



# ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE

THURSDAY 25<sup>TH</sup> SEPTEMBER 2014 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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No.

1. Apologies for absence
2. To approve as correct the minutes of the meeting of the Committee held on 26<sup>th</sup> June 2014 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. Audit Results Report for the year ending 31st March 2014 – to be presented by the External Auditor 9
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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	
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**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE**  
**26<sup>TH</sup> JUNE 2014**

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

Apologies: Councillor: Stuart Ritchie

Also present: Councillor: Brian O'Connell  
Emma Bryant, Audit Manager, Ernst & Young

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 26<sup>th</sup> March 2014 were approved as a correct record and signed by the Chairman.

AAG/5 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

There were no announcements.

AAG/7 **AUDIT PLAN**

Emma Bryant, Audit Manager, Ernst & Young, presented the External Auditors Plan in respect of the 2013/14 audit. The Plan set out the audit work the Auditor proposed to undertake for the audit of financial statements; the statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness; and the review of the Whole of Government Accounts return.

The Audit Manager drew attention to two significant risks that had been identified as being relevant to the audit of the accounting statements and indicated how she would audit these areas:

- Risk of management override (the Audit Manager reassured Members that this was not a particular risk at Horsham but one that was identified and responded to on every audit engagement they undertook).
- National Non-Domestic Rates (NNDR) rateable value appeals provision.

In response to a Member's query, the Head of Financial & Legal Services advised that the Government had indicated that they would endeavour to clear 90% of the outstanding NNDR appeals by June 2015.

With regard to Economy, Efficiency and Effectiveness, the Audit Manager had not identified any significant risks but they had identified two key areas they would consider to support the Value for Money conclusion - financial standing due to continued funding challenges from national policies and Council spending in comparison to a group of statistical nearest neighbours.

The planned fee for the 2013/14 audit had been set at the same level as the previous year.

The outcome of the 2013/14 audit would be reported to the meeting of the Committee in September 2014.

AAG/8 **2013/14 YEAR END OUTTURN REPORT**

The Director of Corporate Resources presented a report comparing the 2013/14 actual expenditure (outturn) on revenue, capital and repair & renewals with the budget approved by the Council in February 2013, as subsequently amended.

Whilst there was a substantial underspend on the revenue budget, part of this was attributable to significant additional income particularly in respect of green waste and planning fees and additional grants.

AAG/8 2013/14 Year End Outturn Report (Cont.)

The capital programme was also underspent, as some projects had not proceeded as quickly as expected. The unused budgets for capital schemes in progress would be carried forward to 2014/15.

As agreed last year, in future all revenue expenditure previously met from the repairs and renewals fund would be accounted for in the revenue accounts. Unspent budgets from 2013/14 for schemes which were in hand or due to commence shortly, would be carried forward to the 2014/15 revenue budget. Budgets in excess of the available balance on the repairs and renewals fund would be financed from general reserves.

In response to a query regarding expenditure on casual/temporary staff, the Head of Financial & Legal Services explained that there had been greater use of casual staff in 2013/14 due to the success of the green waste project. It was also the practice of Operational Services to employ agency staff initially to fill vacancies, with those who proved satisfactory subsequently being offered permanent positions. In future, this would be reflected in the budget provision for Operational Services. It was noted that the Finance & Performance Working Group had raised concerns regarding the level of expenditure on casual/temporary staff and would be looking at this subject in more detail.

**RESOLVED**

That the following be noted:

- (i) The financial position of the Council, as outlined in the report.
- (ii) The revenue budget carry forwards approved by the Director of Corporate Resources, as outlined in the report.
- (iii) The carry forward of unspent capital and repairs & renewals budgets.
- (iv) The transfers between the General Reserve and the earmarked reserves outlined in the report.

**REASON**

Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.

AAG/9 **DRAFT STATEMENT OF ACCOUNTS 2013/14**

The Head of Financial & Legal Services advised the Committee that the deadline for the submission of the draft Statement of Accounts 2013/14 to the auditors was 30<sup>th</sup> June 2014 and that they would also be circulated to the Members of the Committee at that time. The final version of the accounts would be submitted to the next meeting of the Committee for approval.

Members were asked to raise any queries they had with the Director of Corporate Resources or the Head of Financial & Legal Services before the next meeting of the Committee, and that such queries and responses should be shared with all Members of the Committee. It was also agreed that a seminar would be arranged to enable Members of the Committee to gain a greater understanding prior to the next meeting of the Committee.

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

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since March 2014.

A summary of audit findings in respect of Procurement, Debtors, Treasury Management, Risk Management, Asset Management, Hop Oast Management Controls, Payroll and NNDR, all of which had achieved an overall audit opinion of substantial assurance, was submitted.

The Committee welcomed the overall results of these audits but expressed concern that two issues in respect of fuel stocks and consumption needed to be addressed. The Chief Internal Auditor was asked to provide an update for the Committee on these issues at the next meeting.

It was noted that a Transition Team had been set up to address potential control weaknesses arising from the management restructure. Regular meetings were taking place, chaired by the Director of Corporate Resources, at which relevant issues were addressed. Members were reassured that, to date, there had been no problems arising from changes/reallocations of responsibilities and that the Transition Team was aware of the need to continue to monitor this aspect. It was noted that there were some areas where managers had yet to be appointed and transition arrangements were in place. It was anticipated that all posts would be filled by September but there would still be a learning curve for the new postholders.

**RESOLVED**

That the summary of audit work undertaken since March 2014 be noted.

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

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/11 **ANNUAL INTERNAL AUDIT REPORT 2013/14**

The Chief Internal Auditor advised that the annual report had been compiled to:

- Summarise the work undertaken by Internal Audit during 2013/14 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment;
- Summarise the effectiveness of audit work; and
- Provide a statement on conformance with the Public Sector Internal Audit Standards.

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.

The Council's Internal Audit Service was operated in accordance with the Public Sector Internal Audit Standards. These standards required the Chief Internal Auditor to undertake a self-assessment of the internal audit service against a Quality Assurance and Improvement Plan checklist and the results were outlined as part of the Annual Audit Report. It was noted that the Internal Audit Team had maintained its independence throughout 2013/14 in accordance with the Audit Charter.

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. During the year, 86% of audits had been completed against a target of 85%. Details of progress against the annual plan for 2013/14, the implementation of agreed actions, reporting and management feedback was reported.

AAG/11 Annual Internal Audit Report 2013/14 (Cont.)

The Chief Internal Auditor was of the overall opinion that substantial 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 were highlighted.

The submitted table of internal audit assurance opinions showed the following balance of substantial and moderate audit opinions on individual audit reports:

<b>Internal Audit Opinion</b>	<b>Definition of Opinion</b>	<b>Number in 2012/13</b>	<b>Number in 2013/14</b>
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	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	19	21
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	8	5
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	0

In response to the Chairman of the Committee's query whether any neighbouring authorities achieved full assurance in respect of any of their audits, Emma Bryant, Audit Manager, Ernst & Young advised that an audit opinion of full assurance was very unusual.



AAG/11 Annual Internal Audit Report 2013/14 (Cont.)

RESOLVED

- (i) 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.
- (ii) That the performance of internal audit against performance targets be noted.
- (iii) That the statement of compliance with the Public Sector Internal Audit Standards be noted.

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/12 **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Director of Corporate Resources submitted the Annual Governance Statement (AGS) in draft form for Members' information. 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.

Comments included reference to the difference in the order of the core principles of the Council's Governance Framework as set out in paragraph 3 of the AGS and then subsequently expanded, improving the robustness of reports presented to Councillors for decisions, implementing new channels of communication between parishes, the district and the council, and the relationship between the District Plan and Departmental Service Plans.

The AGS would be submitted for final approval by the Committee at its next meeting in September and Members were asked pass any comments to the Director of Corporate Resources and the Chairman of the Committee.

AAG/13 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor presented the latest quarterly update in respect of the Corporate Risk Register.

AAG/13 **Risk Management – Quarterly Update Report (Cont.)**

It was noted that the corporate risk register had been fully reviewed by the Senior Leadership Team.

RESOLVED

That the report be noted.

REASON

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

AAG/14 **URGENT MATTERS**

There were no urgent matters to be considered.

AAG/15 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/16 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT (PARAGRAPH 3)**

The Committee considered the detailed information submitted concerning the implementation of agreed actions arising from internal audit reports.

The meeting finished at 7.11pm having commenced at 5.30pm.

**CHAIRMAN**

# Horsham District Council

## Accounts, Audit and Governance Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

25 September 2014



Building a better  
working world

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- ▶ Independence and audit fees
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# Executive summary

## *Key findings*

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### Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Accounts, Audit and Governance Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

#### **Financial statements**

- ▶ As of 25 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements well and in compliance with the Code.

#### **Value for money**

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

#### **Whole of Government Accounts**

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

#### **Audit certificate**

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

# Extent and purpose of our work

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## The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements.
- Report on any exception on the governance statement or other information included in the foreword.
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion).

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions issued by the National Audit Office, and send them our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

# Addressing audit risks

## Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
<b>Significant audit risks (including fraud risks)</b>		
<p>The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government.</p> <p>The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA). Where local businesses believe the current value for business properties is wrong they can:</p> <ul style="list-style-type: none"> <li>• appeal to the VOA and ask them to correct details</li> <li>• appeal the rates if the local business and the VOA can't agree.</li> </ul> <p>This appeal is heard by a valuation tribunal.</p> <p>Where rating appeals are successful, monies to settle appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the VOA, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.</p> <p>The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.</p>	<p>Based on the requirements of the auditing standards our approach focused on:</p> <ul style="list-style-type: none"> <li>• reviewing provisions and other significant accounting estimates made by management to ensure they are reasonable; and</li> <li>• auditing the business rate balances as in line with the Code guidance.</li> </ul>	<p>We assessed the provision against the requirements of 'IAS 37 – Provisions, Contingent Liabilities and Contingent Assets' and found that it was compliant with the requirements of the accounting standard. We also assessed management's expertise in formulating the provision and found this to be of a good standard.</p> <p>We audited the business rate balances in the Collection Fund and found them to comply with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'.</p> <p>We identified that the Council had incorrectly included its share of the provision within bad debts on the balance sheet. This is a misclassification within the balance sheet and has now been amended. The Council's share of the provision is now included and disclosed separately as a provision within current liabilities on the balance sheet.</p>
<p>As identified in ISA (UK &amp; Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewing accounting estimates for evidence of management bias;</li> <li>• evaluating the business rationale for significant unusual transactions; and</li> <li>• the Council's arrangements for identifying and properly disclosing significant related party transactions in its financial statements.</li> </ul>	<p>We substantively tested all significant accounting entries prepared around the year end, as well as all material system journals prepared throughout the year. We also tested all journals prepared by management for accuracy and correctness. We found no evidence of management bias or override.</p>

# Financial statements audit

## *Issues and misstatements arising from the audit*

### **Progress of our audit**

The following areas of our work programme remain to be completed. We will provide an update of progress at the Accounts, Audit and Governance Committee meeting:

- Completion of work on Reserves and on HB work to support the audit opinion
- Receipt of a Letter of Representation
- Completion of our work on WGA
- Final review of the amended financial statements
- Receipt of audit assurance from the auditor of the West Sussex pension scheme

Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

### **Uncorrected Misstatements**

We have identified no misstatements within the draft financial statements which management has chosen not to adjust.

### **Corrected Misstatements**

Our audit identified one misstatement that we consider to be significant and which management have amended. We set out the context and nature of them in Appendix 1 to this report.

We also identified a small number of minor amendments which our team have highlighted to management. All of these have been corrected during the course of our work. These are not significant and we have therefore not included them in our report.

### **Other Matters**

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are 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; estimates and disclosures;
- 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; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest,

We have no other matters we wish to report.



# Financial statements audit (continued)

## *Internal Control, Written Representations & Whole of Government Accounts*

### 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. Our 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.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

### Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently completing our work in this area and will report any matters that arise to the Accounts, Audit and Governance Committee.

# Arrangements to secure economy, efficiency and effectiveness

*The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Horsham District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.*

## Criterion 1 - Arrangements for securing financial resilience

- ▶ *"Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future"*

We did not identify any significant risks in relation to this criterion based upon our review of:

- ▶ the 2014/15 budget and medium term financial strategy (MTFS); and
- ▶ the progress of the Council's Transformation Programme in achieving savings and efficiencies.

The Council have set a small deficit budget of £187,000 for 2014/15. Looking beyond 2014/15 in the MTFS, the budget gap is growing to £1.6 million in 2017/18. The Council recognises that savings identified to date are insufficient to meet this gap. Although the Council have reserves to meet this deficit in the short-term, there is a need to identify further recurrent savings beyond the current period of the MTFS. The Council are aware of this need and are looking at options.

## Criterion 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*

We did not identify any significant risks in relation to this criterion based upon:

- ▶ a review of the Audit Commission's VFM profiles; and
- ▶ a review of the Audit Commission's financial ratios tool

We have no issues to report in relation to this criterion. Our work focused on the Council's budget setting processes and ability to set balanced budgets within the current spending constraints, without detrimentally affecting service provision. The Council has a good awareness of the challenges that it is facing.

# Independence and audit fees

## Independence

- ▶ We are required by auditing and ethical standards to report any relationships to you which may affect our independence and objectivity. Since we issued our Audit Plan on 13 June, we have been notified that the daughter of the Director of Resources, has commenced work with EY as an intern in the Leeds Office. We have put safeguards in place to ensure that this threat to independence is minimised.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.  
If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Accounts, Audit and Governance Committee on 25 September 2014.

- ▶ We confirm that we have met the reporting requirements to the Accounts, Audit and Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements was set out in our Audit Plan dated 13 June 2014.

## Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee - Code work	65,892	65,892	-
Certification of claims and returns	9,328	9,328	-
Non-audit work	0	0	-

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

# Appendix 1 - Corrected audit misstatements

- The following corrected misstatements greater than £1.046 million have been identified during the course of our audit and warrant communicating to you.
- These items have been corrected by management within the revised financial statements.

## Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	F, P, J	Debit/(Credit)	Debit/(Credit)
1. Short term debtors	The NDR provision was incorrectly included within the bad debt provision rather than as part of provisions on the balance sheet.	F	£1,069,686	-
2. Provisions			£(1,069,686)	
Cumulative effect of corrected misstatement			-	-

- Key**
- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

## Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





**Horsham  
District  
Council**

Mr Paul King  
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Contact: Katharine Eberhart

Dear Paul

### **Horsham District Council - Audit for the year ended 31 March 2014**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors 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 2014:

#### **Financial Statements and Financial Records**

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;
- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

### **Fraud**

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

### **Compliance with Laws and Regulations**

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

### **Information Provided and Completeness of Information and Transactions**

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ additional information that you have requested from us for the purpose of the audit; and
- ▶ unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 September 2014.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.



I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### **Liabilities and Contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

### **Subsequent Events**

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### **Accounting Estimates**

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### **Retirement benefits**

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

## **Use of the Work of an Expert**

We agree with the findings of the experts engaged to evaluate the National Non-Domestic Rates provision and the valuation of land and buildings and investment property and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

## **Signed on behalf of Horsham District Council**

I confirm that this letter has been discussed and agreed by the Accounts, Audit and Governance Committee on 25 September 2014

Yours sincerely

Signed: .....

**Director of Corporate Resources**

**Date: 25 September 2014**

Signed: .....

**Chairman, Accounts, Audit and Governance Committee**

**Date: 25 September 2014**

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

Date of Meeting: 25<sup>th</sup> September 2014

By the Director of Corporate Resources

## **INFORMATION REPORT**

Not exempt



## **Annual Governance Statement 2013/14**

### **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 2013/14. 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 2013/14.

### **Reasons for Recommendations**

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

**Background Papers:** Supporting evidence and Annual Internal Audit Report

**Consultation:** The Senior Leadership 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 and supporting documentation has been updated to reflect the current position.
- 1.3 The Annual Governance Statement was presented to the June Accounts Audit and Governance Committee meeting in "draft" form. Comments from the Committee and subsequent comments from the Chair of the Committee have been incorporated into the final version.

### **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. CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains "fit for purpose". The Framework urges local authorities to review and report on the effectiveness of the governance arrangements,
- ### **3 Details**
- 3.1 The Annual Governance Statement for 2013/14 is attached in Appendix 2.

## **4 Next Steps**

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

## **5 Outcome of Consultations**

- 5.1 The Senior Leadership Team and Council's Monitoring Officer have been consulted, and comments have been incorporated into the Annual Governance Statement.
- 5.2 Members of the Accounts, Audit & Governance Committee and External Audit have also been consulted and comments have been incorporated.

## **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?  Risk Assessment attached Yes/No	There are no risks associated with this proposal.
How will the proposal help to reduce Crime and Disorder?	There is not 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?  Equalities Impact Assessment attached Yes/No/Not relevant	There is no impact on Equality and Diversity
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.



**Horsham  
District  
Council**

**Horsham District Council  
Annual Governance Statement 2013-14**

**1. SCOPE OF RESPONSIBILITY**

Horsham District Council is responsible for ensuring that its business is conducted in accordance with the law, regulations and proper standards, that public money is safeguarded from waste extravagance or misappropriation. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in the exercise of its responsibilities.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, and include arrangements for the management of risk.

Horsham District Council has approved and adopted a Local Code of Corporate Governance (11<sup>th</sup> December 2013) which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. The Local Code of Corporate Governance is included within Part 5 of the Constitution. A copy of the Local Code is available on our website or can be obtained from Council offices. This statement explains how Horsham District Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

**2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

The governance framework has been in place at Horsham District Council for the year ended 31 March 2014 and up to the date of the approval of the Annual Report and Statement of Accounts for the 2013/14 financial year.

### **3. THE GOVERNANCE FRAMEWORK**

The Council's Governance Framework encompasses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The structures and processes, risk management and other internal control systems are in place to monitor and manage the delivery of the Council's aims and objectives:

The core principles of the Council's Governance Framework are set out below:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

### **4. VISION AND OBJECTIVES**

The Council published the last District Plan In February 2011. It covers the period 2011-2015. The District Plan outlines the Council's vision, aims and objectives and is aligned to the Corporate Governance Framework.

- 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 sets out the Council's vision for working in partnership over the longer term. It is formally reviewed and updated each year and a new District Plan 2015-2019 is currently under development and will be implemented following the local elections in 2015.
- The District Plan is available to local people on paper or on the Council's website.
- The District Plan is supported by the Medium Term Financial Strategy and the Council's annual budget to ensure the implications on the Council's finances are considered when the objectives are set.
- Departmental strategies and service plans are developed annually to support the delivery of the District Plan. They explain in detail how each department contributes to the delivery of the overall aims and objectives of the District Plan.
- The Council's Performance Management Framework includes all the key performance indicators associated with the District Plan. Performance against targets is reported to the Senior Leadership Team, the Cabinet Portfolio Holders and to the Scrutiny and Overview Committee. The results of the performance against target for each indicator are published on the Council's website in the Performance Indicator End of Year Report. Explanations for poor performance have to be provided by the responsible manager. This



process helps to ensure that performance statements and other published information is accurate and reliable.

- The Council's Annual Performance Report, which is published on the Council's website, provides a statement of the year's progress against the District Plan priorities.
- Every report submitted to the Cabinet or regulatory committee must outline how the recommended action helps to achieve one or more of the District Plan priorities.

## **5. MEMBERS AND OFFICERS WORKING TOGETHER**

The Council's Constitution gives guidance on the roles and responsibilities of Members, the Chief Executive and Chief Officers, and the Scheme of Delegation is periodically reviewed. The Constitution also includes a Member/Officer Protocol. During 2013/14 the Council re-organised its management structure as part of its transformation programme in order to ensure that the authority has the right skill sets at the right levels within the organisation.

The Leader, Cabinet Members, and Chairmen and Vice Chairmen of standing committees receive briefings from senior management on a regular basis and Members receive training as part of the induction process.

A number of Cabinet advisory groups meet periodically on significant areas of business to ensure there is engagement with back bench Councillors on strategic direction.

The Council participates in a number of partnerships with other local authorities. In particular the Revenues and Benefits and ICT services are delivered by the CenSus (Central Sussex) Partnership. The Council also engages in local community development work with other local public bodies.

## **6. VALUES AND HIGH STANDARDS OF 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 Council has the following policies and procedures in place which aim to prevent or deal with any instances of fraud, dishonesty or malpractice.

- Anti-fraud and Corruption policy
- Confidential reporting Code
- HR Disciplinary Policies
- Council's Equality Scheme
- Information Security Policies

The Council has incorporated in its Constitution a Member Code of Conduct and an Employee Code of Conduct. A register of declared interests is held for officers. Member's Registers are available on the Council's website. Members are asked to review their registers annually. The Standards Committee promotes and maintains high standards of conduct by Councillors and also considers whether a complaint or allegation of misconduct by a Member should be investigated. The Council has also appointed an Independent Person in accordance with the Localism Act 2011.

**7. 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.

The Council's Risk Management arrangements are reviewed for effectiveness by the Accounts Audit and Governance Committee to ensure the process is embedded in the culture of the authority. All major projects incorporate a full risk assessment prior to commencement and at key decision points. Internal Audit undertakes an independent review of the risk management framework annually and provides assurance that risk is being managed in accordance with the Council's Risk Management Strategy and procedures.

**8. 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. A new management training programme is being developed for senior managers following the management re-structure.

New Members to the Council receive induction training, which includes the Constitution, decision-making processes and the Council's Code of Members' Conduct.

**9. ENGAGEMENT WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS**

The Council conducts a wide range of service specific surveys to ascertain the views and needs of its residents. A priority within the 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, all of whom regularly provide feedback. 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. Information provided is used as a resource which informs the Council when setting and reviewing the priorities for the District Plan. The results of a new Resident's Survey which was conducted in the autumn of 2013 are being evaluated in order to inform the District Plan for 2015-2019.

The Council has a Community Engagement Strategy and works hard to communicate (and to receive feedback on) its aims for the District. The Council considers the views of a number of focus groups (the Youth Panel, 'HYPER', The Senior Persons' Council, the Access Forum). These groups help the Council to assess the priorities of different sections of the community that have different needs. A wide range of service specific surveys are conducted to ascertain the views and needs of residents. Compliments and complaints received are monitored and a quarterly report is submitted to the Finance and Performance Working Group.

**10. DETAILS OF KEY GOVERNANCE MECHANISMS**

Sources of assurance received for each of the core principles are set out in Appendix 3.

## 11. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Horsham District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment. Independent assurance is provided in the Chief Internal Auditor's annual audit opinion, and also comments are made by external auditors, review agencies and inspectorates.

Mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include:

- The Council comprises 44 Members and, as a whole, takes decisions on budget and policy framework matters as defined by the Constitution.
- The Cabinet is responsible for considering overall financial and performance management. Budget Monitoring Reports are received on a quarterly basis
- The Scrutiny and Overview Committee is able to scrutinise the decisions of the Cabinet and maintains an overview of Council activities.
- The Standards Committee meets quarterly and at every meeting considers an update report on complaints against Councillors. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
- An annual audit plan is developed, in consultation with senior managers, which outlines the assignments to be carried out and estimated resources. The audit plan is sufficiently flexible to enable the Internal Audit team to respond to changing risks and priorities of the organisation
- The Accounts, Audit and Governance Committee meets quarterly to review the Council's risk management arrangements and reports prepared by the Chief Internal Auditor on the control environment.
- The role of the Chief Financial Officer includes stewardship and probity in the use of resources and performance, extracting best value from the use of those resources. The Chief Financial Officer complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
- The Monitoring Officer has a duty to ensure that operations are carried out in line with the Constitution.
- The Council's internal management processes are reviewed regularly and any changes are communicated through staff development sessions and any management training that is undertaken.

## 12. IMPROVEMENTS DURING THE YEAR

The following improvements to the Governance Framework were recognised during 2013/14:

- The Council developed a Local Code of Governance which was approved by Full Council on 11 December 2013.
- As part of a programme to transform the way it delivers its services the Council has re-organised its management structure to ensure that the authority has the right skill sets at the right levels within the organisation.
- Transformation projects were initiated in 2013/14 to help improve customer service. A Customer Services Manager has been recruited to head up a new Customer Service department.

- All senior officer posts (Scale Point 8 and above) have been through a 'Hay' review and as part of this process all role profiles have been formally reviewed by the post holder and their manager.
- The Officer Code of Conduct has been reviewed and amended, and now incorporates the seven Nolan principles.
- The Council's Risk Management Strategy has been updated following the decision to move from a 3x3 matrix to a 5x5 model.
- Responsibilities for risk management have been incorporated into all senior officer role profiles.
- Regular "Floor Talks" have been introduced to improve two way communication between the Senior Leadership team and staff as part of a wider review on internal communication.

### **13. SIGNIFICANT GOVERNANCE ISSUES**

The 2012/13 Annual Governance Statement included an Action plan for 2013/14. Progress against the risks identified is reported in Appendix 4.

New significant governance issues are reported to the Accounts, Audit and Governance Committee. At the current time no significant governance issues have been identified but a number of recommendations for improvement are set out in Appendix 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**

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

.....

**Chief Executive**

<p><b>1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.</b></p> <p>a) The Council will exercise strategic leadership by developing and clearly communicating our purpose and vision and the intended outcome for citizens and service users.</p> <p>b) The Council will ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.</p> <p>c) The Council will ensure that we make best use of resources and that tax payers and service users receive excellent value for money.</p>
<p>The Council's District Plan for 2011/15 consists of six key areas covering:</p> <ul style="list-style-type: none"> <li>- Economic Development: Plan for a successful local economy with high levels of employment.</li> <li>- Efficiency and Taxation: Delivering excellent value and high performance.</li> <li>- Arts, Heritage and Leisure: Build an arts, leisure and culture reputation that also supports our economy.</li> <li>- Living, Working Communities: Working together to support the life of local communities.</li> <li>- Environment: A better environment for today and tomorrow.</li> <li>- Safer and Healthier: Improving health and well-being.</li> </ul>
<p>Annual Departmental Service Plans are derived from the aims and objectives set out in the District Plan.</p>
<p>The Council has a Medium Term Financial Strategy which links the Council's finances to the Corporate priorities and sets out the strategic financial policies, a medium term financial forecast and budget guidelines for the forthcoming year.</p>
<p>The Council's Budget, which is developed from the Medium Term Financial Strategy, is approved annually to provide appropriate resources to enable the achievement of the Council's District Plan.</p>
<p>The Council has a performance management framework to monitor progress against the Council's aims and objectives. This includes a set of Performance Indicators which are monitored regularly by officers and Members.</p>
<p>The Council publishes an Annual Report which provides an update on progress being made against Council aims and objectives. This is published on the Council's website.</p>
<p>A resident's survey was undertaken in 2011 which was used to develop the aims and objectives of the 2011/15 District Plan.</p> <p>A new Residents Survey in 2013/14 will provide feedback and assist in the development of the new District Plan for the period 2015/19 which is currently under development.</p>
<p>The Council's Corporate Procurement Strategy and Procurement Code ensure that value for money is achieved when money is spent.</p>
<p>The Council has a formal complaints procedure which is clearly published on its website or is accessible from the Council offices. It encourages residents to contact the Council and feedback is welcomed. Quarterly reports summarising complaints and compliments are submitted to the Finance and Performance Working Group (a working group of the Scrutiny and Overview Committee).</p>

<p><b>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.</b></p> <p>a) The Council will ensure effective leadership throughout the authority and be clear about Executive and non-Executive functions and of the roles and responsibilities of the Scrutiny function.</p> <p>b) The Council will ensure that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard.</p> <p>c) The Council will ensure that our relationships with our partners and the public are clear so that each knows what to expect from each other.</p>
<p>The Council's Constitution sets out how the Council operates, how decisions are made and which Codes of Conduct are followed.</p> <p>Member roles are set out in Part 2 of the Council's Constitution.</p> <p>The Constitution includes a Member / Officer protocol which is contained in Part 5G.</p> <p>The Constitution is published on the Council's website.</p>
<p>The Council has rules which officers are expected to comply with, for example, Financial Regulations, Contract Standing Orders and the Procurement Code which are included in the Constitution.</p>
<p>The Chief Executive is responsible and accountable to the authority for all aspects of operational management.</p>
<p>The Council has a Monitoring Officer to fulfil those duties specified by legislation, to report on any contraventions of any enactment or rule of law and to advise on the probity and policy framework (as set out in the Constitution).</p>
<p>The Chief Financial Officer complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>
<p>The Council has a Performance Management Framework which reports on a set of key Performance Indicators to officers and Members.</p>
<p>Partnership agreements are in place for each of the Council's strategic partnerships setting out the partnership principles and objectives, roles and responsibilities and setting out clear accountability for proper financial administration.</p> <p>The Council's Constitution includes a Partnership Protocol (section 5H).</p>
<p><b>3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b></p> <p>a) The Council will ensure that Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p> <p>b) The Council will ensure that organisational values are put into practice and are effective.</p>
<p>Member and Officer Codes of Conduct which are included in the Constitution set out the values and behaviours that the Council expects Members and officers to adopt. These have been revised to fulfil the requirements of the Localism Act 2011.</p>
<p>The Constitution includes Rules of Procedure governing the meetings of the Council. These describe the expected conduct at meetings.</p>
<p>The Council has an Anti-Fraud and Corruption Policy designed to encourage the prevention and promote the detection of fraud.</p>

Member and Officer Registers of Interest, Gifts and Hospitality are maintained to safeguard both Members and officers against conflicts of interest.
The Standards Committee has put in place arrangements to consider complaints or allegations made against Councillors, as required by the Localism Act 2011.
Core competences have been defined for officers. The Council has a performance appraisal process in place which ensures officers are monitored against these.
Member and officer training sets out the standards of behaviour expected.
The Council has a Confidential Reporting Code (Whistleblowing Policy) in place which forms part of the Officer Code of Conduct.
<p><b>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</b></p> <p>a) The Council will be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny.</p> <p>b) The Council will use good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p> <p>c) The Council will ensure that an effective risk management system is in place.</p> <p>d) The Council will use its legal powers to the full benefit of its citizens and communities in their area.</p>
The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.
<p>The Council has a Scrutiny and Overview Committee which reviews the Council's decision making processes and monitors the internal and external delivery of services.</p> <p>The Agendas and minutes of the committee are published on the Council's website and contain evidence of improvements resulting from reviews undertaken.</p>
The Council's Constitution sets out decision making protocols. Decisions are recorded in Council/Committee minutes together with details of any professional advice sought.
An effective Internal Audit section is maintained which reports to the Accounts, Audit and Governance committee. The Chief Internal Auditor is a fully qualified member of the Chartered Institute of Internal Auditors and follows the Public sector Internal Audit Standards. One of the key roles of Internal Audit is to ensure there are robust systems of internal control in place to mitigate risks and provide assurance to Members.
The Accounts, Audit and Governance Committee meets quarterly and reviews the effectiveness of the control environment and risk management framework. The committee reviews a report from the Chief Internal Auditor at each meeting presenting the outcomes of his work programme and highlighting any areas of concern.
There are formal procedures for dealing with complaints. Details are available on the Council's website.
The Council's Chief Finance Officer (S 151 Officer) complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
On an annual basis the Council publishes the Annual Statement of Accounts which is audited by the Council's external auditors, Ernst & Young LLP and is approved by the Accounts, Audit and Governance Committee.
The Council has a Risk Management Strategy which was formally adopted in April 2012 and is reviewed and updated on a regular basis.

The Council's Senior Leadership Team reviews the Corporate Risk Register and a quarterly report is also submitted to the Accounts, Audit and Governance Committee.
The Council has an Operational Risk Management Group that is chaired by the Section 151 Officer. This is responsible for reviewing and challenging the Council's risk management framework and risk registers.
The Council's Monitoring Officer is responsible for advising the Council if any proposal would give rise to unlawfulness or maladministration. This is a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process. Committee reports are reviewed by the Council's senior lawyers to identify potential problems. There is also legal involvement in report development and legal advisors are present at decision making committees, as and when required.
The Council has a Confidential Reporting Code (Whistleblowing Policy) in place which forms part of the Officer Code of Conduct.
<p><b>5. Developing the capacity and capability of Members and officers to be effective.</b></p> <ul style="list-style-type: none"> <li>a) The Council will make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</li> <li>b) The Council will develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.</li> <li>c) The Council will encourage new talent for membership of the authority so that the best use can be made of individuals' skills and resources in balancing continuity and renewal.</li> </ul>
An Induction Programme is in place for both Members and employees.
Officers are provided with the training required for them to perform their roles effectively. Training needs are identified through the Council's Performance Development Appraisal system.
Role profiles set out officer roles and responsibilities for all posts. These are reviewed and updated annually as part of the staff appraisal process.
The Officer Performance Review system ensures appraisals are undertaken annually for all staff. Staff development plans are reviewed and updated as part of this process.
The Standards Committee deals with issues relating to Member performance
The Council offers a number of opportunities as part of the National Apprenticeship Programme. Those who take part gain valuable experience and a nationally recognised qualification.
The Council organises Manager's conferences enabling managers to meet to consider current issues affecting the Council and work together to identify solutions.
<p><b>6. Engaging with local people and other stakeholders to ensure robust accountability.</b></p> <ul style="list-style-type: none"> <li>b) The Council will exercise leadership through a robust Scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</li> <li>c) The Council will take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service.</li> <li>d) The Council will make best use of human resources by taking an active</li> </ul>



and planned approach to meet responsibilities to staff.
The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.
The Council has a Scrutiny and Overview Committee which reviews the Council's decision making processes and monitors the internal and external delivery of services.
The Accounts, Audit and Governance Committee is independent of Cabinet and Scrutiny functions. It received reports on the work of Internal and External Audit and Risk Management.
The Council undertakes a Residents Survey every three years which informs the development of the District Plan.
The Council supports local communities who produce their own Neighbourhood Plans providing a vision for their area.
The Council engages with the public in a number of public consultations (13 in 2013). These are publicised on the Council's website and the feedback informs the Council's decision making process.
The majority of the Council's meetings are open to the public. Agendas, papers and minutes are published on the Council's website.
The Council facilitates a number of focus groups (the Youth Panel, Older People's Panel, Access Group) which provide feedback on issues concerning these groups.
The Council communicates with staff by means of regular information cascade meetings organised by the Senior Leadership Team, Chief Executive Talks and update messages on the Staff Intranet.
The Performance Appraisal system provides opportunities to review employee performance and consider personal development needs in relation to the employee's role.

## ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2013/14

No.	Key Risk Identified	Actions	Responsible Officer	Action by Date	Outcomes
1.	Disaster Recovery	A disaster recovery plan will be built and tested for CenSus ICT.	Chief Executive	31 <sup>st</sup> December 2013	The Council's Disaster Recovery Plan is being continually monitored and updated in response to changing circumstances.
2.	Operational Services	Security controls at the Hop Oast Depot will be substantially improved.	Director of Community Services	31 <sup>st</sup> August 2013	Actioned.
3.	Information Security	Procedures will be written to underpin information security policies, and a programme of training will be rolled out to Members and officers.	Director of Corporate Resources	31 <sup>st</sup> December 2014	Information security training is an ongoing activity which is being continually embedded into day-to-day working.
4.	Health and Safety	All outstanding actions from the consultant's report will be implemented by the end of the calendar year.	Chief Executive	31 <sup>st</sup> December 2013	Progress has been made, but there are a number of outstanding items which need to be addressed during 2014/15.

## ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2014/15

No.	Area for Improvement	Actions	Responsible Officer	Action by Date
1.	The Constitution needs to be updated to take account of the new management structure.	The Constitution is currently being reviewed by the Legal Services Department.	Director of Corporate Resources	30 <sup>th</sup> September 2014
2.	Member and Officer registers of Interests are completed in paper format. Electronic forms should be developed to enable information to be recorded and collated more efficiently.	On line forms will be developed for the Registers of Interests.	Director of Corporate Resources	30 <sup>th</sup> September 2014
3.	Members' allowances should be reviewed by an Independent Remuneration Panel.	An Independent Remuneration Panel should be recruited to carry out the review.	Chief Executive	31 <sup>st</sup> March 2015
4.	Methods of staff communications with the public are in need of review (for example, use of social media).	The Council's Communications Strategy will be reviewed and amended as appropriate.	Chief Executive	31 <sup>st</sup> March 2015
5.	The Council's Anti-Fraud and Corruption Policy is overdue for review.	The Anti-Fraud and Corruption Policy will be reviewed and updated.	Director of Corporate Resources	31 <sup>st</sup> December 2014
6.	The quality of reports to Council, Cabinet and Committees should be reviewed.	(i) Alternative courses of action will be given greater consideration where appropriate.	Senior Leadership Team	31 <sup>st</sup> March 2015

		(ii) The consultation process will be reviewed and improved to ensure that appropriate officers and Members have an input prior to reports being submitted to Council / Committee.		
7.	Engagement with local people / parishes could be improved.	The method and frequency of engaging with local people/parishes will be reviewed and areas for improvement will be identified and implemented.	Senior Leadership Team	31 <sup>st</sup> March 2015
8.	The service planning process should consider how the service can deliver Council's Corporate / District Plan.	When developing service plans for 2015/16, consideration will be given to how each service can help deliver the District Plan.	Senior Leadership Team	31 <sup>st</sup> March 2015

# **Report to Accounts, Audit and Governance Committee**

Date of meeting 25 September 2014

By the Director of Corporate Resources

## **INFORMATION REPORT**

Not exempt



**Horsham  
District  
Council**

### **Treasury Management Activity and Prudential Indicators 2013/14**

#### **Executive Summary**

This report covers treasury activity and prudential indicators for 2013/14. During 2013/14 the Council complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, was not breached.

At 31 March 2014, the Council's external debt was £4m (£4m at 31/3/13) and its investments totalled £22.8m (£14.9m at 31/3/13) including call accounts and money market funds.

During 2013/14 the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.176m (£0.341m in 2012/13) was earned on investments, an average return of 0.6% (1.8% in 2012/13).

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

#### **Recommendations**

The Committee is recommended to:

- i) Note the treasury management stewardship report for 2013/14
- ii) Note the actual prudential indicators for 2013/14

#### **Reasons for Recommendations**

- i) The annual treasury report is a requirement of the Council's reporting procedures
- ii) This report also covers the actual Prudential Indicators for 2013/14 in accordance with the requirements of the relevant CIPFA Codes of Practice.

#### **Background Papers**

"Prudential Code for Capital Finance and Treasury Management Strategy 2013-14" - Accounts and Audit Committee 12<sup>th</sup> December 2012

**Consultation:** ArlingClose. Council's Treasury management advisers

**Wards affected:** All

**Contact:** Julian Olszowka Ext. 5310

## Background Information

### 1 Introduction

- 1.1 This report covers treasury management activity and prudential indicators for 2013/14. 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.
- 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 2013/14 together with Treasury Management Strategy 2013/14 were agreed by Council on 13<sup>th</sup> February 2013 having been approved by this Committee on 12<sup>th</sup> December 2012.

### 2 The Council's Capital Expenditure and Financing 2013/14

- 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 include revisions to the original indicators approved by the Council on 26<sup>th</sup> February 2014 as a part of budget report.

2013/14	Actual £000	Estimate £000
Total capital expenditure	4,466	6,452
Resourced by:		
Capital receipts	(1,773)	0
Capital grants and contributions	( 2,550)	(3,046)
Revenue reserves	( 143)	(2,684)
<b>Unfinanced capital expenditure (additional need to borrow)</b>	0	722

- 2.2 The capital spend was under budget. The detail of variances has been reported to the last meeting of this Committee on 26<sup>th</sup> June. This, combined with the availability of capital receipts, resulted in a reduced need for financing when compared with estimates, notably from revenue reserves.

### 3 The Council's Overall Borrowing Need

- 3.1 The Council's underlying need to borrow is termed the Capital Financing Requirement (CFR). 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.

- 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 2013/14 MRP Policy (as required by CLG Guidance) was approved on 13th February 2013 as a part of the 2013/14 Budget 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. As there was no unfinanced capital spend in 2013/14, the only movement in the CFR is a reduction as the minimum revenue provision (MRP) is made from revenue.

<b>Capital Financing Requirement</b>	<b>Actual £000</b>	<b>Estimate £000</b>
Opening balance 1 April 2013	11,712	11,709
plus unfinanced capital expenditure	0	722
less Minimum Revenue Provision	(749)	(753)
<b>Closing balance 31 March 2014</b>	<b>10,963</b>	<b>11,678</b>

#### 4 Treasury Position at 31 March 2014

- 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 other available funds instead, sometimes termed under-borrowing. The Council is under-borrowed as its only external debt amounts to only £4m.
- 4.2 Although the Council is under-borrowed relative to its CFR it also holds investments and the summary treasury position held on the 31 March 2014 compared with the previous year is shown below.

<b>Treasury position</b>	<b>31 March 2014</b>		<b>31 March 2013</b>	
	<b>Principal £m</b>	<b>Average Rate</b>	<b>Principal £m</b>	<b>Average Rate</b>
Fixed Interest Rate Debt	4.0	3.4%	4.0	3.4%
Investments	(22.8)	0.6%	(14.9)	1.3%
<b>Net borrowing position</b>	<b>(18.8)</b>		<b>(10.9)</b>	

- 4.3 Current returns are low reflecting the continuing low interest rates being offered by counterparties who are a good credit risk.

#### 5 Prudential Indicators and Compliance Issues

- 5.1 **Gross Debt and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external debt must only be for a capital purpose. Gross debt should not therefore, except in the short term, exceed the CFR for 2013/14 plus the CFR over 2014/15 and 2015/16. As external debt was £4m and the CFR remains around £11m 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 £15m for 2013/14 and did not amend it during that year. The table below demonstrates that during 2013/14 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 which was the level set for this indicator.
- 5.4 **Actual financing costs as a proportion of net revenue stream** - This indicator shows the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. This is a gauge of the affordability of capital spend. As shown in the table below the actual indicator was within the estimate mainly due to the unfinanced capital spend being below expectation as overall capital spend was lower than budget and there being financing sources for the expenditure that did occur.

	2013/14
Authorised Limit	£15.0m
Operational Boundary	£4.0m
Maximum gross borrowing position in the year	£4.0m
Minimum gross borrowing position in the year	£4.0m
Financing costs as a proportion of net revenue stream	Actual 5% Estimate 7%

- 5.5 **Upper limits on variable and fixed rate exposure** – This indicator identifies a maximum limit for variable and fixed interest rate exposures. The table below shows the estimate and actual maxima in 2013/14

	Limit	Actual	Met?
Upper limit on fixed rate exposure	£15m	£4m	Ü
Upper limit on variable rate exposure	£0m	-£15.5m	Ü

- 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 2013/14 estimates and current position.



Maximum percentage of borrowing in each age category	2013/14 Original Indicator	Actual Position
<b>Maturity Structure of fixed borrowing</b>		
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 over 364 days** – This limit ensures liquid funds are maintained. The actual position was within the indicator as there were no long term investments.

2013/14	Original Indicator	Actual Position
Maximum principal sums invested > 364 days	£3m	£0m

## 6 Economic and Treasury management Context for 2013/14

- 6.1 The Council's Treasury Management activities are critically affected by what is happening in the general economy and in the finance sector. Members will be well aware of the continuing uncertainty affecting both since the financial crisis. The Council has engaged ArlingClose Ltd to advise on various aspects of Treasury Management. A part of that advice is a commentary on the economic background and the significant developments in the finance sector. The commentaries form the appendix to this report.

## 7 Debt management activity during 2012/13

- 7.1 No new borrowing was entered into, so the Council's only debt was £4.0m from Public Works Loan Board (PWLb) borrowed on 23rd April 2009 for 10 years at 3.38%.
- 7.2 As the CFR shown above is almost £11m the Council is using its internal resources in lieu of borrowing as this is judged to be the most cost effective means of funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this is still the position, it may not be sustainable over the medium term.

## 8 Investment activity in 2013/14

- 8.1 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 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 Treasury Management Code of Practice and the CLG Investment guidance.

These require 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.

- 8.2 The Council's longer term cash balances comprise primarily revenue and capital resources. 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 £6.9m.

<b>Balance Sheet Resources</b>	<b>31 March 2014 £000</b>	<b>31 March 2013 £000</b>
Revenue reserves	14,673	14,220
Other reserves and provisions	2,470	964
Usable capital receipts	388	923
Unapplied capital contributions	8,672	6,329
Working capital	3,647	-426
<b>Total</b>	<b>29,850</b>	<b>22,010</b>

- 8.3 **Yield** - The investment income budget for the year 2013/14 was £0.195m (12/13-£0.189m). The actual interest received was £0.176m (12/13 £0.341m). This excludes £28,000 of gains in value of variable value Money Market Funds which are held in a reserve until realised. Although during the year cash balances were considerably above budget, the returns available from 'good' quality counterparties remained very low for much longer than expected. An overall return of 0.6% (12/13 - 1.8%) was achieved from the investments managed in-house. The benchmark, which is the average LIBID 7 day rate, was 0.41% (12/13 0.49%).
- 8.4 **Security** – A benchmark is used as 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. The portfolio average credit rating was above the benchmark for seven months and matched it for five.
- 8.5 **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 range for the Weighted Average Life of investments of 0.3 to 0.7 years. This maintains the liquidity of investments by limiting how long funds are tied into investments. The actual weighted annual life measured at each month end in the year peaked at 0.4 years, averaging 0.2 years. This implies that the Council is more liquid than it planned and this reflects the lack of appropriate medium term investment opportunities that provided an acceptable balance of risk and return.

## 9 Outcome of consultations

- 9.1 The views of the Council's treasury management consultants, ArlingClose Ltd, have been incorporated in all aspects of the above

## 10 Staffing and Financial Consequences

- 10.1 This report provides information only; no staffing or financial resources are required as a result of it.

## Appendix

### Economic Background in 2013/14

**Economic context:** At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a 'triple-dip' alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England's Monetary Policy Committee. Only two major economies – the US and Germany – had growth above pre financial crisis levels, albeit these were still below trend. The Eurozone had navigated through a turbulent period for its disparate sovereigns and the likelihood of a near-term disorderly collapse had significantly diminished. The US government had just managed to avoid the fiscal cliff and a technical default in early 2013, only for the problem to re-emerge later in the year.

With new Governor Mark Carney at the helm, the Bank of England unveiled forward guidance in August pledging to not consider raising interest rates until the ILO unemployment rate fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a threshold for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.

The recovery in the UK surprised with strong economic activity and growth. Q4 2013 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. Worries of a housing bubble were tempered by evidence that net mortgage lending was up by only around 1% annually.

CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 7.2% in January 2014) was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth (i.e. after inflation) was negative. In February the Bank stepped back from forward guidance relying on a single indicator – the unemployment rate – to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual – this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.

The Office of Budget Responsibility's 2.7% forecast for economic growth in 2014 forecast a quicker fall in public borrowing over the next few years. However, the Chancellor resisted the temptation to spend some of the proceeds of higher economic growth. In his 2013 Autumn Statement and the 2014 Budget, apart from the rise in the personal tax allowance and pension changes, there were no significant giveaways and the coalition's austerity measures remained on track.

The Federal Reserve's then Chairman Ben Bernanke's announcement in May that the Fed's quantitative easing (QE) programme may be 'tapered' caught markets by surprise. Investors began to factor in not just an end to QE but also rapid rises in interest rates. 'Tapering' (a slowing in the rate of QE) began in December 2013. By March 2014, asset purchases had been cut from \$75bn to \$55bn per month with expectation that QE would end by October 2014. This had particular implications for global markets which had hitherto benefited from, and got very accustomed to, the high levels of global liquidity afforded by QE. The impact went further than a rise in the dollar and higher US treasury bond yields. Gilt yields also rose as a consequence and emerging markets, which had previously benefited as investors searched for yield through riskier asset, suffered large capital outflows in December and January.

With the Eurozone struggling to show sustainable growth, the European Central Bank cut main policy interest rates by 0.25% to 0.25% and the deposit rate to zero. Markets were disappointed by the lack of action by the ECB despite CPI inflation below 1% and a looming threat of deflation. Data pointed to an economic slowdown in China which, alongside a weakening property market and a highly leveraged shadow banking sector, could prove challenging for its authorities.

Russia's annexation of Crimea in March heightened geopolitical tensions and risk. The response from the West which began with sanctions against Russia which is the second largest gas producer in the world and which supplies nearly 30% of European natural gas needs and is also a significant supplier of crude oil – any major disruption to their supply would have serious ramifications for energy prices.

Gilt Yields and Money Market Rates: Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%. The 3-month, 6-month and 12-month Libid rates remained at levels below 1% through the year.

## **Credit developments and credit risk management**

A continuing development was a shift away from the risk of bail outs of the recent financial crisis as governments sought to confine the effect of failing banks.

The debt crisis in Cyprus was resolved by its government enforcing a 'haircut' on unsecured investments and bank deposits over €100,000. This resolution mechanism, in stark contrast to the bail-outs during the 2008/09 financial crisis, sent shockwaves through Europe but allowed banking regulators to progress reform which would in future force losses on investors through a 'bail-in' before taxpayers were asked to support failing banks.

In the UK the Financial Services (Banking Reform) Act 2013 gained Royal Assent in December, legislating for the separation of retail and investment banks and for the introduction of mandatory bail-in in the UK to wind up or restructure failing financial institutions. EU finance ministers agreed further steps towards banking union, and the Single Resolution Mechanism (SRM) for resolving problems with troubled large banks which will shift the burden of future restructurings/rescues to the institution's shareholders, bondholders and unsecured investors.

The material changes to UK banks' creditworthiness were (a) the strong progress made by the Lloyds Banking Group in strengthening its balance sheet, profitability and funding positions and the government reducing its shareholding in the Group to under 25%, (b) the announcement by Royal Bank of Scotland of the creation of an internal bad bank to house its riskiest assets (this amounted to a material extension of RBS' long-running restructuring, further delaying the bank's return to profitability) and (c) substantial losses at Co op Bank which forced the bank to undertake a liability management exercise to raise further capital and a debt restructure which entailed junior bondholders being bailed-in as part of the restructuring.

In July Moody's placed the A3 long-term ratings of Royal Bank of Scotland and NatWest Bank and the D+ standalone financial strength rating of RBS on review for downgrade amid concerns about the impact of any potential breakup of the bank on creditors. As a precautionary measure the Authority reduced its duration to overnight for new investments with the bank. In March Moody's downgraded the long-term ratings of both banks to Baa1. NatWest is the Authority's banker and will continue to be used for operational and liquidity purposes.

# Report to Accounts, Audit and Governance Committee

25<sup>th</sup> September 2014

By the Chief Internal Auditor

## INFORMATION REPORT

Not exempt



### Internal Audit – Quarterly Update Report

## Executive Summary

This report summarises the work completed by the Internal Audit Section since June 2014.

## Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since June 2014.

## Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

<b>Background Papers:</b>	Public Sector Internal Audit Standards & Internal Audit Reports
<b>Consultation:</b>	N/A
<b>Wards affected:</b>	All
<b>Contact:</b>	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 2014.

### 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 mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.

#### 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 work 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 Training

##### OVERALL AUDIT OPINION: MODERATE ASSURANCE

- From discussions held with training co-ordinators, it was identified that not all external training courses are being booked using the “T1” authorisation form, and therefore staff training records (held by Human Resources) are incomplete. Managers will be reminded of this requirement, and in the longer term, it is anticipated that the T1 Form will become obsolete with the introduction of a proposed new on-line PDA process.
- The auditor identified that, with the exception of recently appointed managers, “corporate” induction training has not been undertaken for new members of staff



since 2012 due to a diversion of resources. It has been agreed that a review of the induction process will be carried out.

- Meetings were held with eleven managers to ascertain the processes they followed in relation to post training debriefings. Managers interviewed confirmed that they convene debrief meetings with their staff. Some debrief meetings take place at departmental meetings where the information is shared. The sharing of knowledge from staff training is considered to be best practice and it has been agreed that other departments should adopt this approach. Guidance is to be issued to all managers.
- A number of other areas for improvement were identified, and it has been agreed that “core competency” training and the role of the “departmental training coordinators” will be reviewed.

### 3.2 Sickness Absence

#### OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

The main area of concern highlighted by the audit is that managers have adopted different methods of dealing with staff sickness which has resulted in a lack of consistency across the organisation in a few areas. For example, action taken when sickness trigger point emails are received varies, and some managers do not always convene meetings as appropriate. The current Attendance Management and Sickness Policy and Procedure document, which was under review at the time of the audit, states that the requirement to convene meetings in these circumstances is discretionary. This has contributed to variations in approach.

The Council currently maintains performance information on short and long term sickness absences. Staff sickness has been high profile in recent months and the need to manage sickness absence more effectively has been identified. It has been agreed that the profiling of long term sickness will be explored.

### 3.3 Fees & Charges

#### OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

Rates of fees and charges are reviewed annually as part of the budget setting process and are incorporated in setting income budgets at the service level. Audit random sample testing confirmed that charges are being levied in line with the levels set.

The main concern is that some fee information on the Council's website was incorrect as updates for the new 2014/15 charge rates had not been uploaded. Some of the information was hard to find as it is attached to individual service pages and is in different formats. The Council's new website will improve navigation and a check and reminder process will be introduced for March 2015 to ensure that rates are amended promptly to reflect changes.

### 3.4 Cemeteries

#### OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

The auditor was satisfied that a sound system of control is in place for the operation of the cemeteries, including financial controls and the maintenance of associated records. Financial records were examined for accuracy and completeness and were found to be satisfactory. The main area of concern relates to a lack of a formal site inspection programme for all cemeteries. It has been agreed that a formal inspection programme will be introduced.

## 4. Other Work

### 4.1 Special Investigations

Internal audit has been involved in three special investigations during the last month. Further details will be provided at the next AAGC meeting.

### 4.2 Benefit Subsidy Work

At the request of Ernst and Young, Internal Audit has undertaken Subsidy Claim checking on their behalf. This piece of work has involved detailed checking of 40 Horsham benefit claims to ensure that they have been processed correctly. The workload/man days required to complete this is not insignificant. However, it was important that this area of work was resourced on a timely basis. The work undertaken will help to mitigate against the risk of the Subsidy Claim being qualified and the potential for financial penalties being levied.

### 4.3 Transition Team

It was reported at the last meeting that a Transition Team was set up earlier in the year to address potential control weaknesses arising from the management restructure. In particular, responsibilities for controls needed to be reviewed and interim arrangements were put in place where appropriate. The last meeting took place on 29<sup>th</sup> July. As a considerable number of actions have been completed, the team has now been disbanded. However, the Director of Corporate Resources will monitor progress on the outstanding actions during 1-2-1 sessions with the relevant officers.

### 4.4 Risk Management

A programme of departmental risk workshops is currently being rolled out across the whole organisation to convert from the current 3x3 matrix to the new 5x5 model. The workshops are being facilitated by Internal Audit.

### 4.5 Other Work

Internal audit has been involved in a number of project team meetings, and has produced / coordinated the Annual Governance Statement on behalf of the Council.

## **5. Audit Plan 2014/15 ~ Progress Update**

12% of the audit plan has been achieved to date. 13 areas of planned work are currently in progress, and when completed, 45% of the plan will have been achieved.

The work involved in rolling out risk workshops has been underestimated. There are now 21 departments, and where these are new, risk registers will need to be built from scratch.

A further update will be provided at the next meeting.

## **6. Next Steps**

6.1 Not applicable.

## **7. Outcome of Consultations**

7.1 Not applicable.

## **8. Other Courses of Action Considered but Rejected**

8.1 Not applicable

## **9. Staffing Consequences**

9.1 There are no direct staff consequences.

## **10. Financial Consequences**

10.1 There are no financial consequences.

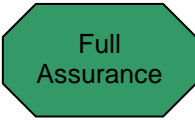
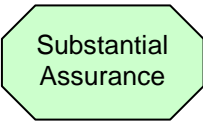


## Appendix 1

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



# **Report to Accounts, Audit and Governance Committee**

25<sup>th</sup> September 2014

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.

#### **Recommendations**

The Committee is recommended to:

- 1) Note the contents of this report.

#### **Reasons for Recommendations**

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

<b>Background Papers:</b>	Management Information obtained from Covalent
<b>Consultation:</b>	The Senior Leadership Team, relevant Service Managers and Chief Internal Auditor
<b>Wards affected:</b>	All
<b>Contact:</b>	Paul Miller, Ext 5319

## **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 report provides details of key changes to the Council's Corporate Risk Register, and an update on progress regarding the departmental risk registers.

### **2. Risk Management Update**

#### **2.1 Corporate Risk Register**

The Senior Leadership Team (SLT) has reviewed all outstanding actions on the Corporate Risk Register and comments have been updated to reflect the current position for each risk (see Appendix 2).

The following risks will be removed from the Corporate Risk Register as they are no longer considered to be significant. This is because mitigating actions have either been completed or ongoing controls are now in place.

CRR24: Loss of telephone system due to hardware failure.

CRR43: Delays in processing major planning applications.

CRR44: Failure to achieve PSN Code of Connection accreditation.

#### **2.2 Departmental Risk Registers**

All departmental risk registers have been reviewed and updated.

Conversion to the new 5x5 risk matrix and officer training is now underway. Three registers have already been converted, nine workshops have been scheduled to take place in September, ten in October and one in November. Six further workshops still need to be arranged. It is anticipated that all departmental risk registers will have been updated and refreshed by the end of December.

### **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 Senior Leadership Team.
Risk Assessment attached ~ No	See Appendix 2 for the latest version of the Council's Corporate Risk Register.
Crime and Disorder	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equality and Diversity/ Human Rights	Effective risk management helps to ensure that the Council achieves its objectives within this area.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

### Statutory and Policy Background

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

## APPENDIX 2

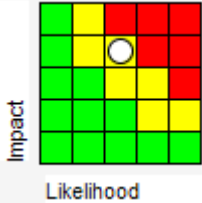
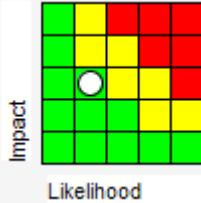
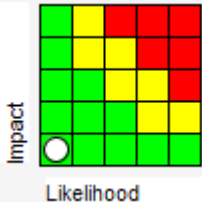
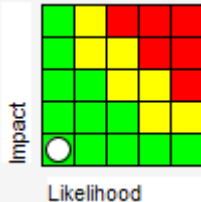
# Corporate Risk Report 5x5 Matrix Sep 2014 V2

Generated on: 12 September 2014

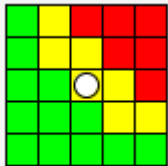

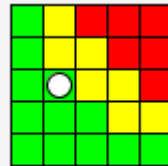





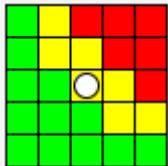

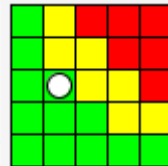



Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 5x5 Continued reduction in government funding will result in a reduction in services.	Job losses, reduced income, capital receipts reduced or not realised, 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.	Katherine Eberhart		CRR.01.09 Develop and deliver Business Transformation Programme (Ongoing).	SLT			September 2014 Update: The following Transformation Projects are either in progress or have been completed: Digital Horsham (new system went live 22/7/14); Customer Contact Centre (completion due October 2014); Office Relocation (completion due June 2015) and EDRMS (completion due July 2015).
				CRR.01.10 Scope key projects and identify timelines, together with dependencies and critical resource requirements (Ongoing).	SLT			
CRR05 5x5 Inadequate "information security"	Financial penalties & damage to reputation.	Katherine Eberhart		CRR.05.2 Develop processes & procedures which underpin the IT Security Policy (by 31/12/14, then annual review).	John Ross			September 2014 Update: A schedule of developments required has been agreed - unfortunately the volume of activity in preparing for PSN accreditation & the limited resources available has severely restricted activity - however a re-plan will be undertaken in September and a firm plan established. It should be noted that information security is part of the PSN accreditation work which is undertaken annually.
				CRR.05.4 Provide a programme of training on Information Security to all staff.	John Ross			
				CRR.05.8 Member training will be provided to ensure the use of HDC e-mail only (or emails received / sent from private email boxes are copied to HDC email box).	John Ross			
				CRR5.9 Annual PSN Accreditation	John Ross			

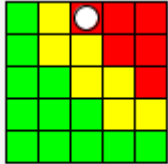

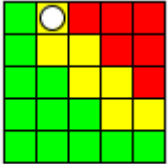

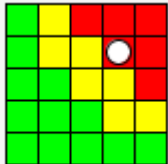

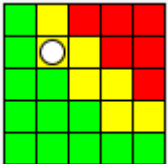


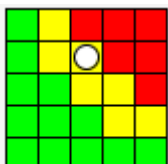

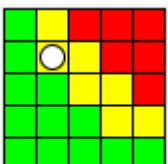


## APPENDIX 2

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR06 5x5 Failure to effectively implement the Council's 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 30/9/14).	Trevor Beadle	▶		September 2014 Update: Departmental Business Continuity plan (BCP) meetings undertaken with majority of services. Only outstanding departments which are due to take place soon are: The Capitol, Customer services, Internal audit. No date yet in place for Community Development, Property & Facilities and Economic Development. However, outline plans are in place for these areas. The corporate BCP is being updated with information from departmental BCPs and will meet the 30/09/14 deadline. All departmental managers will then write part 2 plans to reflect any mitigation strategies that the service can deploy to counteract the most serious threats to business continuity. It is expected that these will be produced throughout Oct/Nov 2014.
				CRR.06.2 Develop departmental business continuity plans and regular review (Complete by 31/12/14).	Trevor Beadle	▶		
				CRR.06.4 Explore feasibility of reciprocal arrangements with other authorities (by 31/03/14)	Trevor Beadle	✓		
CRR24 5x5 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	Katherine Eberhart		CRR.24.02 Explore partnership opportunities.	John Ross	✓		September 2014 Update: New telephone system now rolled out to the Capitol and Museum. Installation completed. This risk will now be removed from the Corporate Risk Register.
				CRR.24.03 Consider acquisition of new system - options report will be produced by December 2012.	John Ross	✓		
				CRR.24.04 Complete installation of new telephone system (commence by 31/01/14).	John Ross	✓		

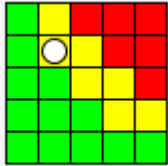

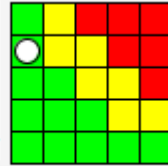



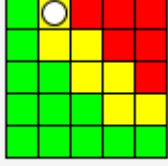

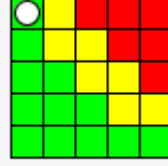
## APPENDIX 2

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR34 5x5 Poor decision-making / performance and loss of staff, during a time of organisational change due to loss of knowledge / poor morale of workforce.	Failure of business objectives. Loss of staff knowledge, capability and potential.	Tom Crowley		CRR.34.1 Regular 1-2-1's with Directors and Service Managers (Monthly)	SLT			September 2014 Update: All Service Manager posts have now been filled with the exception of the Economic Development Manager position. SLT continues to exercise actions (as detailed in the register) to minimise the risk to the Council.
				CRR.34.2 Review at SLT (Monthly)	SLT			
				CRR.34.3 Review of performance statistics (Monthly)	SLT			
				CRR.34.4 Review officer performance via the performance appraisal process.	SLT			
				CRR.34.5 Ensure Service Plans for 2014/15 and beyond are prioritised and resourced and development and training needs identified and delivered.	SLT			
				CRR.34.6 Ensure that consultation processes on organisational restructure are robust and effective and subsequent recruitment exercises are handled in a timely and effective manner and where necessary interim support is put in place.	SLT			
CRR37 5x5 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	Disruption of service	Tom Crowley		CRR.37.1 Develop Business Transformation Project Plan (30/6/12).	Tom Crowley			September 2014 Update: Management continues to monitor additional pressure on staff (for example, office move preparations).
				CRR.37.3 Monitor performance statistics (Monthly).	Tom Crowley			

## APPENDIX 2

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR38 5x5 Failure to implement the Community Infrastructure Levy (CIL) Scheme by April 2015, due to delay in preparing the District Planning Framework	Failure of business objectives, substantial financial loss and damage to reputation	Chris Lyons		CRR.38.1 Raise Member awareness of the impact of further delays to the adoption of the District Planning Framework (Ongoing)	Barbara Childs			September 2014 Update: The Horsham District Planning Framework was submitted to the Planning Inspectorate on 8th August. The timetable for the CIL depends on how long the examination for the HDPF takes – this is hoped to take place in late November / early December. This is however in the hands of the Planning Inspectorate, and if any further consultation is required on any proposed modifications to this plan, then the Examination and subsequent adoption of CIL could slip.
				CRR.38.2 Explore options available for condensing the CIL policy implementation timescales (by 31/05/14)	Barbara Childs			
CRR40 5x5 The Council loses planning application appeals due to a shortfall in the Five Year Land Supply.	Failure of business objectives Financial business loss Damage to reputation	Chris Lyons		CRR.40.01 Identify five year land supply via the Planning Development Framework (by 30/04/15)	Barbara Childs			September 2014 Update: See update for CRR38. Adoption planned for Spring 2015.
				CRR.40.02 Continue to raise awareness with Members (Ongoing)	Barbara Childs			
				CRR.40.03 Member training (Ongoing)	Barbara Childs			
CRR41 5x5 Increased risk of loss of IT services through unforeseen circumstances due to the lack of a tested Disaster Recovery Plan.	Failure of business objectives Non compliance with statutory requirements Financial business loss Disruption of service Damage to reputation	Katherine Eberhart		CRR.41.01 Develop Disaster Recovery Plan for HDC / CenSus BY (31/12/14))	John Ross			September 2014 Update: A consultancy exercise has just been completed (28/8) to develop a Disaster Recovery (DR) development process with associated templates covering all aspects from business recovery requirements through to testing a documented DR plan - this process is currently being trialled at Adur-Worthing, with a completion of early Quarter 1 in 2015; subsequently this will be applied to Horsham & then Mid-Sussex.
				CRR.41.02 Build Disaster Recovery Plan (by 31/03/15)	John Ross			
				CRR.41.03 Test Disaster Recovery Plan (By 31/03/15)	John Ross			

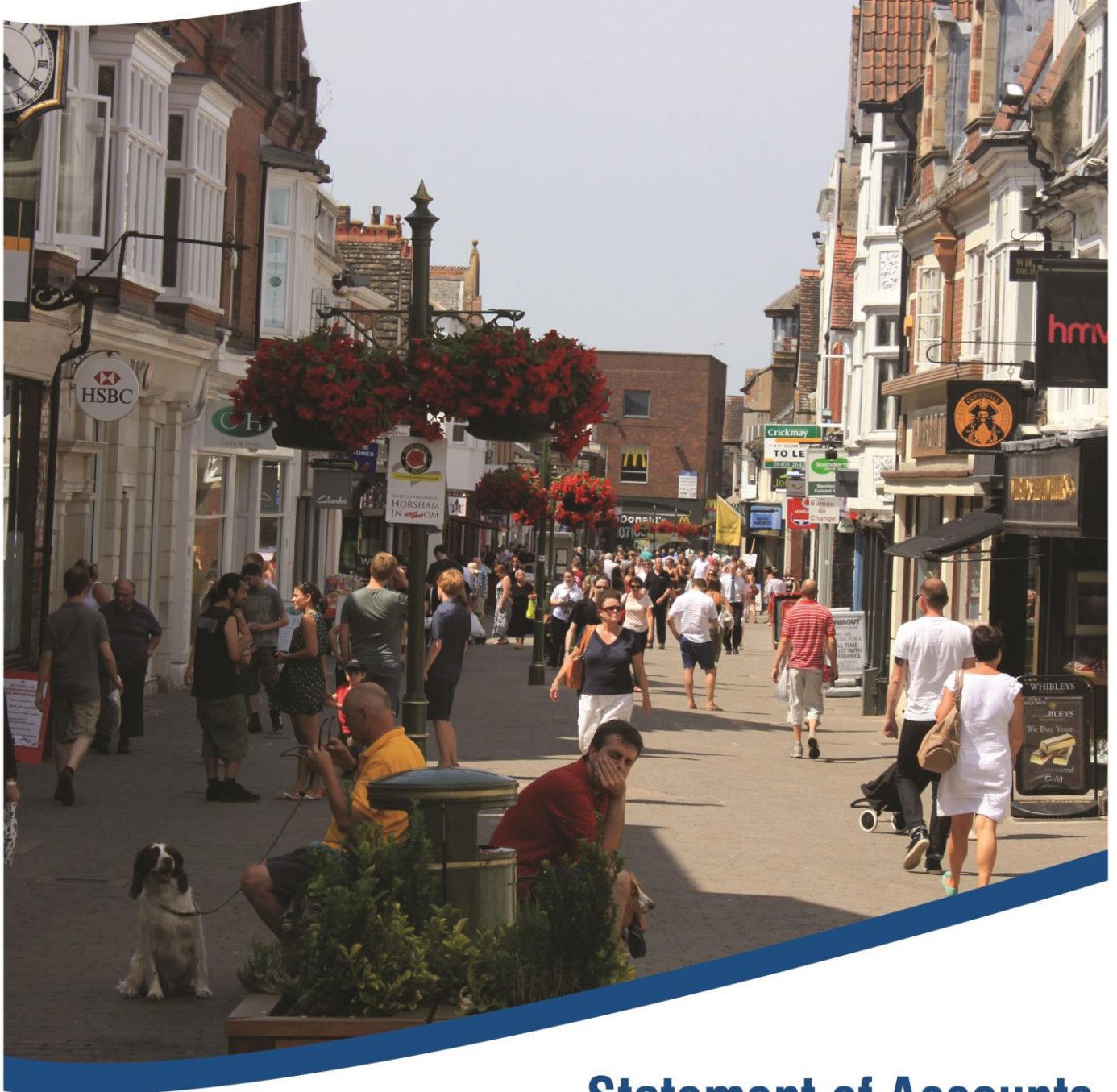
## APPENDIX 2

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Action Code & Title	Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR43 5x5 Under the Infrastructure & Growth Act 2012 the Secretary of State could designate HDC as a poorly performing Council and enable applicants to bypass HDC and apply direct to the Planning Inspectorate due to delays in processing major applications.	Failure of business objectives, non compliance with statutory requirements, Financial business loss and damage to reputation.	Chris Lyons		CRR.43.2 Regular monitoring of new P.I. (Ongoing)	Tom Crowley			September 2014 Update: New Director started 12th August. Procedures are now in place and substantial performance improvement has been seen. This risk will now be removed from the risk register but will be continually monitored by the Development Team.
				CRR.43.4 Appoint an Interim Development Management Improvement Manager	Tom Crowley			
				CRR.43.5 Prepare improvement plan	Tom Crowley			
				CRR.43.6 Implement improvement plan	Tom Crowley			
CRR44 5x5 Failure to obtain PSN CoCo accreditation leading to disconnection of secure link to PSN systems in turn leading to being unable to process core services.	Failure of business objectives, non compliance with statutory requirements, financial business loss, disruption of service & damage to reputation.	Katherine Eberhart		CRR.44.1 Take action to deal with high level vulnerabilities. Reliant on 3rd Parties. Deadline for additional work 24/6/14.	John Ross			September 2014 Update: PSN inspection in progress. This risk will now be removed from the risk register.





Horsham  
District  
Council



# Statement of Accounts 2013/14

Serving our  
towns  
& villages

September 2014



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## EXPLANATORY FOREWORD

### INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2013/14. The accounts provide a record of the Council's financial position and performance for the year. They are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. They cover the reporting period 1 April 2013 to 31 March 2014.

The purpose of the financial statements is to provide information about the financial position and financial performance of the authority during the year. The statements are complex and so notes accompany them to enable the reader to interpret the key elements of the accounts.

The foreword aims to provide a context to the accounts to aid the reader in understanding the Council's financial position and performance for the year. It provides an overview of the main financial results 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.

### HORSHAM DISTRICT

Horsham District covers a large area of open countryside, small towns, villages and hamlets in the county of West Sussex. There are 32 parishes each with its own parish council. The population is around 130,000 people with over 45,000 of these living in Horsham and the immediate area. Billingshurst, Southwater and Steyning are the other main centres 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.

### THE DISTRICT PLAN

The Council has set out its aims in its District Plan 2011 – 2015, under six key headings:-

**Economic Development** – planning for a successful economy with high levels of employment

**Efficiency and Taxation** – delivering excellent value and high performance

**Arts, Heritage and Leisure** – building an arts, leisure and cultural reputation that also supports our economy

**Living Working Communities** – working together to support the life of local communities

**Environment** – working towards a better environment for today and tomorrow

**Safer and Healthier** – improving health and wellbeing

The District Council has adopted the Cabinet model of governance with a Leader and Deputy Leader and Cabinet Members each with responsibility for one aspect of the District Plan. Much decision making is delegated to Cabinet Members or Committees but major items of policy remain the responsibility of the Cabinet or the whole Council. It is the whole Council which approves the Council's expenditure plan, the budget, as part of the process of setting the Council Tax each year.

### BUDGET 2013/14

The Council approved a net General Fund Revenue budget for 2013/14 of £12.678m at the formal meeting on 25<sup>th</sup> February 2013. This was to be funded by £2.695m Revenue Support Grant, £1.793m net business rates, £81k of Council tax freeze grant, £1.166m of New Homes Bonus and £7,581m of Council tax. In addition, the Council collected £2.235m on behalf of Parish Councils within the District.

The budget envisaged that a contribution of £486k would be transferred to the General Fund Balance. This Explanatory Foreword explains how the Council performed compared to its planned budget and how this relates to its formal financial statements.

## THE FINANCIAL STATEMENTS

The accounts show the core financial statements grouped together, along with detailed disclosure notes.

The core financial statements include:-

**The Movement in Reserves Statement (MIRS).** This shows the movement in reserves during the year, split between those reserves which are available for the Council to spend (usable reserves) and those that have been created to reconcile the technical aspects of accounting (unusable reserves)

**The Comprehensive Income and Expenditure Statement (CIES).** This consolidates the gains and losses experienced by the Council during the year

**The Balance Sheet.** This shows the Council's financial position at 31 March each year. The top part of the statement shows the assets and liabilities of the Council and the lower part shows the Council's reserves.

**The Cash Flow Statement.** This summarises the changes in cash and cash equivalents during the year.

A supplementary statement, **the Collection Fund**, shows the collection and distribution of Council Tax and Non- Domestic Rates (NNDR) income.

## REVENUE OUTTURN FOR 2013/2014

The Council monitors its expenditure and income against budget on a monthly basis and reports to Cabinet quarterly. The revenue and capital outturn report for 2013/14 was reported to the Accounts, Audit and Governance Committee in June 2014.

The variance against original budget was reported as an under spend of £909k. Net additional income from fees and charges amounted to £478k with departmental underspending on budgets at £431k. A further £613k of revenue budgets, intended for projects in 2013/14, were unspent and carried forward to 2014/15.

In January 2014 the Council approved a corporate restructure and a provision of £630k has been made in the 2013/14 accounts to meet the redundancy and pension early access costs for this, although the actual costs will not be incurred until 2014/15. In February 2014 the Council approved a one-off lump sum payment of £1.5m to meet the actuarial deficit identified by the triennial revaluation of the Pension Fund. These costs, amounting to £2.130m, are to be funded from the Council's general revenue reserves.

After allowing for the restructure provision and the contribution to the Pension Fund, the original budgeted transfers to reserves and other transfers to earmarked reserves, the outturn underspend has reduced the in-year deficit on the General Fund to £593k as shown below.

	£000
Outturn variance reported	(909)
Budgeted transfer to General Fund Balance	(486)
Budgets brought forward from 2012/13	423
Supplementary estimates	120
Budgets carried forward to 2014/15	(613)
Corporate Restructure provision	630
Lump sum payment to Pension Fund	1,500
Other adjustments	<u>(72)</u>
Deficit on General Fund	593

While the General Fund shows a net deficit of £593k on expenditure and income transactions in the year, the Comprehensive Income and Expenditure Statement shows a surplus for the year of £9.449m, comprising a surplus on the provision of services of £3.947m and a further surplus of £5.502m on the revaluation of fixed and financial assets and on the actuarial value of pension assets and liabilities.

The Comprehensive Income and Expenditure Statement takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit for the year represents the total amount by which the Council's overall net worth has decreased over the year as shown in the Balance Sheet.

In addition to the net General Fund deficit of £593k and the net revenue surplus on other earmarked reserves, it also includes the following major items:

- i) **A charge for the depreciation and revaluation/impairment of assets.** The depreciation charge of £2.038m is a charge for the use of assets that reflects the notional consumption of assets during the year and gains of £1.284m have been credited on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £2.683m is made for expenditure which under proper accounting practice meets the definition of revenue expenditure, but which under statute can be funded from capital resources. It mainly relates to grants made for a capital purpose, such as grants for disabled facilities.
- iii) **A credit for capital grants and contributions.** Capital grants and contributions of £4.667m have been credited in accordance with proper accounting practice. However these grants are used to fund the Council's capital programme and do not fall into the General Fund.
- iv) **A charge for pensions** of £0.329m representing the difference between the accounting cost of pensions (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions paid to the West Sussex Pension Fund. Further details of the movement in the pension fund liability are shown in Note 37.
- v) **A gain on the disposal of fixed assets** of £1,239k. When an asset is disposed of, the difference between the sale proceeds and the carrying value of the asset must be charged or credited to the Comprehensive Income and Expenditure Statement.
- vi) **Other technical adjustments** relating to financing costs, council tax, business rates and officer remuneration.

In addition 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 2013/14 the amount set aside was £749k. This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

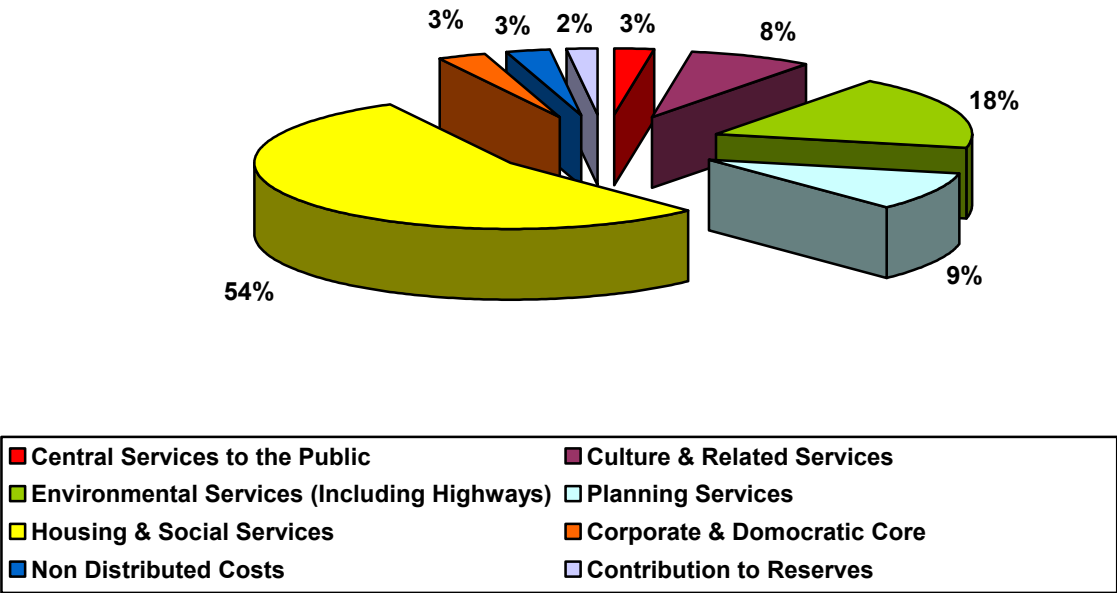
The table below summarises these accounting adjustments:-

	£000
<b>Deficit on General Fund</b>	<b>593</b>
(Income)/expenditure direct from earmarked reserves	(358)
Transfers (to)/from earmarked reserves	(825)
<b>Accounting adjustments</b>	
Charge for depreciation	2,038
Revaluation of fixed assets	(1,284)
Revenue expenditure charged to capital	2,683
Capital grant income	(4,667)
IAS19 pension costs	(329)
Gain/loss on disposal of assets	(1,239)
Minimum Revenue Provision	(749)
Other technical adjustments	190
<b>Surplus on provision of services per CIES</b>	<b><u>(3,947)</u></b>

While the Comprehensive Income and Expenditure Statement shows the true accounting position for the year, it is the General Fund position which is the more important for residents of the district. Certain items that are charged under accounting rules, such as depreciation, impairment, capital grants and actuarially assessed pension charges, are eliminated from the General Fund, leaving the net costs, which after crediting revenue income and grants are those to be met by the Council Tax payers.

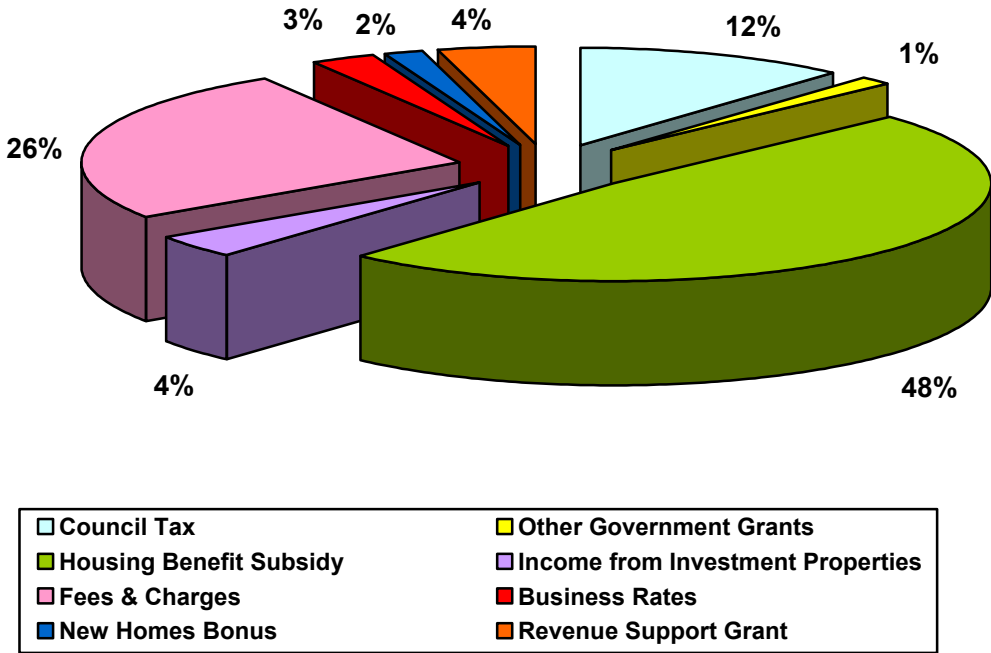
**NET COST OF SERVICES - HOW THE MONEY WAS SPENT**

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 2013/14 and what percentage each makes up of the total financing:

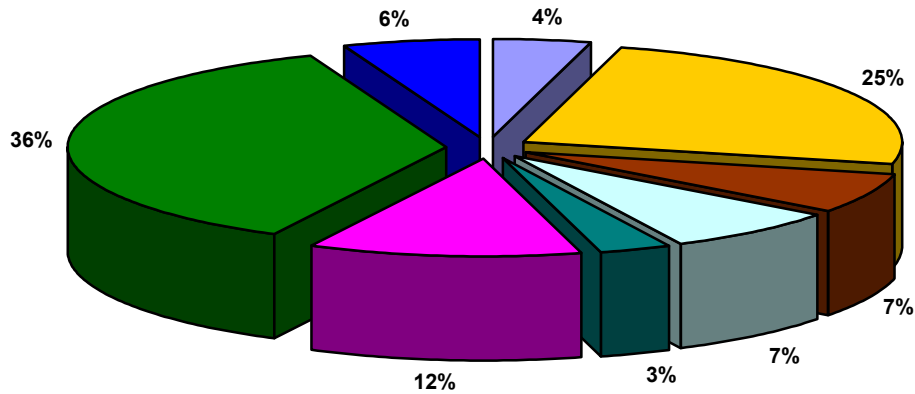


**CAPITAL EXPENDITURE**

In 2013/14 the Council invested £4.667m in a range of capital schemes (shown below).

The capital expenditure in the year was financed by:

Usable capital receipts	£1.774m
Government grants and other contributions	£2.550m
Revenue contributions	£0.143m



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

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>	<b>2016/2017 £000</b>	<b>2017/2018 £000</b>
Warnham Mill Pond Reservoir	648			
ICT Projects	832	260	200	200
Asset Enhancement	200	500	500	500
Swimming Pools	765			
Broadbridge Heath Leisure Centre-New build	1,150	6,237	1,000	
Other Leisure Projects	132	200	200	
Disabled Facilities Grant	713	713	713	713
Home Repair and Renovation Grants	125	125	125	125
Housing Enabling Grants	1,500	1,500	1,500	1,500
Vehicles	1,128	852	1,725	2,590
Car Parks	820	225	240	100
Commercial Estates		100	100	
Hop Oast Depot relocation	1,000	2,500		
Swan Walk Centre	300			
Travellers' Transit Site Chichester	162			
Other projects	234	40	50	70

#### **FINANCIAL POSITION AT 31<sup>ST</sup> MARCH 2014**

The net worth of the District Council is shown in the Balance Sheet. It has increased by £9.449m from 31<sup>st</sup> March 2013. This is a result of an increase in the Council's usable reserves of £2.031m and accounting adjustments related to fixed assets and pensions of £7.418m.

Property, Plant and Equipment value has increased by £3.2m mainly as a result of asset revaluations in the year.

Pension Liability has reduced by £2.7m to £8.2m, reflecting improved performance of assets during the year and a lump sum contribution of £1.5m paid in at the end of the year. This liability is a snapshot actuarial assessment at the Balance Sheet date and does not mean that the fund will not be able to pay benefits due in the future. Asset values of the Fund can increase in the future and changes to the Scheme have been agreed from 1<sup>st</sup> April 2014. A full triennial valuation of the Fund was undertaken at 31<sup>st</sup> March 2013 and revised employer contribution rates have been agreed for the three years from 1<sup>st</sup> April 2014.

Usable Reserves have increased by just over £2m, revenue reserves by £0.454m and capital reserves by £1.577m. The capital reserves will be used to fund the future capital programme. Further details on reserves can be found in the notes to the accounts.

## **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 2013/14.

## **FINANCIAL OUTLOOK**

There is still considerable uncertainty in the financial outlook for the Council. 2013/14 has seen a number of changes to the way local authorities are funded including the localisation of Council Tax Support (formerly Council Tax benefits) and the introduction of the Business Rates Retention Scheme. The Rate Retention Scheme will allow the Council to benefit from growth in the business rates base, but also brings greater uncertainty and the risk of losses should the rate base reduce. The government's contribution to Council Tax Support has reduced and is now included within the Revenue Support Grant total.

The Council adopted a new Medium Term Financial Strategy in October 2012 and sought to raise additional income in 2013/14, particularly by introducing a charge for the green waste service. This was successfully implemented and raised income of £889k. The Council has also embarked on a programme of Business Transformation with the intention of reducing costs in order to protect the services it offers to residents.

The Medium Term Financial Strategy will be reviewed by the Council in the autumn of 2014. The Director of Corporate Resources will report to the Council on the basis of the latest information available, so that the risks and opportunities can be considered and evaluated.

## **CHANGES IN ACCOUNTING POLICIES**

There have been significant changes to the accounting for Business Rates as a result of the Business Rates Retention Scheme. Business rate income used to be paid over to central government in its entirety and a fixed amount returned to the authority as part of central government grant. Under the new scheme, rate income is split equally into a local and national share, with the local portion split 80:20 with the County Council. A fixed tariff is also payable to the government. Business Rates income is still accounted for in the Collection Fund, but can now give rise to a surplus or deficit to be carried forward to future years. To aid transparency the Collection Fund now splits out Council Tax and Business Rates. The reporting of pension costs has also changed in accordance with International Accounting Standard 19.

## **NOTES TO THE ACCOUNTS**

Where the core financial statements have note numbers identified against balances, it indicates 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.

## **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 year end and its financial performance during the year. The Annual Governance Statement is signed and reported alongside the annual Statement of Accounts.

## **FURTHER INFORMATION**

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 2013/14 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 31<sup>st</sup> March 2014

**Director of Corporate Resources**

**Date:**



**Horsham  
District  
Council**

**Statement of Accounts 2013/2014**

This Statement of Accounts is that upon which the auditor should enter her certificate and opinion and has been prepared under the Accounts and Audit (England) Regulations 2011.

I hereby certify that the Statement of Accounts presents 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 31<sup>st</sup> March 2014.

K. Eberhart FCA  
Director of Corporate Resources

25<sup>th</sup> September 2014

**Certificate by Chairman**

I confirm that the Statement of Accounts was approved by the Accounts, Audit and Governance Committee at a meeting held on 25<sup>th</sup> September 2014.

Councillor D. Holmes  
Chairman of Accounts, Audit and Governance Committee

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## STATEMENT OF ACCOUNTING POLICIES

### 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 non-current assets.

### 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 a service is provided for a full year a full year's cost/income is reflected in the accounts, if any service is only provided for a proportion of the year a relevant proportion is included. If actual costs are not available accruals are made, in accordance with officer guidelines, 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.

Council tax income is accounted for on an accrual 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.

### 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.

### EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively.

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

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

## **CHARGES TO REVENUE RELATED TO NON-CURRENT ASSETS**

General Fund service revenue accounts have been charged with depreciation, amortisation and where required any relevant impairment loss. These charges are credited in the Movement in Reserves Statement so that they do 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.

## **MINIMUM REVENUE PROVISION**

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **EMPLOYEE BENEFITS**

### **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 28.

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.

### **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 29.

Information on termination costs and together with prior year comparatives are provided in note 36.

### **Post Employment Benefits - 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 measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds

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

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

Any change in the net pension liability is analysed into six 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.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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, recognised in Other Comprehensive Income and Expenditure.
- 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.

### **Discretionary Benefits**

The Council provides discretionary post employment benefits which arise from additional service awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account.

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

### **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.

## **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.

Where the Council holds pooled funds which have a variable net asset value (VNAV) the changes in value are taken to an Available For Sale (AFS) reserve and shown within Other Comprehensive Income. Funds would be considered to be impaired if there was a significant or prolonged fall in the price, which takes it below the initial purchase price. In this case the AFS reserve would be reduced to zero and the fall below purchase price would be recognised in Finance and Investment Income and Expenditure as an impairment loss.

On the sale of units in VNAV pooled funds, the relevant balances within financial assets and the AFS reserve will be cleared to nil, with any accumulated gains or losses and the difference between carrying value and sale price taken to Finance and Investment Income and Expenditure as investment income. The cleared balance of the AFS reserve will be reported in Other Comprehensive Income to prevent the double-counting of realised and previously unrealised gains and losses. The date of de-recognition will be the date the authority is committed to the sale

## **FOREIGN CURRENCY TRANSLATION**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **GRANTS AND CONTRIBUTIONS**

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

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

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

## **COLLECTION FUND**

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 for billing authorities to maintain a separate Collection Fund). The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a separate Collection Fund Balance Sheet since the assets and



liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

## **COUNCIL TAX INCOME**

Council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for that year. Each major preceptor's share of the accrued council tax income is available from the information required to be produced in order to prepare the Collection Fund Statement.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, there is a debit adjustment. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors, the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year.

The Cash Flow Statement of the billing authority shall include within operating activities only its own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund shall be included within financing activities in the Cash Flow Statement.

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

Following the introduction of Business Rate Localisation, with effect from 1st April 2013 local authorities are responsible for collecting and distributing income from the business rates they collect rather than simply acting in an agency capacity for the DCLG NNDR Pool as they had done until 31st March 2013.

The Council is responsible for any refunds relating to back-dated appeals although a significant element of refunds will relate to 2012/13 or prior years, but in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities will only be formally recognised in the 2013/14 accounts. The total provision which the Council believes it necessary to make at the start of April 2013 with regard to outstanding business rate appeals is £2.6m (6.6% of the estimated 13/14 gross rate yield after reliefs) of which the Council's share is 40% (£1.1m).

Safety net arrangements are in place to protect the Council from the impact of any reductions below 7.5% of its baseline funding level.

## **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.

## **INTANGIBLE ASSETS**

Intangible assets give an economic benefit over more than one year. Long term software licenses are currently the only category in this year's account. They are initially recognised at cost and then 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).

## **INVENTORIES & WORK IN PROGRESS**

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

## **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 a value is changed any gain or loss is recognised in the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement but is reversed out of the General Fund in the Movement in Reserves Statement as required by statutory regulation.

## **JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

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

## **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.

## **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.

## **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:

- initially at cost including any costs attributable to bringing the asset into use and subsequently at market value for the existing use except for assets which are rarely subject to an open market where depreciated replacement cost is used.
- Assets under construction and community assets are held at depreciated historic cost.

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 is being phased in as 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.

## **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.

## **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.

## **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.

## **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.

## **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.

## **VALUE ADDED TAX**

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.

## **REPURCHASE OF BORROWING**

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

## **SERVICE REPORTING CODE OF PRACTICE**

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

## PROVISIONS AND RESERVES

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

### PROVISIONS

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

#### **Provision for Corporate Restructure**

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

#### **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. The final payments were paid and the provision cleared in 2012/13.

### RESERVES

#### **General Fund Revenue Reserve**

Established during 1988/89 to provide finance to meet future expenditure arising from capital and revenue projects. In 2012/13 this reserve has been amalgamated with the General Fund Balance.

#### **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.

<b>Section 106 Reserves</b>	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.
<b>Pension Reserve</b>	Reflects the net deficit on the Council's defined benefit Scheme as required by IAS 19 – Employee Benefits
<b>New Homes Reserve</b>	This was established in 2012/13 with the New Homes bonus received in 2011/12 and 2012/13.
<b>War Memorial Fund</b>	A fund which is specifically for expenditure on Horsham War Memorial. The Trustees have invested the fund with the Council.
<b>NNDR Reserve</b>	This reserve was established in 2013/14 to cover Horsham's share of the collection fund deficit relating to NNDR and the loss of income that would occur if the Council fell below the Government safety net level for business rates.

## 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
<b>Balance at 1 April 2012</b>	<b>(1,412,121)</b>	<b>(11,340,100)</b>	<b>0</b>	<b>(531,991)</b>	<b>(13,284,212)</b>	<b>(90,788,307)</b>	<b>(104,072,519)</b>	
Movement in reserves during 2012/13								
(Surplus) or deficit on provision of services - (restated)	2,474,284	0	0	0	2,474,284	0	2,474,284	4,25
Other Comprehensive Expenditure and Income	0	0	0	0	0	2,578,507	2,578,507	
Total Comprehensive Expenditure and Income	2,474,284	0	0	0	2,474,284	2,578,507	5,052,791	
Adjustments between accounting basis & funding basis under regulations (restated)	(4,043,456)	0	(922,555)	(2,557,582)	(7,523,593)	6,588,539	(935,054)	7
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,569,172)	0	(922,555)	(2,557,582)	(5,049,309)	9,167,046	4,117,737	
Transfers to/from Earmarked Reserves	(7,031,392)	7,133,040	0	0	101,648	(101,648)	0	
Increase/Decrease (movement) in Year	(8,600,564)	7,133,040	(922,555)	(2,557,582)	(4,947,661)	9,065,398	4,117,737	
<b>Balance at 31 March 2013 carried forward</b>	<b>(10,012,685)</b>	<b>(4,207,060)</b>	<b>(922,555)</b>	<b>(3,089,573)</b>	<b>(18,231,873)</b>	<b>(81,722,909)</b>	<b>(99,954,782)</b>	
(Surplus) or deficit on provision of services	(3,947,390)	0	0	0	(3,947,390)	0	(3,947,390)	25
Other Comprehensive Expenditure and Income	0	0	0	0	0	(5,501,665)	(5,501,665)	
Total Comprehensive Expenditure and Income	(3,947,390)	0	0	0	(3,947,390)	(5,501,665)	(9,449,055)	
Adjustments between accounting basis & funding basis under regulations	3,356,773	0	534,487	(2,118,082)	1,773,178	(1,773,178)	0	7
Net Increase/Decrease before Transfers to Earmarked Reserves	(590,617)	0	534,487	(2,118,082)	(2,174,212)	(7,274,843)	(9,449,055)	
Transfers to/from Earmarked Reserves	1,183,261	(1,046,375)	0	6,161	143,047	(143,047)	(0)	
Increase/Decrease (movement) in Year	592,644	(1,046,375)	534,487	(2,111,921)	(2,031,165)	(7,417,890)	(9,449,055)	
<b>Balance at 31 March 2014 carried forward</b>	<b>(9,420,041)</b>	<b>(5,253,435)</b>	<b>(388,068)</b>	<b>(5,201,494)</b>	<b>(20,263,038)</b>	<b>(89,140,799)</b>	<b>(109,403,837)</b>	



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2012/2013				2013/2014			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£	£	£		£	£	£	
8,080,280	(6,997,127)	1,083,153	Central Services to the Public	1,509,899	(708,066)	801,833	35
6,312,763	(3,004,406)	3,308,357	Cultural & Related Services	5,672,383	(2,870,769)	2,801,614	35
10,216,492	(3,749,780)	6,466,712	Environmental & Regulatory Services	10,789,130	(4,805,313)	5,983,817	3, 35
5,611,211	(1,585,531)	4,025,680	Planning & Development Services	6,728,320	(2,341,046)	4,387,274	35
34,718,846	(33,052,176)	1,666,670	Housing Services	37,256,433	(33,833,538)	3,422,895	31,35
2,303,670	(3,449,284)	(1,145,614)	Highways & Roads	1,994,398	(3,755,702)	(1,761,304)	35
278,128	(315,358)	(37,230)	Social Services	314,079	(278,996)	35,083	
2,236,980	(24,162)	2,212,818	Corporate & Democratic Core	2,330,215	(83,073)	2,247,142	27,30,35
19,171	0	19,171	Non-Distributed Costs	287,769	0	287,769	
<b>69,777,541</b>	<b>(52,177,824)</b>	<b>17,599,717</b>	<b>Cost of Services</b>	<b>66,882,626</b>	<b>(48,676,503)</b>	<b>18,206,123</b>	25
		1,954,451	Other operating expenditure			1,146,287	8
		1,871,438	Financing and investment income and expenditure			(2,549,602)	4,9,13,35
		(18,951,322)	Taxation and non-specific grant income			(20,750,198)	10,31
		<b>2,474,284</b>	<b>(Surplus) or deficit on provision of services</b>			<b>(3,947,390)</b>	25
			<b>Items that will not be classified to the (Surplus) or deficit on the Provision of Services</b>				
		(130,399)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(3,082,445)	11,23
		1,773,852	Actuarial (gains)/losses on pensions assets/liabilities			(2,391,107)	37
		4,117,737				(9,420,942)	
			<b>Items that will be classified to the (Surplus) or deficit on the Provision of Services</b>				
		0	Surplus or deficit on revaluation of financial assets (Available for sale)			(28,113)	
		<b>4,117,737</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(9,449,055)</b>	

## BALANCE SHEET

<u>31.3.13</u>		<u>31.3.14</u>	Note
£		£	
	Property, Plant and Equipment		
70,875,600	- Other Land and Buildings	73,630,543	11
3,366,324	- Vehicles, Plant, Furniture & Equipment	3,788,695	11
50	- Community Assets	50	11
0	- Assets under construction/Awaiting Development	61,592	11
709,400	Heritage Assets	709,400	12,41
29,402,322	Investment Property	30,082,686	13
39,541	Intangible Assets	232,901	14
25,380	Long-term Debtors	29,524	15
<b>104,418,617</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>108,535,391</b>	
8,100,394	Short - Term Investments	15,483,316	15
92,251	Inventories	114,516	16
5,333,092	Short Term Debtors	4,323,337	18,21
6,212,866	Cash and Cash Equivalents	7,440,837	15,19
<b>19,738,603</b>	<b>CURRENT ASSETS</b>	<b>27,362,006</b>	
(5,024,770)	Short Term Creditors	(8,114,801)	20
<b>(5,024,770)</b>	<b>CURRENT LIABILITIES</b>	<b>(8,114,801)</b>	
(148,054)	Provision for Corporate Restructure	(719,507)	21
(176,923)	Provision for Accumulated Absences	(147,375)	21
0	Provision for Business Rates Appeals	(1,069,686)	21
(4,000,000)	Long Term Borrowing	(4,000,000)	15
	Other Long Term Liabilities		
(10,940,376)	- Pension Asset/(Liability)	(8,220,500)	37
(15,238)	- Finance Lease Deferred Liability	(6,735)	15
(2,141)	- War Memorial Fund	(2,141)	
(3,239,447)	- Other Balances	(3,471,375)	
(655,489)	Capital Grants & Receipts in Advance	(741,440)	
<b>(19,177,668)</b>	<b>LONG TERM LIABILITIES</b>	<b>(18,378,759)</b>	
<b>99,954,782</b>	<b>NET ASSETS</b>	<b>109,403,837</b>	
	Usable Reserves		
(14,219,745)	- Reserves	(14,673,476)	6,22
(922,555)	- Capital Receipts Reserve	(388,068)	22
(3,089,573)	- Capital Grants & Contributions Unapplied	(5,201,494)	22
	Unusable Reserves		
(12,872,997)	-Revaluation Reserve	(15,756,201)	23
10,939,698	-Pensions Reserve	8,219,822	23,37
(79,807,699)	-Capital Adjustment Account	(81,785,912)	23
0	Financial Instrument Available for Sale Reserve	(28,113)	23
(145,498)	-Financial Instrument Adjustment Account	(121,500)	23
(13,336)	-Collection Fund Adjustment Account	183,730	23
176,923	-Accumulating Absences Adjustment Account	147,375	23
<b>(99,954,782)</b>	<b>TOTAL RESERVES</b>	<b>(109,403,837)</b>	

**Director of Corporate Resources**

**Date**

## CASHFLOW STATEMENT

Re-stated <u>2012/13</u>		<u>2013/14</u>	Note
£		£	
	<b><u>Operating activities</u></b>		
2,474,284	(Surplus) or deficit on provision of services	(3,947,390)	4
(7,230,968)	Adjust net surplus or deficit on the provision of services for non- cash movements	(3,855,779)	
1,259,713	Adjust for items in the net deficit on the provision of services that are investing or financing activities	6,084,948	
<b>(3,496,971)</b>	<b>Net cash flows from Operating activities</b>	<b>(1,718,221)</b>	24
	<b><u>Investing activities</u></b>		
1,009,177	Purchase of property, plant and equipment, investment property and intangible assets	1,784,119	
22,000,000	Purchase of short-term and long-term investments	69,500,000	
0	Other payments for investing activities	3,260	
(1,840,099)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,220,243)	
(17,000,000)	Proceeds from short-term and long-term investments	(62,050,000)	
0	Other receipts from investing activities	(4,120,328)	
<b>4,169,078</b>	<b>Net cash flows from investing activities</b>	<b>3,896,808</b>	
	<b><u>Financing Activities</u></b>		
(7,090,360)	Other receipts from financing activities	(3,406,558)	
5,525,606	Other payments for financing activities	0	
<b>(1,564,754)</b>	<b>Net cash flows from financing activities</b>	<b>(3,406,558)</b>	
(892,647)		(1,227,971)	
<b>(5,320,219)</b>	<b>Cash and cash equivalents at 1 April</b>	<b>(6,212,866)</b>	19
<b>(6,212,866)</b>	<b>Cash and cash equivalents at 31 March</b>	<b>(7,440,837)</b>	19

## NOTES TO THE CORE STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. These are:

### **IFRS 10 - Consolidated Financial Statements (amended May 2011)**

This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.

### **IFRS 11 - Joint Arrangements (amended May 2011)**

This addresses the accounting for a joint arrangement, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation.

### **IFRS 12 - Disclosure of Interest in Other Entities (amended May 2011)**

This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

### **IAS 1 Presentation of the Financial Statements**

The change clarifies the disclosure requirements in respect of comparative information of the preceding period.

### **IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures (both amended May 2011)**

These statements have been amended to conform with the changes in IFRS 10, 11 and 12. These changes are within the disclosures.

### **IAS 32 - Financial Instruments: Presentation (amended December 2011)**

The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

## 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 does not expect the introduction of the new tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the new rates retention scheme is assumed to be to the safety net which has been set by the government at 7.5% of the authority Spending Baseline which equates to £135,000.

### **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 2014 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows;

### Pensions Liability

Estimation of the 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 2013/14 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2014</u>	Horsham		CenSus	
	Approximate % increase to Employer	Approximate monetary amount £000	Approximate % increase to Employer	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	10,794	13-14%	684
1 year increase in member life expectancy	3%	3,662	3%	152
0.5% increase in Salary Increase Rate	2%	2,951	6%	327
0.5% increase in the Pension Increase Rate	6%	7,729	6-7%	340

### 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 £0.35m.

### 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. For every year that the remaining life of buildings were to decrease the extra depreciation would be £41,000.

### Business Rates

The Business Rates Retention Scheme became effective from 1st April 2013 and as a result local authorities are liable for any successful appeals against business rates by businesses in 2012/13 and earlier financial years in their proportional share. The Council has made a total provision of £2.6m in 2013/14 as an estimate of potential successful appeals up to 31st March 2014, the Council's proportion (40%) reflected in the Balance Sheet is £1.1m. This estimate is calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date.

### 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 41 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.

In 2013/14 the Council made a lump sum payment of £1.5 million to the West Sussex LG Pension Scheme to meet future liabilities. IAS 19 accounting requirements require the current cost for the year to be charged to the cost of services however this is reversed within the Movement in Reserves statement so that the authority's balance sheet reserves have been reduced in the year by this cash payment.

## **4 PRIOR PERIOD ADJUSTMENTS**

IAS 19 - Employee Benefits accounting policy has been amended effective for accounting period commencing 1st January 2014, with the main effect on the Local Government Pension Scheme relates to the expected return on assets. Effectively advance credit for anticipated outperformance of assets is no longer permitted but it has been replaced with an equivalent figure calculated using the discount rate. The required changes have been retrospectively applied to the 2012/13 figures with a £936k increase in costs within the Comprehensive Income and Expenditure Statement which is mitigated through the Movement in Reserves Statement and the adjustment has no impact on the General Fund balance.

**Comprehensive Income and Expenditure Statement:**

	Reported 2012/13 £000	Adjustment £000	Restated 2012/13 £000
Financing and Investment Income & Expenditure:			
Interest income on planned assets	4,496	(9,380)	(4,884)
Interest cost on defined benefit obligation	(4,884)	4,884	0
Expected return on scheme assets	0	5,432	5,432
<b>Increase in Deficit on Provision of Services</b>	<b>(388)</b>	<b>936</b>	<b>548</b>
Items that will not be classified to the (surplus) or deficit on the Provision of Services			
Actuarial (gains)/losses on pensions assets/liabilities	2,709	(936)	1,773
<b>Total Comprehensive Income and Expenditure</b>	<b>4,118</b>	<b>0</b>	<b>4,118</b>

**Cash Flow:**

	Reported 2012/13 £000	Adjustment £000	Restated 2012/13 £000
<b>Operating Activities</b>			
Amendments to accounting treatment of IAS19 Post employment costs:			
(surplus)/deficit on provision of services	562	(936)	(374)
Adjust net surplus or deficit on the provision of services for non cash movements	(562)	936	374

**5 EVENTS AFTER THE BALANCE SHEET DATE**

There are no events to report.

**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 2013/14.

	Balance at 31.03.12 £000	Income/ Expenditure 2012/13 £000	Transfer In from other reserves 2012/13 £000	Balance at 31.03.13 £000	Income/ Expenditure 2013/14 £000	Transfer In from other reserves 2013/14 £000	Balance at 31.03.14 £000
<b>General Fund Balance</b>	<b>(1,412)</b>	<b>(1,083)</b>	<b>(7,518)</b>	<b>(10,013)</b>	<b>117</b>	<b>476</b>	<b>(9,420)</b>
General Fund Reserve	(8,666)	0	8,666	0	0	0	0
New Homes Reserve	0	0	(1,148)	(1,148)	0	0	(1,148)
Local Development Reserve	(78)	10	0	(68)	0	0	(68)
Repairs and Renewals Reserve	(637)	21	0	(616)	83	0	(533)
s106 Reserves	(593)	(256)	0	(849)	(362)	(6)	(1,217)
Insurance Reserve	(36)	0	0	(36)	0	0	(36)
Vehicle Replacement Reserve	(516)	102	0	(414)	143	0	(271)
NNDR Provision	0	0	0	0	0	(476)	(476)
Other	(814)	(262)	0	(1,076)	(434)	6	(1,504)
<b>Other Earmarked Reserves</b>	<b>(11,340)</b>	<b>(385)</b>	<b>7,518</b>	<b>(4,207)</b>	<b>(570)</b>	<b>(476)</b>	<b>(5,253)</b>

**7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation of non-current assets	(2,023)				2,023
Impairment on Property, Plant and Equipment	627				(627)
Other gains transferred from Revaluation Reserve	0				0
Movements in the market value of Investment Properties	658				(658)
Amortisation of intangible assets	(15)				15
Capital grants and contributions applied	640			(640)	0
Revenue expenditure funded from capital under statute	(2,683)				2,683
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				0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	749				(749)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,028			(4,028)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				2,550	(2,550)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,239		(225)		(1,014)
Use of the Capital Receipts Reserve to finance new capital expenditure			759		(759)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0				0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
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
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,275)				3,275
Employers pension contributions and direct payments to pensioners payable in the year	3,604				(3,604)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
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	(198)				198
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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	30				(30)
<b>Total Adjustments</b>	<b>3,357</b>	<b>0</b>	<b>534</b>	<b>(2,118)</b>	<b>(1,773)</b>



2012/2013

	General Fund Balance	Usable Reserves			Movement in Unusable Reserves
	£000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation of non-current assets	(2,195)				2,195
Impairment on Property, Plant and Equipment	(827)				827
Other gains transferred from Revaluation Reserve	(6)				6
Movements in the market value of Investment Properties	(4,071)				4,071
Amortisation of intangible assets	(15)				15
Capital grants and contributions applied	539				(539)
Revenue expenditure funded from capital under statute	(760)				760
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,801)				1,801
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	751				(751)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,568			(2,568)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				10	(10)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,176		(2,176)		0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,210		(1,210)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(43)		43		0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
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
<b>Adjustments primarily involving the Pensions (re-stated):</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement – (re-stated)	(2,523)				2,523
Employers pension contributions and direct payments to pensioners payable in the year	2,148				(2,148)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
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	69				(69)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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	(29)				29
<b>Total Adjustments</b>	<b>(4,043)</b>	<b>0</b>	<b>(923)</b>	<b>(2,558)</b>	<b>7,524</b>

The 2012-13 figures have been restated to reflect the accounting changes necessary as part of the change in IAS 19 Employee Benefits Requirements. The impact has been a required amendment to the recognition of new classes of defined benefit costs as follows:

	<b>General Fund Balance</b>	
	<b>2012/13</b>	<b>Re-stated 2012/13</b>
	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,588)	(2,523)

## 8 OTHER OPERATING EXPENDITURE

	<b>2013/14</b>	<b>2012/13</b>
Parish council precepts	2,234	2,280
Parish Grants	151	0
Gains/losses on the disposal of non-current assets	(1,239)	(326)
<b>Total</b>	<b>1,146</b>	<b>1,954</b>

## 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	<b>Re-stated</b>		
	<b>2013/14</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable and similar charges	137	137	137
Net pensions interest cost	474	388	(547)
Interest receivable and similar income	(204)	(381)	(381)
Income and expenditure in relation to investment properties and changes in their fair value	(2,957)	1,727	1,727
<b>Total</b>	<b>(2,550)</b>	<b>1,871</b>	<b>936</b>

IAS 19 – Post Employment Costs has introduced new definitions in 2013/14 for the components of defined benefit cost, past Service costs and re-measurements and this has resulted in a change in the distribution of pension costs within the Comprehensive Income and Expenditure Statement. The expected return on assets which was previously charged to the surplus or deficit on the provision of services has been replaced with an equivalent figure calculated using the discount rate as opposed to the return on assets assumption. This has resulted in a change to the accounting for interest which has been retrospectively applied. The effect is shown within the restated column of the notes.

## 10 TAXATION AND NON SPECIFIC GRANT INCOMES

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Council tax income	(9,959)	(10,437)
Net Non domestic rates	(1,379)	(4,061)
Non-ring fenced government grants	(4,745)	(1,347)
Capital grants and contributions	(4,667)	(3,106)
<b>Total</b>	<b>(20,750)</b>	<b>(18,951)</b>

## 11 PROPERTY, PLANT AND EQUIPMENT

### Movements in 2013/14

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
<b>At 1 April 2013</b>	73,439	6,942	0	0	80,381
additions	263	1,228	0	62	1,553
revaluation increase/(decreases) recognised in the Revaluation Reserve	3,082				3,082
revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	627				627
de-recognition - disposals	0				0
other movements in cost or valuation	(844)				(844)
<b>At 31 March 2014</b>	76,567	8,170	0	62	84,799
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2013</b>	(2,563)	(3,576)	0	0	(6,139)
depreciation charge	(1,218)	(805)			(2,023)
depreciation written out to the Revaluation Reserve	724				724
depreciation written out to the Surplus/Deficit on the Provision of Services	120				120
de-recognition - disposals					0
<b>At 31 March 2014</b>	(2,937)	(4,381)	0	0	(7,318)
<b>Net Book Value</b>					
<b>at 31 March 2014</b>	<b>73,630</b>	<b>3,789</b>	<b>0</b>	<b>62</b>	<b>77,481</b>
<b>at 31 March 2013</b>	<b>70,876</b>	<b>3,366</b>	<b>0</b>	<b>0</b>	<b>74,242</b>

### Movements in 2012/13

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
<b>At 1 April 2012</b>	74,283	6,789	0	1,595	82,667
additions	403	153			556
reclassifications				(1,595)	(1,595)
revaluation increase/(decreases) recognised in the Revaluation Reserve	93				93
revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(790)				(790)
de-recognition - disposals	(57)				(57)
other movements in cost or valuation	(493)				(493)
<b>At 31 March 2013</b>	73,439	6,942	0	0	80,381
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2012</b>	(1,658)	(2,779)	0	0	(4,437)
depreciation charge	(1,398)	(797)			(2,195)
depreciation written out to the Revaluation Reserve	77				77
depreciation written out to the Surplus/Deficit on the Provision of Services	410				410
de-recognition - disposals	6				6
<b>At 31 March 2013</b>	(2,563)	(3,576)	0	0	(6,139)
<b>Net Book Value</b>					
<b>at 31 March 2013</b>	<b>70,876</b>	<b>3,366</b>	<b>0</b>	<b>0</b>	<b>74,242</b>
<b>at 31 March 2012</b>	<b>72,625</b>	<b>4,010</b>	<b>0</b>	<b>1,595</b>	<b>78,230</b>

## 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 2014, the Authority was committed to the following significant capital works contracts:-

	£000
Pavilions in the Park Leisure Centre works	593
Census IT Partnership Public Services Network	100
Windows 7 systems rollout	77
PC desktop systems	34
West Street enhancement - street scene	20

The comparative figure for 31 March 2013 was £559k

## 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		3,789		3,789
Valued at fair value as at				
31 March 2014	26,790			26,790
31 March 2013	7,342			7,342
31 March 2012	38,987			38,987
31 March 2011	488			488
31 March 2010	23			23
	73,630	3,789	0	77,419

## 12 HERITAGE ASSETS

Cost or Valuation	Art works £000	War memorial £000	Total £000
1st April 2012	459	250	709
Additions / (disposals)	0	0	0
31st March 2013	459	250	709
Cost or Valuation			
1st April 2013	459	250	709
Additions / (disposals)	0	0	0
31st March 2014	459	250	709

### Art works

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

### War memorial

The original war memorial dates from the 1920's although it has been altered at various times since. The historic costs are not available so it is valued exceptionally at its depreciated replacement cost. This reflects its exceptional nature as it

Is not kept as a work of art but as a symbolic place for a public cultural function and which the council would be expected to provide in a comparable way.

### 13 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:

	2013/14 £000	2012/13 £000
Income from investment property	(2,551)	(2,553)
Direct operating expenses arising from investment property	252	209
Net (gains)/losses from fair value adjustments	(658)	4,071
<b>Net (gain)/ loss</b>	<b>(2,957)</b>	<b>1,727</b>

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:

	2013/14 £000	2012/13 £000
<b>Balance at start of year</b>	29,402	33,119
Additions:		
- Purchases	23	509
Subsequent expenditure		
Disposals	0	(1,750)
Net gains/(losses) from fair value adjustments	658	(4,071)
Transfers:		
- to/from Property, Plant and Equipment	0	0
- to/from Assets under Construction	0	1,595
<b>Balance at end of the year</b>	<b>30,083</b>	<b>29,402</b>

### 14 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 Property, Plant and Equipment. The intangible assets include purchased licences.

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

	Purchased Software 2013/14 £000	Purchased Software 2012/13 £000
Balance at start of year:		
- Gross carrying amounts	167	131
- Accumulated amortisation	(127)	(112)
<b>Net carrying amount at start of year</b>	<b>40</b>	<b>19</b>
Additions	208	36
Amortisation for the period	(15)	(15)
<b>Net carrying amount at end of year</b>	<b>233</b>	<b>40</b>
Comprising:		
Gross carrying amounts	375	167
Accumulated amortisation	(142)	(127)
	<b>233</b>	<b>40</b>

## 15 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

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

	Long Term		Current	
	31.03.14	31.03.13	31.03.14	31.03.13
	£000	£000	£000	£000
<b>Investments, Cash and Cash equivalents</b>				
Loans and receivables	0	0	15,483	8,100
Available -for-sale financial assets	0	0	4,001	1,700
Cash and Cash equivalents	0	0	3,440	4,513
Financial assets at fair value through profit and loss				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>22,924</b>	<b>14,313</b>
<b>Debtors</b>				
Loans and receivables	30	25	0	0
Financial assets carried at contract amounts	0	0	846	339
<b>Total</b>	<b>30</b>	<b>25</b>	<b>846</b>	<b>339</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(4,000)	(4,000)	0	0
<b>Total</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	(7)	(15)	0	0
<b>Total</b>	<b>(7)</b>	<b>(15)</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	(8,459)	(6,939)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>(8,459)</b>	<b>(6,939)</b>

### Income, Expense, Gains and Losses

	2013/14				2012/13			
	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Financial Assets Available for Sale	Total	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Financial Assets Available for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	137	0	0	137	137	0	0	137
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>137</b>	<b>0</b>	<b>0</b>	<b>137</b>	<b>137</b>	<b>0</b>	<b>0</b>	<b>137</b>
Interest income	0	(176)	(28)	(204)	0	(381)	0	(381)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(176)</b>	<b>(28)</b>	<b>(204)</b>	<b>0</b>	<b>(381)</b>	<b>0</b>	<b>(381)</b>
<b>Net gain/(loss) for the year</b>	<b>137</b>	<b>(176)</b>	<b>(28)</b>	<b>(67)</b>	<b>137</b>	<b>(381)</b>	<b>0</b>	<b>(244)</b>

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised 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 premature redemption rate is 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:

	31.03.14		31.03.13	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(4,000)	(4,341)	(4,000)	(4,616)
Loans and receivables	0	0	0	0

#### Reclassifications

There were no re-classifications in 2013/14.

## 16 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
	£000	£000	£000	£000	£000	£000
<b>31 March 2013</b>						
Consumables	21	6	(8)	0	0	19
Fuel	42	692	(714)	0	0	20
Trade Bins	47	3	(8)	0	0	42
Car Park Tickets	11	12	(12)	0	0	11
<b>Total</b>	<b>121</b>					<b>92</b>
<b>31 March 2014</b>						
Consumables	19	20	(25)	0	0	14
Fuel	20	380	(349)	0	0	51
Trade Bins	42	2	0	0	0	44
Car Park Tickets	11	20	(25)	0	0	6
<b>Total</b>	<b>92</b>					<b>115</b>

## 17 ASSETS HELD FOR SALE

There were no assets held for sale in 2013/14.

## 18 DEBTORS

	31.03.14	31.03.13
	£000	£000
Sundry Debtors	1,755	1,893
Central government bodies:	119	687
Payments in advance	246	248
Council Tax debtors	329	301
NNDR Debtors	936	0
NNDR due from pool	0	1,710
Housing benefit overpayments	2,486	2,048
Moat Management service charge	303	355
Other local authorities	316	294
	6,490	7,536
Provision for doubtful debts	(2,167)	(2,203)
	4,323	5,333

The sundry debtors and payments in advance figures include adjusting balances of £133k and -£76k respectively, this is required to ensure the balance sheet reflects the council's share of the Census partnership debtor balances outstanding as at 31st March 2014.

## 19 CASH AND CASH EQUIVALENTS

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

	31.03.14	31.03.13
	£000	£000
Cash held by authority	3	3
Bank current accounts	135	(668)
Short-term deposits	7,303	6,878
<b>Total Cash and Cash Equivalents</b>	<b>7,441</b>	<b>6,213</b>

## 20 CREDITORS

	31.03.14	31.03.13
	£000	£000
Sundry Creditors	(4,447)	(4,460)
Prepayment of NNDR	(367)	0
Prepayment of Council Tax	(201)	(179)
WSCC Council Tax creditors	(1,268)	(345)
SPA Council Tax creditors	(151)	(41)
Central Government - Grants & Reliefs	(850)	0
Central Government - NDR Levy	(74)	0
Central Government - NDR creditors	(631)	0
WSCC NDR Creditors	(126)	0
<b>Total</b>	<b>(8,115)</b>	<b>(5,025)</b>

## 21 PROVISIONS

	Provision for doubtful debts	Provision for NNDR appeals	Provision for corporate restructure	Provision for concessionary Fare	Provision for Accumulated Absences	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2012</b>	<b>(1,803)</b>	<b>0</b>	<b>(458)</b>	<b>(52)</b>	<b>(148)</b>	<b>(2,461)</b>
Additional provisions made in 2012/13	(2,026)	0	0	0	(29)	(2,055)
Amounts used in 2012/13	1,626	0	310	52	0	1,988
Unused amounts reversed in 2012/13	0	0	0	0	0	0
<b>Balance at 1 April 2013</b>	<b>(2,203)</b>	<b>0</b>	<b>(148)</b>	<b>0</b>	<b>(177)</b>	<b>(2,528)</b>
Additional provisions made in 2013/14	(151)	(1,070)	(630)	0	0	(1,850)
Amounts used in 2013/14	187	0	58	0	30	275
Unused amounts reversed in 2013/14	0	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>(2,167)</b>	<b>(1,070)</b>	<b>(720)</b>	<b>0</b>	<b>(147)</b>	<b>(4,103)</b>

### Provision for Doubtful Debts

Estimated debts that will not be collectible

### Provision for NNDR Appeals

Estimate of rates potentially overcharged to businesses repayable on appeal.

### 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 assistants' posts and it has been further increased in 2013/14 to provide for a further corporate restructure that was approved by members in January 2014.

### Provision for Accumulated Absences

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



## 22 USABLE RESERVES

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

	31.03.14	31.03.13
	£000	£000
Revenue Reserves:		
Local Development Reserve	(68)	(68)
Repairs and Renewals Reserve	(533)	(616)
Section 106 Reserves	(1,217)	(849)
Insurance Reserve	(36)	(36)
Vehicle Replacement Reserve	(271)	(414)
New Homes Reserve	(1,148)	(1,148)
NNDR Provision	(476)	0
Other Reserves	(1,504)	(1,076)
General Fund Balance	(9,420)	(10,013)
	<u>(14,673)</u>	<u>(14,220)</u>
Capital Grants, Contributions & Receipts Unapplied	(5,590)	(4,012)
<b>Total Usable Reserves</b>	<b><u>(20,263)</u></b>	<b><u>(18,232)</u></b>

In 2013/14 a new NNDR reserve has been established to cover the authority's share of the Collection fund deficit and the 7.5% potential drop in revenue before the safety net level is reached.

## 23 UNUSABLE RESERVES

	31.03.14	31.03.13
	£000	£000
Revaluation Reserve	(15,756)	(12,873)
Capital Adjustment Account	(81,786)	(79,808)
Financial Instruments Adjustment Account	(121)	(145)
Financial Instruments Available for Sale Reserve	(28)	0
Pensions Reserve	8,220	10,940
Collection Fund Adjustment Account	184	(14)
Accumulated Absences Account	147	177
<b>Total Unusable Reserves</b>	<b><u>(89,140)</u></b>	<b><u>(81,723)</u></b>

### 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.

	31.3.14	31.3.13
	£000	£000
Balance at 1 April	(12,873)	(12,985)
(Upward)/downward revaluation of assets	(4,062)	(243)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	980	112
Difference between fair value depreciation and historical cost depreciation	199	237
Accumulated gains on assets sold or scrapped		6
Balance at 31 March	<u>(15,756)</u>	<u>(12,873)</u>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are:

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

	31.3.14 £000	31.3.13 £000
<b>Balance at 1 April</b>	0	0
Upward revaluation of investment	(34)	0
Downward revaluation of investment not charged to the Surplus or Deficit on the Provision of Services	6	0
<b>Balance at 31 March</b>	<u>(28)</u>	<u>0</u>

### 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(79,808)</b>	<b>(86,628)</b>
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	738	7,093
- Revaluation losses on Property, Plant and Equipment		
- Depreciation of intangible assets	15	15
- Revenue expenditure funded from capital under statute	2,683	760
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	1,801
Adjusting amounts written out of the Revaluation Reserve	(199)	(237)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(1,773)	(1,210)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(640)	(539)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(1,910)	(10)
- Statutory provision for the financing of capital investment charged against the General Fund	(749)	(751)
- Use of general revenue reserves for the financing of capital investment	(143)	(102)
<b>Balance at 31 March</b>	<b><u>(81,786)</u></b>	<b><u>(79,808)</u></b>

### 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 and for bearing losses or benefiting from gains per statutory provisions.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(145)</b>	<b>(169)</b>
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
<b>Balance at 31 March</b>	<b><u>(121)</u></b>	<b><u>(145)</u></b>
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

### 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.

	2013/14 £000	(Re-Styled) 2012/13 £000
<b>Balance at 1 April</b>	10,940	8,791
In year adjustment to reserve balance to reflect the council's share of the total Census partnership to 1 April 2012	0	(627)
Actuarial gains or losses on pensions assets and liabilities	(2,391)	2,401
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	3,275	2,523
Employers pensions contributions and direct payments to pensioners payable in the year	(3,604)	(2,148)
<b>Balance at 31 March</b>	<b>8,220</b>	<b>10,940</b>

### 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April - Council Tax</b>	<b>(14)</b>	<b>55</b>
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	(143)	(69)
<b>Balance at 31 March</b>	<b>(157)</b>	<b>(14)</b>
<b>Balance at 1 April - NNDR</b>	<b>0</b>	<b>0</b>
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	341	0
<b>Balance at 31 March</b>	<b>341</b>	<b>0</b>
<b>Total</b>	<b>184</b>	<b>(14)</b>

### 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.

	2013/14 £000	2013/13 £000
<b>Balance at 1 April</b>	<b>177</b>	<b>148</b>
Settlement or cancellation of accrual made in the end of the preceding year	(177)	(148)
Amounts accrued at the end of the current year	147	177
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	(30)	29
<b>Balance at 31 March</b>	<b>147</b>	<b>177</b>

## 24 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

### a) Adjust net surplus or deficit on the provision of services for non cash movements

	2013/14	(Restated) 2012/13
	£000	£000
Depreciation and Impairments	754	7,108
Pensions Liability	(329)	374
(Increase)/decrease in debtors	1,816	(946)
(Increase)/decrease in creditors	672	935
Movement in provisions	973	(84)
(Increase)/decrease in inventories	(22)	29
Other non cash adjustments	(8)	(185)
	<u>3856</u>	<u>7,231</u>

### b) Adjust for Items included in the net surplus or deficit on the provision of services that are investing or financing activities

	2013/14	(Restated) 2012/13
	£000	£000
Capital grants credited to the surplus or deficit on the provision of services	(4,669)	(3,106)
Proceeds from the sale of non-current assets	(1,239)	(326)
Council Tax and NNDR adjustment	(177)	2,172
	<u>(6,085)</u>	<u>(1,260)</u>

### c) Interest received, interest paid and dividends received

	2013/14	(Restated) 2012/13
	£000	£000
Interest received	(204)	(307)
Interest paid	137	137
	<u>(67)</u>	<u>(170)</u>

The restatement of the 2012-13 cash-flow figures adjusts for the following changes:

	2012/13	(Restated) 2012/13
	£000	£000
<b>Operating Activities</b>		
Amendments to accounting treatment of IAS19 Post employment costs		
(surplus)/deficit on provision of services	560	(374)
Adjust net surplus or deficit on the provision of services for non cash movements	(560)	374
Items re-categorised:		
Adjust net surplus or deficit on the provision of services for non cash movements	3,432	
Capital grants credited to the surplus or deficit on the provision of services		(3,106)
Proceeds from sale of non-current assets		(326)

## 25 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 Service Reporting 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.

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

## Directorate Income and Expenditure

Segment 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
<b>2013/14</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	0	(10)	(39)	(1,416)	(494)	(5,164)	(1,847)	(2,476)	(2,790)	(3,579)	(3,728)	(21,543)
Government grants	0	0	(22)	(32,016)	0	(7)	(3)	0	0	(7)	0	(32,055)
<b>Total Income</b>	<b>0</b>	<b>(10)</b>	<b>(61)</b>	<b>(33,432)</b>	<b>(494)</b>	<b>(5,171)</b>	<b>(1,850)</b>	<b>(2,476)</b>	<b>(2,790)</b>	<b>(3,586)</b>	<b>(3,728)</b>	<b>(53,598)</b>
Employee expenses	1,385	237	859	0	1,555	3,426	1,270	1,444	3,184	3,562	467	17,391
Other service expenses	143	610	245	33,702	608	2,955	1,524	2,602	865	3,026	883	47,161
<b>Total Expenditure</b>	<b>1,528</b>	<b>847</b>	<b>1,104</b>	<b>33,702</b>	<b>2,163</b>	<b>6,381</b>	<b>2,794</b>	<b>4,046</b>	<b>4,049</b>	<b>6,588</b>	<b>1,350</b>	<b>64,552</b>
<b>Net Expenditure</b>	<b>1,528</b>	<b>837</b>	<b>1,043</b>	<b>270</b>	<b>1,669</b>	<b>1,210</b>	<b>944</b>	<b>1,570</b>	<b>1,259</b>	<b>3,002</b>	<b>(2,378)</b>	<b>10,954</b>
Support service recharges	138	(63)	2	522	(1,696)	(3,646)	957	1,053	1,365	766	482	(120)
<b>Net Expenditure after recharges</b>	<b>1,666</b>	<b>774</b>	<b>1,045</b>	<b>792</b>	<b>(27)</b>	<b>(2,436)</b>	<b>1,901</b>	<b>2,623</b>	<b>2,624</b>	<b>3,768</b>	<b>(1,896)</b>	<b>10,834</b>
<b>2012/13</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(1)	(23)	(18)	(1,794)	(683)	(4,707)	(1,911)	(2,294)	(2,398)	(2,653)	(3,388)	(19,870)
Government grants	0	0	0	(37,314)	(2)	0	(107)	0	0	(142)	0	(37,565)
<b>Total Income</b>	<b>(1)</b>	<b>(23)</b>	<b>(18)</b>	<b>(39,108)</b>	<b>(685)</b>	<b>(4,707)</b>	<b>(2,018)</b>	<b>(2,294)</b>	<b>(2,398)</b>	<b>(2,795)</b>	<b>(3,388)</b>	<b>(57,435)</b>
Employee expenses	1,395	1,070	776			3,241	1,292	1,406	2,908	3,431		17,752
Other service expenses	34	(266)	111	1,010	720	2,777	1,409	2,616	771	2,884	503	50,861
				38,177	1,413						935	
<b>Total Expenditure</b>	<b>1,429</b>	<b>804</b>	<b>887</b>	<b>39,187</b>	<b>2,133</b>	<b>6,018</b>	<b>2,701</b>	<b>4,022</b>	<b>3,679</b>	<b>6,315</b>	<b>1,438</b>	<b>68,613</b>
<b>Net Expenditure</b>	<b>1,428</b>	<b>781</b>	<b>869</b>	<b>79</b>	<b>1,448</b>	<b>1,311</b>	<b>683</b>	<b>1,728</b>	<b>1,281</b>	<b>3,520</b>	<b>(1,950)</b>	<b>11,178</b>
Support service recharges	(1,204)	1,587	16	563	(1,672)	(3,871)	992	1,087	1,335	603	429	(135)
<b>Net Expenditure after recharges</b>	<b>224</b>	<b>2,368</b>	<b>885</b>	<b>642</b>	<b>(224)</b>	<b>(2,560)</b>	<b>1,675</b>	<b>2,815</b>	<b>2,616</b>	<b>4,123</b>	<b>(1,521)</b>	<b>11,043</b>

## 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.

	2013/14 £000	2012/13 £000
Net expenditure in the Segments Analysis	10,834	11,043
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	4,058	7,696
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,314	(1,139)
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>18,206</b>	<b>17,600</b>

## Recognition to Subjective Analysis

2013/14	Segment Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(21,543)	1,876	2,783	(16,884)	(2,551)	(19,435)
Surplus or deficit on associates or joint ventures	0	0	0	0	0	0
Interest and investment income	0	0	0	0	(5,013)	(5,013)
Income from council tax	0	0	0	0	(11,337)	(11,337)
Government grants and contributions	(32,055)	0	262	(31,793)	(9,412)	(41,205)
NNDR Redistribution	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(1,239)	(1,239)
<b>Total Income</b>	<b>(53,598)</b>	<b>1,876</b>	<b>3,045</b>	<b>(48,677)</b>	<b>(29,552)</b>	<b>(78,229)</b>
Employee expenses	17,391	1,404	0	18,794	0	18,794
Other service expenses	47,024	24	(252)	46,797	251	47,048
Support Service recharges	(120)	0	0	(120)	0	(120)
Depreciation and impairment	0	754	658	1,412	(658)	754
Interest payments	137	0	(137)	(0)	5,420	5,420
Precepts & Levies	0	0	0	0	2,386	2,386
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>64,432</b>	<b>2,182</b>	<b>269</b>	<b>66,883</b>	<b>7,399</b>	<b>74,282</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,834</b>	<b>4,058</b>	<b>3,314</b>	<b>18,206</b>	<b>(22,153)</b>	<b>(3,947)</b>

2012/13 (Re-stated)	Segment Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(19,870)	2,495	2,553	(14,822)	(2,554)	(17,376)
Surplus or deficit on associates or joint ventures	0	0	0	0	0	0
Interest and investment income	0	(23)	381	358	(4,877)	(4,519)
Income from council tax	0	0	0	0	(10,437)	(10,437)
Government grants and contributions	(37,565)	(494)	345	(37,714)	(4,453)	(42,167)
NNDR Redistribution	0	0	0	0	(4,061)	(4,061)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(326)	(326)
<b>Total Income</b>	<b>(57,435)</b>	<b>1,978</b>	<b>3,279</b>	<b>(52,178)</b>	<b>(26,708)</b>	<b>(78,886)</b>
Employee expenses	17,752	38	0	17,790	0	17,790
Other service expenses	50,861	(1,428)	(210)	49,223	210	49,433
Support Service recharges	(135)	0	0	(135)	0	(135)
Depreciation and impairment	0	7,108	(4,071)	3,037	4,071	7,108
Interest payments	0	0	(137)	(137)	5,021	4,884
Precepts & Levies	0	0	0	0	2,280	2,280
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>68,478</b>	<b>5,718</b>	<b>(4,418)</b>	<b>69,778</b>	<b>11,582</b>	<b>81,360</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,043</b>	<b>7,696</b>	<b>(1,139)</b>	<b>17,600</b>	<b>(15,126)</b>	<b>2,474</b>

## 26 ACQUIRED AND DISCONTINUED OPERATIONS

There have been no acquired or discontinued operations in 2013/14.

## 27 MEMBERS ALLOWANCES

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

	2013/14 £000	2012/13 £000
Attendance Allowances	304	305
Expenses	35	29
<b>Total</b>	<b>339</b>	<b>334</b>

<b>Corporate Post Holder Title</b>	<b>Total Remuneration excluding pension contributions</b>	<b>Employer Pension Contributions</b>	<b>Contribution to capital cost for early access to pension</b>	<b>Total Remuneration including pension contributions</b>
<b>2013/14</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	117,544	19,429		136,973
Director Community Services	93,736	15,697		109,433
Director of Corporate Resources (Section 151 Officer)	90,761	15,717		106,478
Head of Strategic Planning & Performance	54,400	9,520		63,920
Head of Financial & Legal Services	61,200	10,710		71,910
Head of Corporate Support Services	68,176	11,900		80,076
Head of Leisure & Economic Development	0	0		0
Head of Planning & Environmental Services	68,150	11,900		80,050
Head of Operational Services	68,479	11,900		80,379
Head of Housing & Community Development	68,288	11,898		80,186
	<b>690,734</b>	<b>118,671</b>	<b>0</b>	<b>809,405</b>
<b>2012/13</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	114,119	19,429		133,548
Director Community Services	90,435	15,697		106,132
Director of Corporate Resources (Section 151 Officer)	87,198	15,137		102,335
Head of Strategic Planning & Performance	54,745	9,520		64,265
Head of Financial & Legal Services	67,611	11,826		79,437
Head of Corporate Support Services	68,158	11,900		80,058
Head of Leisure & Economic Development	65,312	10,690		76,002
Head of Planning & Environmental Services	68,182	11,900		80,082
Head of Operational Services	71,001	12,378		83,379
Head of Housing & Community Development	68,263	11,900		80,163
	<b>755,024</b>	<b>130,377</b>	<b>0</b>	<b>885,401</b>

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

<b>Remuneration Band</b>	<b>Number of Employees 2013/14</b>	<b>Number of Employees 2012/13</b>
£50,000 - £54,999	8	7
£55,000 - £59,999	5	2
£60,000 - £64,999	1	2
£65,000 - £69,999	6	6
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	1
£90,000 - £94,999	2	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	1	0



## 29 EXIT PACKAGES

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £000	2012/13 £000
£0 - £20,000	0	0	1	0	1	0	19	0
£20,001 - £40,000	0	0	1	1	1	1	35	36
£40,001 - £60,000	3	0	0	0	3	0	155	0
£60,001 - £80,000	1	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	1	0	91	0
£100,001 - £150,000	1	0	0	0	1	0	135	0
£150,001 - £200,000	1	0	0	0	1	0	194	0
<b>Total</b>	<b>6</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>629</b>	<b>36</b>

The figures include packages that were approved in 2013/14 as part of the corporate restructure but which will not be payable until early 2014/15. The costs, as committed in 2013/14, have been accrued in the 2013/14 statements with an increase in the provision for Corporate Restructure on the Balance Sheet. The Senior Officer Remuneration note will not include these payments where relevant as they were not paid to the individuals during the reporting period.

## 30 EXTERNAL AUDIT COSTS

	2013/14 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	66	66
Fees payable in respect of statutory inspections	0	0
Fees payable for the certification of grant claims and returns for the year	11	15
Fees payable in respect of other services provided during the year	0	0
<b>Total</b>	<b>77</b>	<b>81</b>

## 31 GRANT INCOME

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

	2013/14 £000	2012/13 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	(9,959)	(10,437)
NNDR	(1,379)	0
Non-domestic rates redistribution	0	(4,061)
Revenue Support Grant	(2,695)	(79)
Council Tax Freeze Grant	(82)	(204)
Small Business Rate Relief	(488)	0
Other Government Grants	(314)	(358)
New Homes Bonus	(1,166)	(707)
s.106 contributions	(3,878)	(2,576)
Capital Government grants	(433)	(507)
Other contributions	(356)	(23)
<b>Total</b>	<b>(20,750)</b>	<b>(18,952)</b>
<b>Credited to Services</b>		
Benefits Grants	(31,842)	(37,550)
Other Government Grants	(239)	(227)
Other grants	(598)	(535)
<b>Total</b>	<b>(32,679)</b>	<b>(38,312)</b>

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 may require the monies or property to be returned to the giver. The year end balances are as follows:

	2013/14	2012/13
Capital Grants Receipts in Advance	£000	£000
Section 106 Contributions	(505)	(505)
Other contributions	(248)	(150)
<b>Total</b>	<b>(753)</b>	<b>(655)</b>

## 32 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 2014 are shown in note 30 (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 2013/14 is shown in note 26.

**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 2013/14.

### **Partnerships and shared arrangements**

#### **Census**

As part of the CenSus partnership between Horsham, Mid Sussex and Adur District Council there is an agreement to share certain costs. The following costs were paid in respect of the 2013/14 financial year:

	Outstanding at 31.3.14	
<u>ICT - hosted by Horsham District Council</u>	(due to HDC)	
	£000	£000
Mid Sussex	893	73
Horsham	734	0
Adur & Worthing	1,323	122

## Revenues and Benefits - Service hosted by Mid Sussex District Council

		Outstanding at 31.3.14 (payable to MSDC)
	£000	£000
Mid Sussex	1,055	0
Horsham	1,010	(236)
Adur	822	0

### Building Control

Horsham District Council provide the Building Control service for Crawley Borough Council. Crawley discharged this function under an agreement pursuant to sections 101 and 111 of the Local Government Act 1972, section 3 of the Local Government Act 1999 and the Local Authorities (Arrangements for the Discharge of Functions)(England) Regulations 2000/2851. The total contribution paid by Crawley for 2013/14 amounted to £279k and £65k was outstanding as at 31st March 2014.

### Procurement Service - shared resource

The procurement staff within Crawley and Horsham have been pooled and are treated as a shared resource between Crawley, Horsham and Mid Sussex. In 2013/14 the costs for each authority were:

		Outstanding at 31.3.14 (due to HDC)
	£000	£000
Crawley	97	0
Horsham	52	0
Mid Sussex	45	10

### Access Officer - shared resource

The Access Officer role is a shared resource utilised by Horsham DC and Crawley BC. In 2013/14 the costs for each authority were:

		Outstanding at 31.3.14 (due to HDC)
	£000	£000
Crawley	19	5
Horsham	21	0

## 33 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.

	2013/14 £000	2012/13 £000
<b>Opening Capital Financing Requirement</b>	<b>11,712</b>	<b>12,463</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	1,553	556
Investment Properties	23	509
Intangible Assets	208	36
Revenue Expenditure Funded from Capital Under Statute	2,683	760
<b>Sources of finance</b>		
Capital receipts	(1,773)	(1,210)
Government grants and other contributions	(2,550)	(549)
Direct revenue contributions	(143)	(102)
MRP/loans fund principal	(749)	(751)
<b>Closing Capital Financing Requirement</b>	<b>10,964</b>	<b>11,712</b>

**Explanation of movements in year**

Increase in underlying need to borrowing	(749)	(751)
Assets acquired under finance leases	0	0
Increase/ (decrease) in Capital Financing Requirement	(749)	(751)

**34 LEASES****Authority as Lessee**

<b>Finance Leases</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Vehicles, Plant, Furniture & Equipment	47	47
	<b>47</b>	<b>47</b>

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 to 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:

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	0	42
Later than one year and not later than five years	0	0
Later than five years	0	0
	<b>0</b>	<b>42</b>

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

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	0	42
Contingent rents		
	<b>0</b>	<b>42</b>

**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:

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	1,800	1,900
Later than one year and not later than five years	5,100	5,300
Later than five years	8,200	8,300
	<b>15,100</b>	<b>15,500</b>

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 £0.51m in 2013/14 (£0.34m in 2012/13).

## 35 REVALUATION GAINS

During 2013/14 , the Authority has recognised a net revaluation gain of £1.284m in relation to the following:

	£000
Golf Centre	512
Abbey House Temporary Housing	49
Mobile home site	20
Hop Oast Depot	(54)
Beeson house community centre	(25)
Forum Car Park	129
Hills cemetery	48
Hills cemetery lodge	43
Billingshurst pool	(60)
Temporary Housing Jockey Mead	16
Jubilee Car Park	(33)
Swan Walk centre	726
Oakhurst Business park	119
Southwater health centre	(99)
Misc. ground rents	(35)
Industrial units, southwater	198
Horsham town centre commercial units	(177)
Smithers Rough, Rudgwick	48
Steyning health centre	(163)
Others	22
	<u>1,284</u>

The revaluation gains and losses have been charged to the following lines within the Comprehensive Income and Expenditure Statement.

	£000
Central Services	(6)
Cultural	449
Environmental	90
Planning	(24)
Highways and Roads	91
Housing	80
Corporate and Democratic	(54)
<b>Cost of Services</b>	<b>626</b>
Investment Properties	658
<b>Provision of Services</b>	<u><u>1,284</u></u>

## 36 TERMINATION BENEFITS

The Council approved a new corporate structure in January 2013-14 resulting in eight posts being made redundant. The total cost of these contract terminations was £629k (£382k redundancy and £247k pension costs). A provision has been established for these costs in 2013/14 as this is when the commitment materialised although the Payments will not be made until 2014/15.

## 37 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 2013/14 these amounted to £109,935 (£120,184 in 2012/13) representing 1% of pensionable pay (1.1% in 2012/13). The Council also made capital payments totalling £58,180 in 2013/14 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. This provision has been increased in 2013/14 £630k and £247k relates to the capital payments for the early access to pension relating to some staff that have had their employment terminated as a result of the restructure that was approved by the Council in January 2014.

### Change in accounting policy

The council has adopted the amendment to IAS19, Retirement benefits. The change requires the recognition of a number of new classes of components of defined benefit costs - net interest on the net defined liability (asset) and re-measurement of the net defined liability (asset); and where there is material impact, new definitions or recognition criteria for termination benefits. The statements being reported reflect these changes and have restated figures and enhanced disclosure where relevant.

### 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 Council has a shared service arrangement with Mid Sussex and Adur District for the Revenues and Benefits service and with the same authorities and Worthing Borough Council for central information technology service. The Revenues and Benefits Service is hosted by Mid Sussex and the Information Technology service is hosted by Horsham. Each partner shows its share of the pension assets and liabilities in the accounts.

New definitions have been introduced in 2013/14 for the components of defined benefits cost, past service costs and re-measurements and this has resulted in a change in the distribution of pension expenses within the Comprehensive Income and Expenditure Statement. The expected return on assets that was previously charged to the surplus or deficit on provision of services has been replaced with an equivalent figure calculated using the discount rate as opposed to the return on assets assumption. This change has been retrospectively applied and the effect is shown within the restated column of the note.

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.

<b>Comprehensive Income and Expenditure Statement</b>	<b>(Re-stated)</b>		
	<b>2013/14</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost of Services</b>			
- current service cost	(2,801)	(2,128)	(2,128)
- past service costs	0	0	0
- settlements and curtailments	0	(8)	(8)
- establishment of Census opening liability 1.4.10	0	0	0
- Net liabilities assumed on business combination	0	0	0
<b>Total Service Cost</b>	<b>(2,801)</b>	<b>(2,136)</b>	<b>(2,136)</b>
<b>Financing and Investment Income and Expenditure</b>			
Interest income on planned assets	4,809	4,496	(4,884)
Interest cost on defined benefit obligation	(5,283)	(4,884)	0
Expected return on scheme assets	0	0	5,432
<b>Total Net Interest</b>	<b>(474)</b>	<b>(388)</b>	<b>548</b>
<b>Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services</b>	<b>(3,275)</b>	<b>(2,524)</b>	<b>(1,588)</b>

#### **Remeasurements of the Net Defined Liability**

Adjustment to Census shared services apportionment of actuarial gains and losses	0	627	627
Actuarial losses arising from changes in demographic assumptions	(6,295)	0	0
Actuarial losses arising from changes in financial assumptions	276	(11,930)	0
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,361	160	0
Return on assets excluding amounts included in net interest	7,049	9,369	0
Actuarial gains and losses	0	0	(3,335)
<b>Total re-measurements recognised in other comprehensive income</b>	<b>2,391</b>	<b>(1,774)</b>	<b>(2,708)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(884)</b>	<b>(4,298)</b>	<b>(4,296)</b>

#### **Movement in Reserves Statement**

Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	329	(376)	560
Employers contributions payable to scheme	(3,604)	(2,148)	(2,148)

#### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	<b>2013/14</b>	<b>2013/14</b>	<b>Restated</b>	<b>Restated</b>
	<b>Census</b>	<b>HDC</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>Census</b>	<b>HDC</b>
			<b>£000</b>	<b>£000</b>
Present value of liabilities - Funded	(5,132)	(120,402)	(4,328)	(111,980)
Present value of liabilities - Un- funded	0	(1,656)	0	(1,540)
Fair value of plan assets	5,419	113,552	4,518	102,390
Net liability arising from defined benefit obligation	287	(8,506)	190	(11,130)

## Reconciliation of the Movements in the Fair value of the Scheme

### Funded Liabilities - LGPS

	2013/14 Census £000	2013/14 HDC £000	Restated 2012/13 Census £000	Restated 2012/13 HDC £000	2012/13 Census £000	2012/13 HDC £000
Reconciliation of present value of the scheme liabilities:						
Balance at 1 April	(4,328)	(113,520)	(3,144)	(98,970)	(3,144)	(98,970)
Adjustment to Census partnership balances for prior years	0	0	(201)	0	(201)	0
Current service cost	(202)	(2,600)	(158)	(1,970)	(158)	(1,970)
Interest cost	(195)	(5,087)	(164)	(4,720)	(164)	(4,720)
Contributions by scheme participants	(54)	(658)	(53)	(640)	(53)	(640)
Actuarial gains and losses	(393)	(4,265)	(600)	(11,170)	(600)	(11,170)
Benefits paid	40	4,072	0	3,950	0	3,950
Past service costs	0	0	0	0	0	0
Loss on curtailments	0	0	(8)	0	(8)	0
Balance at 31 March	(5,132)	(122,058)	(4,328)	(113,520)	(4,328)	(113,520)

### Reconciliation of fair value of the scheme assets:

Balance at 1 April	4,518	102,390	2,933	90,390	2,933	90,390
Adjustment to Census partnership balances for prior years	0	0	828	0	828	0
Interest income on planned assets	203	4,606	183	4,313	0	0
Return on planned assets (excluding amounts in net interest)	549	6,500	383	8,987	0	0
Expected rate of return	0	0	0	0	222	5,210
Actuarial gains / (losses)	0	0	0	0	344	8,090
Employer contributions	134	3,470	138	2,010	138	2,010
Contributions by scheme participants	55	658	53	640	53	640
Benefits paid	(40)	(4,072)	0	(3,950)	0	(3,950)
Balance at 31 March	5,419	113,552	4,518	102,390	4,518	102,390

### LGPS Assets comprised:

Fair Value of scheme assets at 31 March

	2014 Census £000	HDC £000	Total % of assets	2013 Census £000	HDC £000	Total % of assets
<u>Equity Securities:</u>						
Consumer	912.1	19,113.0	16.8%	664.3	15,054.9	14.7%
Manufacturing	485.2	10,166.3	9.0%	358.0	8,113.1	7.9%
Energy & Utilities	279.3	5,853.3	5.2%	243.0	5,506.9	5.4%
Financial Institutions	843.6	17,678.1	15.6%	447.2	10,134.7	9.9%
Health & Care	375.1	7,859.1	6.9%	251.9	5,708.3	5.6%
Information Technology	634.4	13,293.5	11.7%	378.8	8,584.3	8.4%
Other	147.0	3,080.8	2.7%	81.1	1,838.2	1.8%
<u>Debt Securities:</u>						
UK Government	136.5	2,861.1	2.5%	167.7	3,802.0	3.7%
<u>Private Equity:</u>						
All	330.0	6,915.7	6.1%	302.7	6,859.2	6.7%
<u>Real Estate:</u>						
UK Property	422.3	8,850.2	7.8%	342.1	7,753.8	7.6%
Overseas Property	12.1	254.1	0.2%	10.9	246.1	0.2%
<u>Investment Funds &amp; Unit Trusts:</u>						
Equities	0.0	0.0	0.0%	641.5	14,537.1	14.2%
Bonds	487.1	10,206.5	9.0%	474.0	10,742.2	10.5%
Other	237.7	4,980.7	4.4%	86.2	1,953.8	1.9%
<u>Cash &amp; cash Equivalents:</u>						
All	116.4	2,439.4	2.1%	68.6	1,555.5	1.5%
	5,419	113,552	100%	4,518	102,390	100%



All scheme assets except private equity are quoted prices in active markets.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £8.22m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a overall balance of £109.404m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 by the actuaries to be made to the Local Government Pension scheme by the council in the year to 31 March 2015 is £2.2m (this includes £140k estimated for the HDC share of 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 2013.

The principal assumptions used by the actuary have been:

		<u>2013/14</u>	<u>2012/13</u>
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	24.4	22.7
	Women	25.8	24.2
Longevity at 65 for future pensioners:	Men	26.9	24.3
	Women	28.5	26.4
Rate of inflation / pension		2.9%	2.8%
Rate of increase in salaries		4.2%	5.1%
Rate of discounting scheme liabilities		4.3%	4.5%

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.

The estimate of the defined benefits obligation is sensitive to the actuarial assumptions . The following sensitivity analyses have been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme.

### 38 CONTINGENT LIABILITIES

International Accounting Standard 37 requires the council to disclose contingent liabilities. These arise from past events that might result in an obligation to the authority.

Horsham District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £303,000 plus interest and costs. The Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

### 39 CONTINGENT ASSETS

There were no contingent assets at 31st March 2014.

## 40 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 detailed 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 2013/14 was £15m and limit per institution was £4m and limit for long term investment was £3m. 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 this 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 2014 £000	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectibility at 31 March 2014 £000 (AxC)	Estimated maximum exposure at 31 March 2013 £000
	A	B	C		
AAA rated counterparties	13,978	0.00%	0.00%	0	0
A rated counterparties	6,801	0.05%	0.05%	4	8
BBB rated counterparties	2,000	0.20%	0.20%	4	4
Trade debtors	1,093	0.00%	0.00%	0	0

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 £0.76m of the £1.09m balance is past its due date for payment.

The past due amount can be analysed as follows:

Age	31-Mar-14 £000s	31-Mar-13 £000s
Less than three months	511	956
Three to six months	92	97
Six months to one year	94	58
More than one year	63	64
Total	<u>760</u>	<u>1175</u>

### 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.

The maturity analysis of financial liabilities is as follows:

	31-Mar-14 £000s	31-Mar-13 £000s
Less than one year	8,459	6,939
Between one and two years	-	-
Between two and five years	7	15
More than five years	<u>4,000</u>	<u>4,000</u>
Total	<u>12,466</u>	<u>10,954</u>

### 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 instruments 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 link to 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 also holds variable net asset value money market funds whose price may be affected by interest rate changes indirectly as the funds comprise some fixed rate instruments.

The Council monitors any risk and would act in order to minimise the effect of any movement and with time may well be able to 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 2014 and persist for a year the magnitude of effect would be £0.2m.

#### **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.

## **41 FURTHER INFORMATION ON HERITAGE ASSETS**

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 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. The Museum in March 2013 received the new national agreed Accreditation standard managed by Arts Council England. Horsham Museum Collecting and Disposal policy has been revised and published in 2012. It will not change for 5 years when it will be revised in light of national or local policy changes. The museum is actively cataloguing its collection and this is becoming available on its website [www.horshammuseum.org](http://www.horshammuseum.org).

The Museum has very limited means for acquisitions and in the past five years has made no significant purchases.

#### **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 18<sup>th</sup> and 19<sup>th</sup> 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 18<sup>th</sup> century. Each poster will have a modest value.

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

#### Photographic collection

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

Thomas Honywood was born in Horsham and the collection of 100 or so photographs and photographically printed textiles includes important pieces of his work. Felice Beato and Samuel Bourne are noted early photographers and the Museum has 320 or so images.

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

#### Book Collection

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

#### Horsham museum ethnographic and archaeological collections

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

#### Lorinery and saddlery items

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

#### Other collections

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

#### **Art works**

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

There are no current valuations for the works as it is deemed that the usefulness of a valuation to the reader of the accounts 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.

# COLLECTION FUND

2012-13			2013-14		
Business Rates £	Council Tax £	Total £	Business Rates £	Council Tax £	Total £
<b>INCOME</b>					
0	80,263,955	80,263,955	0	81,717,869	81,717,869
38,621,110	0	37,318,712	40,641,497	0	40,641,497
<b>Transfers from General Fund</b>					
0	6,233,620	6,233,620	0	0	0
0	2,402	2,402	0	7,085	7,085
0	0	0	46,324	0	46,324
<b>38,621,110</b>	<b>86,499,977</b>	<b>123,818,689</b>	<b>40,687,821</b>	<b>81,724,954</b>	<b>122,412,775</b>
<b>EXPENDITURE</b>					
<b>Apportionment of Previous Year Deficit</b>					
0	(53,566)	(53,566)	0	0	0
0	(348,188)	(348,188)	0	0	0
0	(41,477)	(41,477)	0	0	0
0	(443,231)	(443,231)	0	0	0
<b>Precepts, Demands and Shares</b>					
0	10,421,503	10,421,503	15,225,457	9,815,823	25,041,280
0	67,529,397	67,529,397	3,806,364	62,908,977	66,715,341
0	8,044,320	8,044,320	0	7,493,920	7,493,920
0	0	0	19,031,821	0	19,031,821
37,141,870	0	37,141,870	0	0	0
37,141,870	85,995,220	123,137,090	38,063,642	80,218,720	118,282,362
<b>Charges to Collection Fund</b>					
1,387,752	239,975	239,975	343,947	164,615	508,562
(85,354)	141,103	141,103	280,194	168,485	448,679
0	0	0	2,674,215	0	2,674,215
176,842	0	176,842	177,362	0	177,362
1,479,240	381,078	557,920	3,475,718	333,100	3,808,818
38,621,110	85,933,067	123,251,779	41,539,360	80,551,820	122,091,180
0	566,910	566,910	(851,539)	1,173,134	321,595
0	(457,949)	(457,949)	0	108,961	108,961
<b>0</b>	<b>108,961</b>	<b>108,961</b>	<b>(851,539)</b>	<b>1,282,095</b>	<b>430,556</b>
<b>Total Expenditure</b>					
Surplus / Deficit (-) arising during the Year					
Surplus / Deficit (-) bought forward 1st April					
<b>Surplus / Deficit (-) carried forward 31st March</b>					

## 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	2
A	up to 40,000	6/9	1,056
B	40,000-52,000	7/9	3,206
C	52,000-68,000	8/9	8,396
D	68,000-88,000	1	10,188
E	88,000-120,000	11/9	10,471
F	120,000-160,000	13/9	9,451
G	160,000-320,000	15/9	10,106
H	over 320,000	2	1,263
COUNCIL TAX BASE			54,139

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 2013 was £101.145m and the National Non-Domestic Rate multiplier for the year was 0.471.

### **Note 3 - Precepts and Demands**

<u>2012-13</u>		<u>2013-14</u>
£		£
10,421,503	Horsham District Council Precept	9,815,823
8,044,320	Sussex Police Authority	7,493,920
<u>67,529,397</u>	West Sussex County Council	<u>62,908,977</u>
<u>85,995,220</u>	Total	<u>80,218,720</u>

#### **Note 4 - Collection Fund 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.

31st March 2014

Accumulated Deficit at 31/3/14                      £430,556

Apportionment based on 2013/14 precepts and demands:

	<u>Business</u> <u>Rates</u> £	<u>Council</u> <u>Tax</u> £	Total £
Horsham District Council	(340,615)	156,881	(183,734)
Sussex Police Authority		119,771	119,771
West Sussex County Council	(85,154)	1,005,442	920,288
Central Government	(425,769)	0	(425,769)
	<u>(851,538)</u>	<u>1,282,094</u>	<u>430,556</u>



## GLOSSARY

<b>ACCRUALS</b>	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.
<b>BALANCES</b>	The amounts remaining at the year end on the various funds of the Council.
<b>CAPITAL EXPENDITURE</b>	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.
<b>CAPITAL RECEIPTS</b>	Receipts from the sale of property, plant and equipment e.g land, building etc.
<b>CENTRAL SUPPORT SERVICES</b>	The expenditure on the central administration of the Council, including the cost of accommodation.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>COLLECTION FUND</b>	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, central government and its own general fund.
<b>COMMUNITY ASSETS</b>	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.
<b>CONTINGENT ASSET</b>	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 Council's control.
<b>COUNCIL TAX</b>	A locally determined charge based on property values and levied by a local authority to enable it to provide its services.
<b>CREDITORS</b>	Individuals and organisations to whom the Council owes money.
<b>DEBTORS</b>	Individuals and organisations who owe money to the Council.
<b>DEPRECIATION</b>	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.
<b>EARMARKED RESERVES</b>	Amounts set aside for specific purposes falling outside the definition of provisions.
<b>FAIR VALUE</b>	Amount for which an asset could be exchanged or liability settles between to knowledgeable parties with no other motive than to secure a fair price. In most cases this is the actual price paid.
<b>FINANCE LEASE</b>	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.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to a financial asset or liability.
<b>FINANCIAL ASSET</b>	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
<b>FINANCIAL LIABILITY</b>	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability.

<b>FINANCIAL REPORTING STANDARDS</b>	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
<b>FIXED ASSET</b>	A tangible asset that yields benefit to an authority and the services it provides for a period of more than one year.
<b>GENERAL FUND</b>	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.
<b>IAS</b>	International Accounting Standard.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The minimum amount that must be charged to an authority's revenue account to be set aside to pay back debt.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	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.
<b>OPERATING LEASE</b>	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.
<b>PRECEPT</b>	An amount charged to the Collection Fund to finance services provided by another authority e.g. County and parish councils.
<b>PRECEPTING AUTHORITIES</b>	Those authorities which are able to raise a precept.
<b>PROVISION</b>	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain.
<b>PUBLIC WORKS LOAN BOARD (PWLb)</b>	A statutory body operating within Central Government responsible for lending money to local authorities and other bodies.
<b>REVENUE EXPENDITURE FUNDED AS CAPITAL UNDER STATUTE (REFCUS)</b>	Expenditure that may properly be treated as capital expenditure but which does not represent a Council tangible asset (property , plant and equipment).
<b>SECTION 106 (S106)</b>	Contribution paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development under section 106 of Town and Country Planning Act 1990.