendation 5

Adopt a clearer, more strategic approach to addressing the NFI matches. You should make better use of the facilities within the NFI system to evidence your approach.

Responsibility	Katharine Eberhart
Priority	Medium
Date	31 st March 2013
Comments	Agreed

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Report to Accounts, Audit and Governance Committee

27th September 2012

By the Director of Corporate Resources

DECISION REQUIRED

Not exempt



Statement of Accounts 2011/12

Executive Summary

It is a requirement of the Accounts and Audit (England) Regulations 2011 that the statutory Statement of Accounts is approved by a resolution of the Council or the relevant Committee of the Council by 30th September. The accounts have been subject to audit by the District Auditor and her report is elsewhere on the agenda for this meeting.

Recommendations

The Committee is recommended:

- i) To approve the 2011/12 Statement of Accounts

Reasons for Recommendations

- i) It is a requirement of the Accounts and Audit (England) Regulations 2011 that the Statement of Accounts is approved by 30th September.
- ii) The District Auditor plans to issue an unqualified audit opinion on the financial statements.

Background Papers

Consultation **External Auditors**

Wards affected **All**

Contact Katharine Eberhart/Sue McMillan Ext 5300/5302

Background Information

1 Introduction

The purpose of this report

- 1.1 It is a requirement of the Accounts and Audit (England) Regulations 2011 that the statutory Statement of Accounts is approved by a resolution of the Council or the relevant Committee of the Council by 30th September. This report provides background information to the statements.

2 Format of the Accounts

- 2.1 The format of the accounts follows the requirements of the CIPFA Code of Practice on Local Authority Accounting 2011/12 and is based on International Financial Reporting Standards. 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.

3 Core Financial Statements and Notes

Comprehensive Income and Expenditure Statement 2011/12

- 3.1 There is one item of income and expenditure within the CIES which is material in terms of amount and not occurring regularly within the ordinary activities of the authority. This relates to a refund of VAT on Trade Waste income and amounts to £607k net. 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 so the claim to HMRC was for the period April 1974 to January 2011 when the service was treated as vatable. Full details are included in Note 3 of the Notes to the Core Financial Statements.

Balance Sheet as at 31 March 2012

- 3.2 The Balance Sheet shows the assets and liabilities of the authority at 31st March 2012. The largest movement from the previous Balance Sheet date has been in the Pensions Reserve, moving from an actuarial deficit of £2.9m at 31st March 2011 to one of £8.8m at 31st March 2012. This is an actuarial assessment of the fund's assets and liabilities at the Balance Sheet date and details are provided in Note 35. The valuation does not have an immediate impact on the Council's contribution to the Fund. Contributions are re-assessed every three years on the basis of a full actuarial valuation, the next being due at 31st March 2013 to affect contributions from 2014/15. This will take account of the changes to the pension fund which are expected to come into effect in April 2014.

4 Staffing Consequences

- 4.1 There are no staffing consequences arising from this report.

5 Financial Consequences

- 5.1 There are no financial consequences arising specifically from this report.

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal?	There are reputational risks to the Council if the accounts are not approved by 30 th September 2012.
Risk Assessment attached Yes/No	No
How will the proposal help to reduce Crime and Disorder?	There is no impact on Crime and Disorder.
How will the proposal help to promote Human Rights?	There is no impact on Human Rights.
What is the impact of the proposal on Equality and Diversity?	There is no impact on Equality and Diversity.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
How will the proposal help to promote Sustainability?	There is no impact on Sustainability. The accounts will be published on the Council's website.

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.

ANNUAL GOVERNANCE STATEMENT

The Council also has a statutory requirement under Regulation 4 of the Accounts and Audit (England) Regulations 2011 to conduct a review at least once a year of the effectiveness of its system of internal control. An Annual Governance Statement is prepared to provide assurance that the statement of accounts gives a true and fair view of the Council's financial position at the reporting date and its financial performance during the year. The Annual Governance Statement is signed and reported alongside the annual Statement of Accounts.

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.

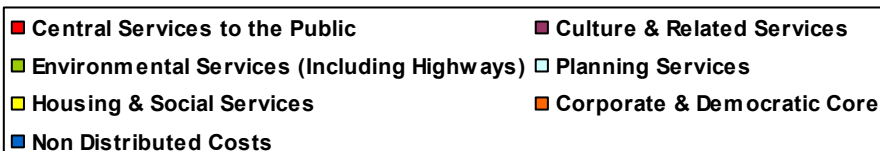
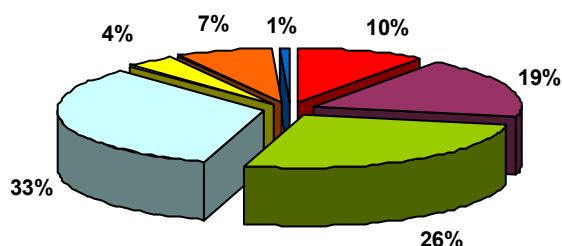
The Comprehensive Income and Expenditure Accounts shows cost of services of £20.807m and a surplus on the overall provision of services of £636k. £17.769m of financing is met by Government grants and taxpayers income together with Parish Council precepts and use of reserves.

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.

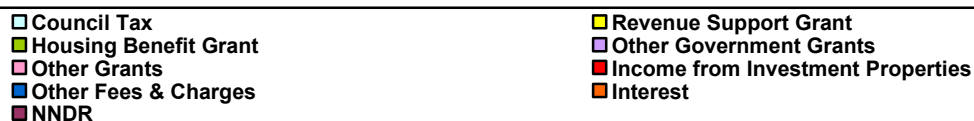
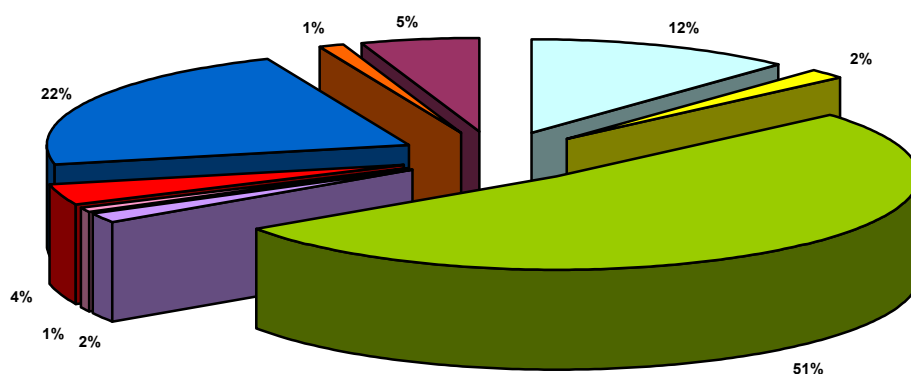
NET COST OF SERVICES - HOW THE MONEY WAS SPENT

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:



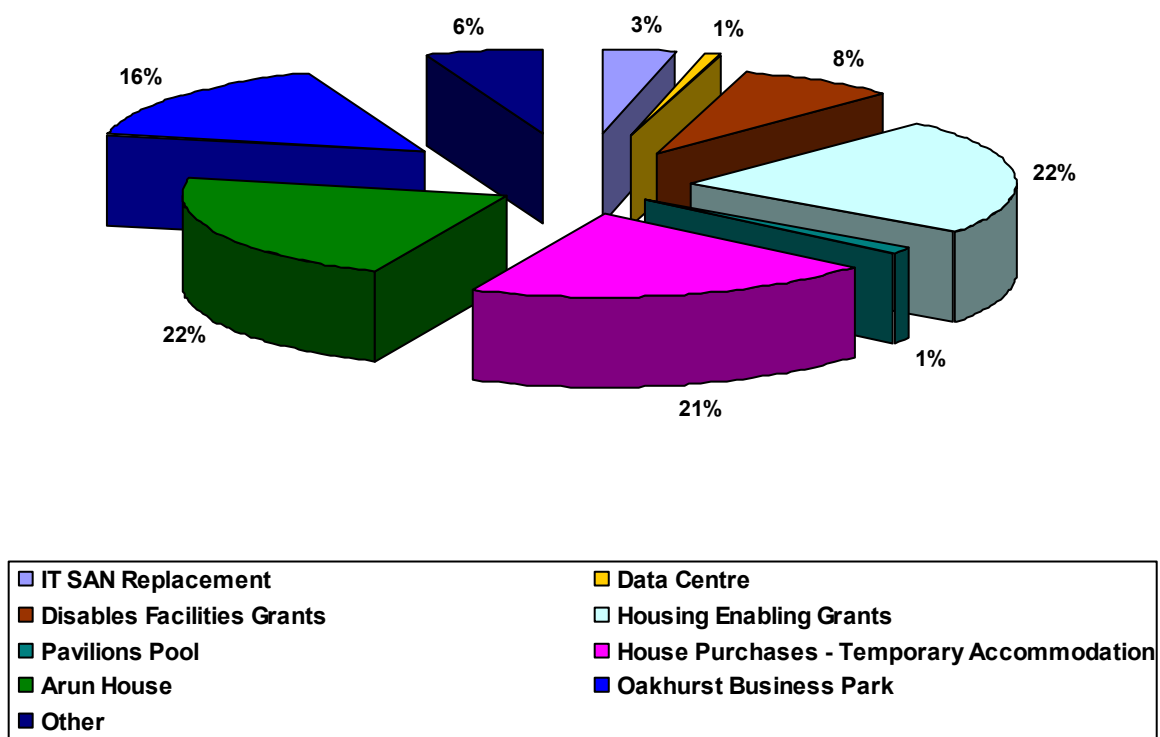
CAPITAL EXPENDITURE

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 £389k 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.

K.Eberhart
Director of Corporate Resources

Date: 27 September 2012

Certification by Chairman I confirm that these accounts were approved by the Accounts, Audit and Governance Committee at a meeting held on 27th September 2012.

Signed on behalf of the Accounts, Audit and Governance Committee
Chairman of the Accounts, Audit and Governance Committee

Date: 27 September 2012

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. Assets under construction and community assets are held at depreciated historic cost.
- 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.

Where the value of an asset is to be recovered by sale it is classified as an asset held for sale it is held as its value before reclassification or the fair value less costs to sell, whichever is the lower. Any consequence loss is posted to the CIES. Gains in fair value would be recognised up to the amount of any previously recognised losses.

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 recognised.

Income from the disposal of property, plant and equipment is accounted for on an accruals basis and is credited to the CIES as apart of the gains and losses on disposal. 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 and written off to CIES in the gains and losses on disposal.

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 re-valued any gain or loss is recognised in the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

5. HERITAGE ASSETS

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations.

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.

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.

Where heritage assets are re-valued 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.

11. 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.

12. 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

Where the authority leases any property, plant and equipment under finance leases they are recognised on the authority's Balance Sheet at the commencement of the lease. As lessee, the authority recognises finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability (i.e. a charge for the acquisition of the interest in the property, plant and equipment).

Assets recognised under a finance lease, as a lessee, are depreciated in accordance with the authority's depreciation policy for owned assets. The authority is required to make an annual provision (i.e. Minimum Revenue Provision) from revenue to contribute towards the reduction in its overall borrowing requirement in relation to assets calculated in accordance with statutory guidance.

Operating Leases

Rentals paid are recognised 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 recognised 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.

13. INVENTORIES & WORK IN PROGRESS

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

14. 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.

15. REPURCHASE OF BORROWING

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

16. 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
- Unquoted 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.

17. 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.

Benefits payable during employment are those that are due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. EVENTS AFTER THE BALANCE SHEET DATE

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts would be adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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.
--	--

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.
-------------------------------------	---

Local Development Reserve	Established in 1998/99 to set aside funds for future expenditure on the Local Development Framework.
----------------------------------	--

Other Reserves	A number of small balances held against future expenditure on specific items, such as tree planting, etc.
-----------------------	---

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.
-----------------------------	--

Insurance	Established to provide the Council with cover on otherwise uninsured risks and defaults on the repayment of car loans.
------------------	--

Vehicle Replacement Reserve	Established in 2004/05 to set aside funds to replace vehicles in the future.
------------------------------------	--

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.
-----------------------------	--

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 (Re-stated)				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			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	

In 2011/12 the cost of service category previously reported as Cultural, Environmental and Planning Services has been split into three categories, Cultural and Related Services, Environmental and Regulatory Services and Planning and Development Services.

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

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 29th June 2012.

CASHFLOW STATEMENT

<u>2010/11</u>		<u>2011/12</u>	Note
£		£	
	<u>Operating activities</u>		
(6,279,242)	(Surplus) or deficit on provision of services	(636,421)	
6,128,705	Adjust net surplus or deficit on the provision of services for non- cash movements	3,668,412	
(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	
	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)	
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)	
(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 2012</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 on the Balance Sheet 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 vatable.

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 29 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.

5 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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 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				(48)
Movements in the market value of Investment Properties	1,896				(1,896)
Amortisation of intangible assets	(6)				6
Capital grants and contributions applied	1,999				(1,999)
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					0
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	28			(28)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				619	(619)
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	(482)

	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 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 2011/12.

	Re-stated Balance at 01.04.10 £000	Income/ Expenditure 2010/11 £000	Transfer In from other reserves 2010/11 £000	Re-stated 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	(Re-stated) 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

During the year gains on disposals were recognised in the Comprehensive Income and Expenditure statement, however as these were not assigned any carrying value in the asset register no disposal is shown in the movements of property, plant and equipment.

8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £000	(Re-stated) 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	(Re-stated) 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	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 (re-stated)

	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 (re-stated)	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 (re-stated)	459	250	709
Additions / (disposals)	0	0	0
Revaluations & impairments	0	0	0
Depreciation	0	0	0
31st March 2011	459	250	709
Cost or Valuation			
1st April 2011	459	250	709
Additions / (disposals)	0	0	0
Revaluations & impairments	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 of 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	(Re-stated) £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	(Re-stated) £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:

	Purchased Software	Purchased Software
	2011/12	2010/11
	£000	(Re-stated)
		£000
Balance at start of year:		
- Gross carrying amounts	131	131
- Accumulated amortisation	(106)	(75)
Net carrying amount at start of year	25	56
Additions	0	0
Amortisation for the period	(6)	(31)
Other changes		
Net carrying amount at end of year	19	25
Comprising:		
Gross carrying amounts	131	131
Accumulated amortisation	(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		
			Re-stated			Re-stated
	31.03.12	31.03.11	1.04.10	31.03.12	31.03.11	1.04.10
	£000	£000	£000	£000	£000	£000
Investments, Cash and Cash equivalents						
Loans and receivables	0	1,000	1,000	3,027	6,030	10035
Available -for-sale financial assets				3,511	600	1463
Cash and Cash equivalents				1,809	4,666	1,807
Total	0	1,000	1,000	8,347	11,296	13,305
Debtors						
Loans and receivables	28	54	38			
Financial assets carried at contract amounts				402	636	1,464
Total	28	54		402	636	1,464
Borrowings						
Financial liabilities at amortised cost	(4,000)	(4,000)	(4,000)	0	0	0
Total	(4,000)	(4,000)	(4,000)	0	0	0
Other Long Term Liabilities						
Finance lease liabilities	(24)	(32)	(41)	0	0	0
Total	(24)	(32)	(41)	0	0	0
Creditors						
Financial liabilities carried at contract amounts				(5,367)	(5,094)	(4,972)
Total	0	0	0	(5,367)	(5,094)	(4,972)

Income, Expense, Gains and Losses

	2011/12			2010/11 (re-stated)		
	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		01.04.10 (Re-stated)	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000	£000	£000
Financial liabilities	(4,000)	(4,546)	(4,000)	(4,061)	(4,000)	(3,909)
Loans and receivables	1,000	1,109	1,000	1,208	1,000	1,244

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
1 April 2010 (re-stated)	100					101
31 March 2011 (re-stated)						
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	(Re-stated) 31.03.11	(Restated) 1.04.10
	£000	£000	£000
Sundry Debtors	1,650	1,431	2,212
Central government bodies	136	188	96
Payments in advance	420	571	275
Council Tax debtors	305	258	262
WSCC Council Tax debtor	203	74	0
SPA Council Tax Debtor	24	9	0
NNDR due from pool	245	2,206	1,688
Housing benefit overpayments	1,747	1,481	1,376
Moat Management service charge	307	260	213
Other local authorities	266	406	273
	5,303	6,884	6,395
Provision for doubtful debts	(1,803)	(1,441)	(1,166)
	3,500	5,443	5,229

18 CASH AND CASH EQUIVALENTS

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

	31.03.12	(Re-stated) 31.03.11	(Re-stated) 1.4.10
	£000	£000	£000
Cash held by authority	0	0	0
Bank current accounts	(565)	(1,130)	67
Short-term deposits	5,885	6,395	3,203
Total Cash and Cash Equivalents	5,320	5,265	3,270

19 CREDITORS

	31.03.12	(Re-stated) 31.03.11	(Re-stated) 1.4.10
	£000	£000	£000
Sundry Creditors	(3,876)	(4,149)	(4,550)
Housing Benefit Subsidy	0	(1,175)	(222)
Prepayment of Council Tax	(150)	(167)	(162)
WSCC Council Tax creditors	0	0	(53)
SPA Council Tax creditors	0	0	(6)
Total	(4,026)	(5,491)	(4,993)

20 PROVISIONS

	Provision for doubtful debts	Provision for corporate restructure	Provision for concessionar y Fare	Provision for Accumulated Absences	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2010 (re-stated)	(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 (re-stated)	(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 2012	(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	(Re-stated) 31.03.11	(Re-stated) 1.4.10
	£000	£000	£000
Revenue Reserves:			
General Fund Revenue Reserve	(8,666)	(8,276)	(8,754)
Local Development Reserve	(78)	(78)	-78
Repairs and Renewals Reserve	(637)	(717)	-731
Section 106 Reserves	(565)	(438)	-386
Insurance Reserve	(36)	(36)	-36
Vehicle Replacement Reserve	(516)	(516)	-596
Other Reserves	(842)	(434)	-428
General Fund Balance	(1,412)	(1,512)	(1,463)
	(12,752)	(12,007)	(12,472)
Capital Grants Unapplied	(532)	(1,123)	(1,796)
Total Usable Reserves	(13,284)	(13,130)	(14,268)

22 UNUSABLE RESERVES

	31.03.12	31.03.11	01.04.10
		Restated	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	(Re-stated) 31.3.11	(Re-stated) 1.4.10
	£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 was created. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2011/12 £000	(Re-stated) 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	(1,999)	(1,053)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(619)	(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	(Re-stated) 2010/11 £000
Balance at 1 April	(193)	(217)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	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.

	2011/12	(Re-stated) 2010/11
	£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	(Re-stated) 2010/11
	£000	£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	(Re-stated) 2010/11
	£000	£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

23 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/12	(Re-stated) 2010/11
	£000	£000
Interest received	(335)	(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.

	(Re-stated)	
	2011/12	2010/11
	£000	£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)

2010/11 (re-stated)	Segment Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(18,765)	0	0	2,355	0	(16,410)	(2,355)	(18,765)
Surplus or deficit on associates or joint ventures	0	0	1,714	0	0	1,714	0	1,714
Interest and investment income	0	0	0	0	0	0	(352)	(352)
Income from council tax	0	0	0	0	0	0	(10,293)	(10,293)
Government grants and contributions	(35,461)	0	(1,573)	0	0	(37,034)	(864)	(37,898)
NNDR Redistribution	0	0	0	0	0		(5,420)	(5,420)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(443)	(443)
Total Income	(54,226)	0	141	2,355	0	(51,730)	(19,727)	(71,457)
Employee expenses	16,954	0	(10,203)	0	0	6,751	66	6,817
Other service expenses	50,873	0	2,416	(210)	0	53,079	210	53,289
Support Service recharges	(223)	0	0	0	0	(223)	0	(223)
Depreciation and impairment	0	0	2,936	238	0	3,174	(238)	2,936
Interest payments	0	0	0	0	0	0	138	138
Precepts & Levies	0	0	0	0	0	0	2,221	2,221
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Total Expenditure	67,604	0	(4,851)	28	0	62,781	2,397	65,178
Surplus or deficit on the provision of services	13,378	0	(4,710)	2,383	0	11,051	(17,330)	(6,279)

25 ACQUIRED AND DISCONTINUED OPERATIONS

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

26 MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the council during the year:

	(Re-stated)	
	2011/12 £000	2010/11 £000
Attendance Allowances	305	324
Expenses	27	27
Total	332	351

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
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 (re-stated)	£	£	£	£	£	£	£
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
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 (Re-stated)
£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

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 (re-stated)	2011/12	2010/11 (re-stated)	2011/12	2010/11 (re-stated)	2011/12 £000	2010/11 (re-stated) £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	(Re-stated) 2010/11
	£000	£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	(Re-stated) 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:

	2011/12	(Re-stated) 2010/11
	£000	£000
Capital Grants Receipts in Advance		
Section 106 Contributions	(505)	(1,755)
Total	(505)	(1,755)
Donated Assets Accounts	0	0
Donation	0	0
Total	0	0

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 24 (Amounts reported for resource allocation decisions). Grant receipts outstanding at 31 March 2012 are shown in note 29 (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 26. 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. It should be noted that six ex councillors who had been in office as at 1 April 2011 failed to submit disclosures for 2011/12.

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 27. 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	£92,849
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	(Re-stated) 2010/11
	£000	£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

		(Re-stated) 31 March 2011	(Re-stated) 1 April 2010
Finance Leases	31 March 2012	£000	£000
Vehicles, Plant, Furniture & Equipment	47	47	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:

		(Re-stated) 31 March 2011	(Re-stated) 1 April 2010
	31 March 2012	£000	£000
Not later than one year	42	42	42
Later than one year and not later than five years	42	94	136
Later than five years	0	0	0
	84	136	178

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

	(Re-stated)	
	2011/12	2010/11
	£000	£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 rents.

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

		(Re-stated)	(Re-stated)
	31 March 2012	31 March 2011	1 April 2010
	£000	£000	£000
Not later than one year	1,900	1,700	1,700
Later than one year and not later than five years	5,800	5,700	5,800
Later than five years	9,400	10,300	11,500
	<u>17,100</u>	<u>17,700</u>	<u>19,000</u>

The minimum lease payments receivable do not include rents that are contingent on events taking 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).

The figures for 31 March 2011 and 1 April 2010 have been restated. This is due to more detailed data being available in 2011/12.

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
Broadbridge Heath Leisure Centre	1,948
Arun House	348
Land at Shipley Road	(1,734)
Swimming Pools	(188)
Capitol Theatre	(1,026)
Horsham Park	219
Southwater Health Centre	(356)
Former 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 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

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.

	(Re-stated)	
	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

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

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	(Re-stated) 31-Mar-11
	£000s	£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	31-Mar-11
	£000s	£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 variable rates - the interest expense will rise;
- borrowings at fixed rates - the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income will rise
- 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 on Surplus or Deficit whereas changes in interest receivable on variable rate borrowings and investments will have an effect.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the 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 also monitor market and forecast interest rates within the year to adjust exposures appropriately.

Sensitivity to Interest Rate Changes

The Council does not hold borrowings or investments at variable rates so there is no direct effect on the net income of the Council. To some extent the call deposits and maturing fixed rate investments would be affected by a persisting change to rates. The Council would, of course, act in order to minimise the effect of any movement and with time may well be able reduce the effect significantly. The assessment of any longer term quantitative effect of any rate move is therefore not possible with any degree of confidence. To give some guide to the magnitude of the possible effect if all other variables stayed the same and a rate change of 1% were to apply to the investments held at 31st March 2012 and persist for a year the magnitude of effect would be £0.075m.

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 Honeywood, Felice Beato and Samuel Bourne.

Thomas Honeywood 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, the adjustments that have been made 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	
67,124,793	West Sussex County Council	67,410,410	
85,434,374	Total	85,811,103	

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

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.

Our Ref:	KE/ljw	Your Ref:	
E-Mail:	Katharine.eberhart@horsham.gov.uk	Direct Line:	01403 215300
If calling please ask for:	Katharine Eberhart	Date:	27 th September, 2012

FAO; Mrs Helen Thompson
Audit Commission
Suite 2, Ground Floor
Bicentennial Building
Southern Gate
Chichester
West Sussex
PO19 8EZ

Dear Helen

Horsham District Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Horsham District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Investments and borrowing

I confirm that long and short term investments and long and short term borrowing have been completely disclosed in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Cont'd/3

Signed on behalf of Horsham District Council

I confirm that the this letter has been discussed and agreed by the Accounts, Audit and Governance Committee on 27 September 2012

A handwritten signature in black ink, reading "Katharine Eberhart". The signature is written in a cursive style with a large initial 'K' and a distinct 'E'.

Signed:

Name: Katharine Eberhart

Position: Director of Corporate Resources

Date: 27 September 2012

Report to Accounts, Audit & Governance Committee

27th September 2012

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt



Annual Governance Statement 2011/12

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 is correct 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 approve the 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.

Background Papers: Supporting evidence

Consultation: The Corporate Management Team and Monitoring Officer

Wards affected: All

Contact: Paul Miller

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 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 Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

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.

The Chief Internal Auditor also presents an annual report to the AAGC. Within this report, in accordance with the requirements of the CIPFA Code of Practice for Internal Auditing in Local Government 2006, the Chief Internal Auditor provides an overall opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems. The overall opinion for the 2011/12 financial year 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. Details of significant improvements to the Council's control environment and significant control issues are detailed below in sections 3.4.2 and 3.4.3 respectively.

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 Sustainable Community Strategy. A priority within the new District Plan is "The customer is 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.

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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 uses 'Covalent' performance monitoring software 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 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.

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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.

A new Risk Management Strategy was developed in April 2012 and has been 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 three 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

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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 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 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	Actions	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	Actions	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>

APPENDIX 2

				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	Actions	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 and Governance Committee

27 September 2012

By the Director of Corporate Resources

DECISION REQUIRED

Not exempt



Treasury Management Activity and Prudential Indicators 2011/12

EXECUTIVE SUMMARY

This report covers treasury activity and prudential indicators for 2011/12. During 2011/12 the Council complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, was not breached.

At 31 March 2012, the Council's external debt was £4m (£4m at 31/3/11) and its investments totalled £8.9m (£13.4m at 31/3/11) including call accounts and money market funds.

During 2011/12 the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.313m (£0.327m 2010/11) was earned on investments, an average return of 1.8% (1.7% 2010/11).

The report also reviews the economic background to Treasury Management activity in an Appendix.

RECOMMENDATIONS

The Committee is recommended to:

- Note the treasury management stewardship report for 2011/12
- Note the actual prudential indicators for 2011/12.

REASONS FOR RECOMMENDATIONS

The annual treasury report is a requirement of the Council's reporting procedures. This report also covers the actual Prudential Indicators for 2011/12 in accordance with the requirements of the CIPFA Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities.

Background Papers: "Prudential Code for Capital Finance and Treasury Management Strategy 2011-12" Accounts and Audit Committee 16 December 2010

Budget 2012/13 and Medium Term Financial Strategy Council 22 February 2012

Consultation: Sterling. Council's Treasury management advisers

Wards affected: All

Contact: Julian Olszowka, Group Accountant Ext. 5310

1 INTRODUCTION

The purpose of this report

- 1.1 This report covers treasury activity and prudential indicators for 2011/12. It meets the requirements of the 2011 editions of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Background

- 1.2 In line with the CIPFA Prudential Code for Capital Finance in Local Authorities the Council adopts Prudential Indicators for each financial year and reports on performance relative to those indicators. This requirement is designed to demonstrate that capital spending is prudent, affordable and sustainable and that treasury practices are low risk. The original indicators for 2011/12 together with Treasury Management Strategy 2011/12 were agreed by Council on 16th February 2011 having been approved by this Committee on 16th December 2010.
- 1.3 This report summarises:
- the capital activity for the year and how this activity was financed;
 - the impact on the Council's indebtedness for capital purposes;
 - the Council's overall treasury position;
 - the reporting of the required prudential indicators;
 - a summary of economic background in the year;
 - debt activity; and
 - investment activity.

2 The Council's Capital Expenditure and Financing 2011/12

- 2.1 This is one of the required prudential indicators and shows total capital expenditure for the year and how this was financed. The estimates will include revisions to the original indicators reported to the Council on 22 February 2012 as a part of budget report.

2011/12	Actual £000	Estimate £000
Total capital expenditure	8,087	10,083
Resourced by:		
Capital receipts and contributions	(2,580)	(3,279)
Capital grants	(476)	(428)
Revenue reserves	(342)	(961)
Unfinanced capital expenditure (additional need to borrow)	4,689	5,415

- 2.2 The capital spend was under budget. The detail of variances has been reported to the last meeting of this Committee. This results in unfinanced capital expenditure and use of revenue reserves being less than estimated. Unfinanced capital expenditure will ultimately need to be financed from borrowing, capital receipts or revenue reserves but has in the interim been funded from the Council's other reserves.

3 The Council's Overall Borrowing Need

- 3.1 The Council's underlying need to borrow is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's need to borrow. It represents the accumulated net capital expenditure which has not been financed by revenue or other resources. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council
- 3.2 The Council is required to make an annual revenue charge, the Minimum Revenue Provision (MRP), to reduce the CFR – effectively a repayment of the borrowing need. The Council's 2011/12 MRP Policy (as required by CLG Guidance) was approved on 16th February 2011 as a part of the 2011/12 Prudential Code and Treasury Management Strategy report.
- 3.3 The Council's CFR for the year is shown below, and represents a key prudential indicator because it is a measure of the Council's underlying indebtedness. The actual value is less than estimated due to the capital spend being less than the estimate.

Capital Financing Requirement	Actual £000	Estimate £000
Opening balance 1 April 2011	8,439	8,439
plus unfinanced capital expenditure	4,689	5,415
less Minimum Revenue Provision	(665)	(665)
Closing balance 31 March 2012	12,463	13,189

4. Treasury Position at 31 March 2012

- 4.1. Whilst the Council's gauge of its underlying need to borrow is the CFR, the Director of Corporate Resources can manage the Council's actual borrowing position by either:
- borrowing to the level of the CFR; or
 - choosing to utilise some temporary cash flow funds instead of borrowing (under-borrowing); or
 - borrowing for future increases of CFR (in advance of need).
- 4.2. The Council continued to hold significant investments. The summary treasury position at the 31 March 2012 compared with the previous year was:

Treasury position	31 March 2011		31 March 2012	
	Principal £m	Average Rate	Principal £m	Average Rate
Fixed Interest Rate Debt	4.000	3.4%	4.000	3.4%
Investments	(13.395)	2.0%	(8.885)	2.2%
Net borrowing position	(9.395)		(4.885)	

5 Prudential Indicators and Compliance Issues

- 5.1 **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not therefore, except in the short term, exceed the CFR for 2011/12 plus the expected changes to the CFR over

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2012/13 and 2013/14. As net borrowing is negative because investments exceed debt and the CFR will remain positive including changes in the next two years the Council has complied with this prudential indicator.

- 5.2 **The Authorised Limit** is the “Affordable Borrowing Limit” required by s3 of the Local Government Act 2003. The Council set the Authorised Limit as £10m for 2011/12 and did not amend it during that year. The table below demonstrates that during 2011/12 the Council has maintained gross borrowing within its Authorised Limit.
- 5.3 **The Operational Boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached. Gross borrowing was at £4m for the whole year except for the period of a cash flow loan of £2m from 23rd June to 1st August 2011.
- 5.4 **Actual financing costs as a proportion of net revenue stream** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The actual indicator was within the estimate.

	2011/12
Authorised Limit	£10.0m
Operational Boundary	£4.0m
Maximum gross borrowing position in the year	£6.0m
Minimum gross borrowing position in the year	£4.0m
Financing costs as a proportion of net revenue stream	Actual 2.6% Estimate 3%

- 5.5 **Upper limits on variable and fixed rate exposure** – This indicator identifies a maximum limit for variable and fixed interest rates. The table below shows the estimate and actual maxima in 2011/12.

2011/12	Indicator £m	Actual £m
Prudential indicator limits based on debt only		
Limits on fixed interest rates	10.0	6.0
Limits on variable interest rates	5	0
Prudential indicator limits based on investments only		
Limits on fixed interest rates	30.0	25.9
Limits on variable interest rates	15.0	0.0

- 5.6 **Maturity Structures Of Borrowing** - These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing. As the Council only has one such debt and has set the percentage range to allow it freedom to refinance the debt there is no danger of not meeting this indicator. For completeness the table below shows the position in 2011/12 estimates and current position.

Maximum percentage of borrowing in each age category	2011/12 Original Indicator	Actual Position
Maturity Structure of fixed borrowing		
Under 12 months	100%	0%
12 months to 2 years	100%	0%
2 years to 5 years	100%	0%
5 years to 10 years	100%	100%
10 years and above	100%	0%

- 5.7 **Total Principal Funds Invested** – These limits are set to reduce the need for early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end. The actual position was well within the indicator.

	Original Indicator	Actual Position
Maximum principal sums invested > 364 days	£5m	£1m

6 Economic Background for 2011/12

- 6.1. The Council has engaged Sterling Consultancy Services to advise it on various aspects of Treasury Management. As a part of that advice information on the economic background to treasury activities is provided. A review of the economic background to the year by the adviser is in the appendix to this report.

7. Debt management activity during 2011/12

- 7.1 **Borrowing** – The Council's only loan apart from short term loans for cash flow purposes is the loan of £4.0m from Public Works Loan Board (PWLb) borrowed on 23rd April 2009 for 10 years at 3.38%.

8 Investment activity in 2011/12

- 8.1 The Council's Treasury Management activity fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code of Practice and the DCLG Guidance Investment guidance. This requires the Council to approve an investment strategy before the start of each financial year and all investment activity during the year conformed to this strategy. The strategy was approved by the Council on 16th February 2011 having been recommended by this Committee.
- 8.2 It should be reiterated that the Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of its surplus cash is therefore held as

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short-term investments with the UK Government, local authorities, and highly credit-rated banks, building societies and pooled funds. The Council's Treasury Management activity fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code of Practice and the CLG Investment guidance. This requires the Council to approve an investment strategy before the start of each financial year and all investment activity during the year conformed to this strategy.

- 8.3 The Council's longer term cash balances comprise primarily revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources are shown in the table below. The Council has not borrowed up to its borrowing need so this reduces the amount of funds available to be invested significantly as effectively the Council is borrowing internally by approximately £8.4m.

Balance Sheet Resources	31 March 2011 £000	31 March 2012 £000
Balances	1,512	1,412
Earmarked reserves	10,936	13,959
Usable capital receipts	0	0
Unapplied capital contributions	2,878	1,038
Working capital	1,408	379
Total	16,734	16,788

9 Investment performance

Yield

- 9.1 The investment income budget for the year 2011/12 was £0.307m. The actual interest received was £0.313m. An overall return of 1.8% was achieved from the investments managed in-house. The benchmark, which is the average LIBID 7 day rate, was 0.48%. Since the financial crisis in 2008 the LIBID rate has remained tied to bank rate while the Council has managed to obtain rates higher than bank rate so the comparability of the benchmark is reduced.

Security benchmark

- 9.2 This benchmark is a way of expressing the credit risk of the whole portfolio of counterparties that the Council invests with. The Council has adopted a benchmark of an equivalent credit rating of A against which the portfolio was assessed at the end of each month.
- 9.3 The portfolio average credit rating was above the benchmark for three months, matched it for seven months and dipped below to A- in two months - June and October 2011.
- 9.4 The months below benchmarks occurred when the weightings of higher rated investments fell in relation to the lower rated. In June 2011 the Council had some longer term lower rated Building Society investments which had been balanced by shorter term higher rated Money Market Funds up to the end of the month when the actual cash flows meant the money had to be taken out of Money Market Funds as the lower rated investments could not be returned in the short term.

- 9.5 In October 2011 the overall rating dipped after some of the Council's counterparties were downgraded. The Council could not withdraw the investment so the dip in the overall benchmark could not be avoided in the short term.
- 9.6 **Liquidity benchmark** – The Council needs to ensure it has a sufficient level of liquidity so it has funds available when necessary. To ensure liquidity the Council maintained a bank overdraft facility of £0.5m. The Council also set a benchmark for the Weighted Average Life of investments of 0.5 years. This maintains the liquidity of investments by limiting how long funds are tied into investments. The actual weighted annual life in the year peaked at 0.4 years averaging 0.25 years.

10. Regulatory Framework, Risk and Performance

- 10.1. The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as controls and limits on this activity;
 - The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2011/12);
 - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
 - The SI requires the Council to undertake any borrowing with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
 - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management;
 - Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities.
 - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.
- 10.2. The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities and indicates that its capital expenditure is prudent, affordable and sustainable.

11 Staffing & Financial Consequences

- 11.1 No staffing or financial resources are required as a result of this report.

12 How the Proposed Course Of Action Will impact on Human Rights, Equality and diversity, Crime And Disorder, and Sustainability Consequences

- 12.1 This report will have no impact in these areas.

13 Risk assessment

- 13.1 The report directly addresses counterparty risk, liquidity risk of not being able to pay commitments, the market risk of financial loss if rates change and the re-financing risk if the council needs to refinance when rates and terms have moved against it.

14 Outcome of consultations

- 14.1 The views of the Council's treasury management consultants, Sterling Consultancy Services, have been incorporated in all aspects of the above.

Appendix**Economic Background for 2011/12**

The Eurozone debt crisis dominated the year's economic news. The lack of a clear solution prompted frequent bouts of market volatility, as investors positioned themselves for potential government defaults or even the breakup of the Eurozone itself. Investor confidence in struggling Eurozone nations, such as Greece, Italy and Spain, dived, prompting sharp upward movements in government borrowing rates. Greece finally defaulted in March by forcing private bondholders into a distressed debt exchange, in return for a second bailout from the European Union and the International Monetary Fund.

Exposure to the Eurozone periphery placed downward pressure on the creditworthiness of many European banks, prompting a raft of credit rating downgrades. This led to an increase in funding costs as interbank lending rates rose sharply above official interest rates. In late December, the European Central Bank cut interest rates and flooded the Eurozone banking sector with cheap three-year loans, immediately reducing the near-term risk of a liquidity crisis and moderating Eurozone wholesale interbank lending rates. Unfortunately, the central bank action could not prevent the debt crisis causing a sharp decline in household and business confidence, eventually pushing the Eurozone into recession.

The UK, reliant on the Eurozone as a major trading partner and with weak domestic demand, followed the Eurozone into recession over the last six months of the financial year. Domestic economic activity was affected by the government's deficit reduction programme and the weakness in household and business spending. The decline in household spending was the result of low confidence and the erosion of disposable income by persistently elevated inflation, subdued wage growth, higher taxes and rising unemployment. Businesses were in a similarly weak position, with access to credit restricted or too expensive due to a risk-averse banking sector, and limited domestic and foreign demand.

Weak economic growth prompted the Bank of England to loosen monetary policy in October, despite inflation being above its target level. The Monetary Policy Committee voted for a further £50bn of quantitative easing, which combined with safe haven buying to push gilt yields to record lows over the next few months. Policymakers justified the action because they were confident inflation would fall quickly back to target during 2012. However, although the annual Consumer Price Index rate has declined from the September peak of 5.2%, a combination of higher crude oil and food prices caused the rate to rise slightly in March to 3.5%, leaving the Bank of England in the unenviable position of setting policy to battle both weak growth and high inflation.

Report to Accounts, Audit and Governance Committee

27th September 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 June 2012.

Recommendations

The Committee is recommended:

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

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 June 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 Main Accounting System

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE

The auditor was able to provide assurance that the overall system of control is satisfactory and the risk of material error in the Council’s accounting system is low. However, some areas of weakness were identified which, if not addressed, could increase the Council’s exposure to risk. The control environment would be improved by the documentation of year end balance sheet reconciliations and the clearance of outstanding suspense balances, and actions have been agreed to address audit concerns in these areas.

3.2 Risk Management**OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE**

There is generally a sound system of control for risk management. The Council's Risk Management Strategy has recently been revised and all departments have their own risk registers on Covalent. Risk is becoming more embedded into the culture of the organisation, and in particular, risk is now considered in all Committee reports.

Some control weaknesses were found relating to the timeliness of quarterly reviews and the adequacy of certain information recorded on the departmental risk registers. It has been agreed that these issues will be raised at the first meeting of the recently formed Operational Risk Management Group meeting in September, and one-to-one sessions will be convened by the Chief Internal Auditor with all risk champions to help to improve standards and ensure consistency of approach.

3.3 Private Sector Housing Assistance Grants**OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE**

A sound system of management and control is in place for the administration of Private Sector Housing Assistance Grants. Audit sample testing confirmed that applications for Disabled Facilities Grants and Minor Repair Assistance Grants are being processed correctly and in accordance with scheme requirements.

A few control weaknesses have been identified. In particular, at the time of the audit, there was no formal policy in place stating that employees should declare their interests if a family member or friend submitted a grant application. It was agreed that a policy would be written and circulated to all relevant Environmental Health Officers who would sign in acknowledgement.

3.4 Project Management**OVERALL AUDIT OPINION: MODERATE ASSURANCE**

The monitoring of key projects by the Corporate Management Team (CMT) and the introduction of a Project Assurance Core Team (PACT) has enhanced the level of control over key projects within HDC. However, compliance with the Council's project management methodology was not consistently applied. Whilst a business case is normally produced for a new project, the completion of additional project documentation for Council run projects is an area for further improvement. It has been agreed that PACT will take steps to help ensure that non-compliance with the Council's Methodology is more clearly reported to CMT for "Key" projects. In addition, the implementation of new software and the introduction of a flowchart which sets out the project management process will help to improve controls in this area.

The Council does not currently have a formal process in place to capture and share lessons learnt for completed projects. It has been agreed that new forms will be introduced for this purpose, and a central repository will be created to retain the information collected for future reference.

3.5 Parks and Countryside Services

OVERALL AUDIT OPINION: MODERATE ASSURANCE

Parks and Countryside Services is a small dedicated department which provides a wide range of disciplines and services. Audit sample testing confirmed that playgrounds, parks, and trees are being inspected on a regular basis. Comprehensive income and expenditure records are maintained, and the department is continually looking for opportunities to generate additional income.

However, a number of control weaknesses were identified during the audit. There is no emergency plan should an accident or incident occur at the chemical and pesticide store, and COSHH risk assessments had not recently been completed for hazardous substances held and used. At the time of the audit, although considerable use was being made of volunteers throughout Parks and Countryside Services, there was no published policy, and in particular, supervisory responsibilities had not been defined. Further control weaknesses were also identified, and an action plan has been agreed to help ensure that all issues raised in the report are addressed.

4. Project Support Work

4.1 Information Security Project

Internal Audit has continued to actively support the joint Information Security Project and the first part of the project is now drawing to a close. A suite of policies has now been written which will be adopted by the CenSus Partnership councils (i.e. Horsham, Mid-Sussex and Adur/Worthing). The overarching policy includes a statement of management commitment to information security and is underpinned by 11 individual policies including a new 'Acceptable Use' policy, 'Access Control' policy and 'Information Handling' policy.

Data is arguably the second most important asset (after staff resources), and it is important that information security management is embedded into the culture of the partnership authorities to ensure that the data that we are entrusted with is handled securely both within Horsham D.C. and our partners. This project has delivered policies that will help to achieve this, but this is only the first stage in delivering a framework of information security.

Internal Audit has made a number of recommendations to move the project forward to the next stages. In particular, each Council will need to develop procedures and practices which will support the individual policies. For example, with regards to information handling, data classification and rules relating to the confidentiality of information will need to be developed and implemented. This will help to ensure that sensitive information is handled appropriately to help safeguard against the risks of exposure to possible financial penalties (from the Information Commissioner) and reputational damage.

Ultimately, the view of Internal Audit is that the partnership authorities should continue to work towards achieving appropriate security standards in line with the recognised standard ISO/IEC 27001.

4.2 Project Assurance Core Team (PACT)

PACT was formed a year ago, and the team has produced a report which summarises progress made during the first year. The following recommendations have been made for improvement, and these have been agreed:

- The “Project Workbook” should be renamed “Business Case”.
- The Council’s definition of a project should be reviewed, amended as appropriate, and publicised.
- All activities which have been identified as a project should be managed in accordance with the Council’s project management methodology.
- The Projxsoft application should be replaced with new and improved software which is more intuitive and would lead future project teams through the Council’s project management methodology.
- Specific “financial guidelines for projects” should be developed and publicised.

The team is currently reviewing a new software package, VERTO, which will replace Projxsoft. PACT is currently involved in configuring the templates for HDC and will be involved in testing the software prior to rollout in 2013.

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. As at the 30th August, the audit plan for 2012/13 was on track. A further update will be provided in December.

6. Audit Follow ups

- 6.1 The table below provides details of the number of agreed actions from internal audit reports which have been followed up and implemented. The percentage of agreed actions implemented as at March 2012 and September 2012 are also shown for comparison purposes in columns 4 and 5.

Financial Year	No. of Agreed Actions		Percentage Implemented	
	Followed up	Implemented	March 2012	September 2012
2009/10	128	110	74%	86%
2010/11	155	124	68%	80%
2011/12	100	59	N/A	59%

Please Note:

(i) The data provided in the above table is a “snapshot” as at 31st August 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 as more audits are followed up.

- 6.2 Details of agreed actions not yet implemented are 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

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document is a rolling exception report and is updated and reported to this Committee on a quarterly basis.

- 6.3 Since the new follow up process was introduced in March 2012, a gradual improvement has been seen in performance. Outstanding agreed actions are now reviewed on a quarterly basis and a significant improvement is expected by the end of the calendar year as many of the “action by” dates have been re-scheduled for September to December 2012.

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.


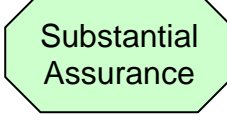


Appendix 1

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

27th September 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. The report also provides an update on progress in terms of the risk management action plan for 2012/13 which forms part of the Council's Risk Management Strategy.

Recommendations

The Committee is recommended to:

- 1) Consider the updated version of the Corporate Risk Register (see Appendix 2).
- 2) Note the progress which has been made with the departmental risk registers.
- 3) Note the progress in implementing the action plan contained within the Risk Management Strategy (see Appendix 3).

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 first 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.

CMT has agreed that CRR27 and CRR28 should be 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.

2.2 Departmental Risk Registers

A total of 13 out of 18 departmental risk register reviews (72%) were completed and signed off by the 31st July 2012 cut-off date. One department has subsequently completed their review.

2.3 Risk Management Strategy ~ Action Plan Progress Update

The terms of reference have been agreed for the new Operational Risk Management Group and the first meeting is scheduled to take place on 21st September. The revised Risk Management Strategy incorporates an action plan for 2012/13, and progress updates will be provided to the Committee on a quarterly basis (please see Appendix 3).

3. Next Steps

- 3.1 Not applicable.

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

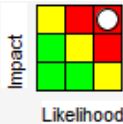

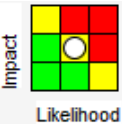


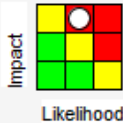

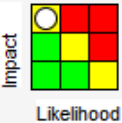



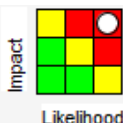




Consequences of the proposed action on:	
Risks	The report provides an update on the Council's corporate risks and how these are being managed by the Corporate Management Team.
Risk Assessment attached ~ No	See Appendix 2 for the latest version of the Council's Corporate Risk Register and Appendix 3 for the Annual Governance Statement action plan.
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

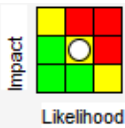

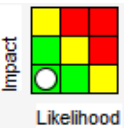

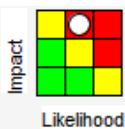

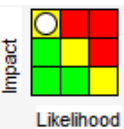

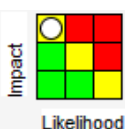

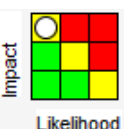

Statutory Background	The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003 (amended 2006): "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective 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.

Corporate Risk Report with Actions September 2012 V4

Generated on: 14 September 2012

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 (31st October 2012).	CMT			September 2012 Update: On track. There is a clear commitment from CMT to meet "action by" deadlines.
				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			September 2012 Update: Recommendations and protocol contained in the overall IT Policy and Acceptable Use Policy. These documents will go to the CenSus Joint Committee Meeting on 25/9/12 for formal approval.
				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			
				CRR.05.8 Review Member email access and policies to ensure the use of HDC e-mail only (by 30/9/12).	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			September 2012 Update: All departments have now been visited with the exception of two. Business impact assessments are now 95% complete.
				CRR.06.2 Develop departmental business continuity plans and regular review (by 30/9/12).	Greg Charman			
				CRR06.3 To field test reciprocal business recovery arrangements with Crawley Borough Council	Greg Charman			

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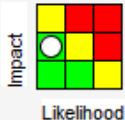

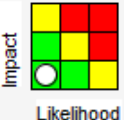



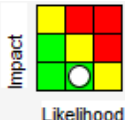









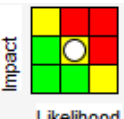
Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR21 Whilst there is a formal cascade system in place for calling out staff in the event of an emergency, there is no formal arrangement in place for calling out support services such as ICT & Buildings Maintenance staff (31/3/13).	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 31/3/13).	Peter Dawes			September 2012 Update: ¹
				CRR.21.2 Review appropriate Role Profiles to ensure that Out of Office cover is addressed (by 31/3/13).	Peter Dawes			
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			September 2012 Update: ²
				CRR.24.03 Consider acquisition of new system - options report will be produced by December 2012.	Graham Crossingham			
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			September 2012 Update: Actions have been implemented. This risk should now be removed from the register.
				CRR.27.04 An update on progress regarding implementation of the action plan will be presented to CMT in April 2012.	Peter Dawes			

¹ See Footnote

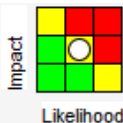

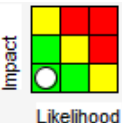


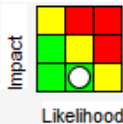

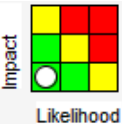

A formal cascade system for emergency callouts is now in place. There are also call out arrangements in place at weekends for Building control, Housing and Environmental Services. However, in the event of problems with a council building or IT systems, there is no formal callout system in place and the goodwill of officers is relied upon. Changes will be incorporated as part of the staff terms and conditions review to ensure parity across the organisation. The "action by" dates for CRR.21.1 & CRR.21.2 have been marked forward to 31st March 2013 and responsibility has now been assigned to Peter Dawes (previously Natalie Brahma-Pearl).

² The risk of failure has been mitigated on the current system. It has been agreed to proceed with the WSCC WAN which allows for a decision on the replacement system. The choice is either a standalone system or a managed service. Options are being reviewed and costed. SIPTrunk technology will be installed to improve resilience and flexibility in advance of the final telephony decision. Also part of CenSus and Better Together projects. Options report to be produced by the end of December 2012.

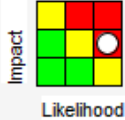

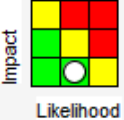


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Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR28 Loss of ICT infrastructure due to current time limited problems with the air handling systems at CHN 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			September 2012 Update: Actions have been implemented. This risk should now be removed from the 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			September 2012 Update: Losses on Council Tax Benefit will be partially offset by changes in technical reforms.
				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			September 2012 Update: Investigating pooling with WSCC.
				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			September 2012 Update: Continue to monitor updates in national guidelines.

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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)	Tom Crowley; Natalie Brahma-Pearl; Katharine Eberhart			September 2012 Update: Conversations will take place between Heads of Services and their respective line managers to assess perceptions and explore ways of detecting problems. The business transformation programme and terms and conditions review will present further challenges in the coming months
				CRR.34.2 Review at CMT (Bi-Monthly)	Tom Crowley, Natalie Brahma-Pearl, Katharine Eberhart			
				CRR.34.3 Review of performance statistics (Monthly)	Tom Crowley, Natalie Brahma-Pearl, Katharine 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			September 2012 Update: Localism Action Plan regularly reviewed by CMT.
				CRR.36.2 Implement Action Plan (30/9/13)	Katharine Eberhart			

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Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
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/Illness Disruption of service	Tom Crowley		CRR.37.1 Develop Business Transformation Project Plan (30/6/12)	Tom Crowley			September 2012 Update: An outline plan has been drafted. Perceptions will be tested at the forthcoming Manager's Conference. Sickiness rates will be regarded as a key indicator.
				CRR.37.2 Member Advisory Group will set clear priorities (31/7/12)	Tom Crowley			
				CRR.37.3 Monitor performance statistics (Monthly)	Tom Crowley			

ACTION PLAN 2012 to 2013**APPENDIX 3**

	Action	Responsibility	Target Date	Update
1.	Establish terms of reference and membership of the Risk Management Group.	CMT	10/05/12	Completed.
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	First meeting scheduled to take place 21/9/12.
3.	Set up a rolling programme of Risk Register health checks for all services and major projects.	Risk Management Group	Quarterly	Action to be reviewed at the first meeting of the Operational Risk Management Group.
4.	Review and rationalise the Risk Management procedure manual.	Chief Internal Auditor	31/07/12	Work in progress.
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	Solution is under development.
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	