

Accounts, Audit & Governance Committee

Wednesday 23rd September 2015 at 6.00pm

Hastings & Knepp Rooms, Parkside, Chart Way, Horsham

Councillors: Godfrey Newman (Chairman)
Stuart Ritchie (Vice-Chairman)
Paul Clarke
Brian Donnelly
Ian Howard
Adrian Lee
Paul Marshall

You are summoned to attend the meeting to transact the following business

Tom Crowley
Chief Executive

Agenda

	Page No.
1. Apologies for absence	
2. To approve as correct the minutes of the meeting of the Committee held on 23 rd June 2015 (attached)	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. To receive the Audit Results Report for the year ending 31st March 2015 – to be presented by the External Auditor - <i>please see separate appendix</i>	
6. Letter of Representation 2014/15	9
7. Statement of Accounts 2014/15	13 & separate appendix
8. Annual Governance Statement 2014/15	17
9. Treasury Management Activity and Prudential Indicators 2014/15	37
10. Risk Management – Quarterly Update	45
11. Internal Audit – Quarterly Update Report	55
12. Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as urgent because of the special circumstances	
13. To consider the following exempt or confidential information:	
	Reason for Exemption
Internal Audit – Quarterly Update on Audit Follow-ups	Paragraph 3
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ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
23rd JUNE 2015

Present: Councillors: Brian Donnelly, Ian Howard, Adrian Lee, Paul Marshall, Godfrey Newman, Stuart Ritchie

Apologies: Paul Clarke

Also present: Councillors: Leonard Crosbie, Tricia Youtan
Hannah Lill, Manager, Ernst & Young
Katharine Eberhart, Director of Corporate Resources
Tim Delany, Head of CenSus Revenues & Benefits
Paul Miller, Chief Internal Auditor
Julian Olszowka, Group Accountant (Technical)

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor Godfrey Newman be elected Chairman of the Committee for the current Council year.

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

RESOLVED

That Councillor Stuart Ritchie 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 6.00pm for the ensuing Council year.

AAG/4 **MINUTES**

The minutes of the meeting held on 25th March 2015 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 **UPDATE ON THE BENEFITS AUDIT**

Further to discussion at the last meeting of the Committee regarding the Annual Certification Report 2013/14 (Minute No. AAG/45 (25.3.15) refers), Tim Delany, Head of CenSus Revenues and Benefits, gave an update on the progress being made in implementing the action plan agreed with the Auditors to improve the quality of benefits assessments.

For the benefit of new Members, the Head of CenSus Revenues and Benefits gave an overview of the benefits assessment process, how benefits subsidy was paid and the audit process used to assess the level of error in the calculation of benefits or compilation of claims. It was noted that the 2014/15 benefits audit was currently underway.

AAG/8 **AUDIT PROGRESS REPORT**

Hannah Lill, Manager, Ernst & Young presented a progress report which provided an overview of the 2014/15 audit and a summary of work completed since the last report to the Committee. The report included a timetable showing the key stages for the 2014/15 audit. It was noted that the External Auditor would be on-site from 6th July 2015 to carry out the post-statements audit work.

AAG/9 **2014/15 YEAR END OUTTURN REPORT**

The Director of Corporate Resources presented a report comparing the 2014/15 actual expenditure (outturn) on revenue, capital and repair & renewals with the budget approved by the Council in February 2014, as subsequently amended.

The budget was monitored on a monthly basis and quarterly reports were made to the Finance & Performance Working Group throughout the year. Since Quarter 3, the predicted underspend against budget had moved from £250,000 to £803,000. The main variances were summarised and included overprovision for housing benefit subsidy, higher appeal costs than forecast and the net costs of the Capitol Theatre being higher than forecast. In addition there had been significant additional income particularly in respect of green waste and planning fees.

Business Rates was an important element of income for the Council. It was noted that there had been a large increase in the number of appeals lodged against the values included in the current Valuation List before the 31st March 2015 deadline. As a result it had been considered prudent to increase the provision for refunds on back-dated appeals, since a successful appeal might generate a refund going back to April 2010. Consequently the overall position for 2014/15 was that rates income had achieved the government's baseline figure, but had not generated a surplus.

AAG/9 2014/15 Year End Outturn Report (cont.)

A National Non-Domestic Rates reserve had been created in 2013/14 to manage the complexities and timing issues associated with this scheme and this held sufficient funds to protect the Council against an unforeseen reduction in Business Rates.

Salaries were a major element of Council expenditure and were also monitored on a regular basis. The high levels of temporary staff in Development and Building Control were a result of the national increase in development activity and the resulting competition for qualified planning staff. The Council continued to work on attracting and retaining suitably qualified permanent staff in these areas. In ICT, temporary staff were often employed to carry out project work as their particular skills were not required on a permanent basis. It was also noted that it was the practice of Operational Services to employ agency staff initially to fill vacancies, with those who proved satisfactory subsequently being offered permanent positions.

The Director of Corporate Resources also drew Members' attention to movements between the General Fund Reserve and earmarked reserves during 2014/15.

The capital programme was also underspent and the unused budgets for capital schemes in progress had been carried forward to 2015/16.

RESOLVED

That the following be noted:

- (i) The financial position of the Council, as outlined in the report.
- (ii) The revenue budgets carried forward as approved by the Director of Corporate Resources and outlined in the report.
- (iii) The transfers between the General Reserve and earmarked reserves, as 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/10 **AMENDMENTS TO THE TREASURY MANAGEMENT STRATEGY 2015/16**

The Director of Corporate Resources reminded Members that the originally proposed treasury management strategy had been amended (Minute No. AAG/35 (7th January 2015) refers), with the deletion of the proposed use of Pooled Funds (other than Money Market Funds). However, the limits in the range of the other allowed investments had not been increased to compensate for the restriction. Consequently, it was considered prudent to increase the limit on another investment type for the rest of 2015/16 to ensure the Council had adequate options available.

It was therefore proposed that the overall limit on Money Market Funds should be increased from £20,000,000 to £30,000,000, with the limit of £5,000,000 on each fund remaining unchanged.

RECOMMENDED

That an amendment to the Treasury Management Strategy for 2015/16 to increase the overall limit for Money Market Funds to £30,000,000, whilst leaving the individual fund limit unchanged be approved.

REASON

To ensure that the Council has adequate investment options available within its Treasury Management Strategy.

AAG/11 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since March 2015.

A summary of audit findings in respect of Green Waste (which had achieved an overall audit opinion of full assurance); Council Tax, Business Rates (CenSus), Treasury Management and Creditors (substantial assurance); and Payroll and Pest Control (moderate assurance) was submitted.

It was agreed that the Chairman of the Committee would write to the Green Waste Team to congratulate them on the achievement of an audit opinion of full assurance.

RESOLVED

That the summary of audit work undertaken since March 2015 be noted.

AAG/11 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/12 ANNUAL INTERNAL AUDIT REPORT 2014/15

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

- Provide a statement on conformance with the Public Sector Internal Audit Standards;
- Summarise the effectiveness of internal audit work; and
- Summarise the work undertaken by Internal Audit during 2014/15 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.

The Council's Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards, which required the Chief Internal Auditor to undertake a self-assessment of the internal audit service against a Quality Assurance and Improvement Plan checklist the results of which were outlined as part of the Annual Audit Report. It was noted that the Internal Audit Team had maintained its independence throughout 2014/15 in accordance with the Audit Charter.

The Internal Audit team used a risk based approach when determining the annual audit plan and undertaking audit assignments. In order to respond to new risk areas identified during the year, the audit plan was sufficiently flexible to allow for additional audits to be undertaken. During the year, 85% of audits had been completed against a target of 85%. Details of progress against the annual plan for 2014/15, the implementation of agreed actions, reporting and management feedback were reported.

The Chief Internal Auditor reported that he 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.

AAG/12 Annual Internal Audit Report 2014/15 (cont.)

RESOLVED

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

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/13 **DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**

The Director of Corporate Resources submitted the Annual Governance Statement (AGS) in draft form for Members' information. The annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the production of the Annual Governance Statement for 2014/15. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement was correct as well as a review of the Council's Governance framework against the best practice framework devised by the Chartered Institute of Public Finance Accountants/Society of Local Authority Chief Executives.

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

It was agreed that the final paragraph of section 5 should be amended to include Building Control as one of the partnerships in which the Council participated.

AAG/13 Draft Annual Governance Statement 2014/15 (cont.)

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

RESOLVED

That the draft Annual Governance Statement be amended as indicated above and that Members pass any further comments on the draft statement to the Director of Corporate Resources before the next meeting of the Committee.

REASON

As part of good governance, it is important that the Annual Governance Statement is approved by Members of the Committee.

AAG/14 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Director of Corporate Resources presented the latest quarterly update of the Corporate Risk Register.

It was noted that at the beginning of the year, an independent review of risk management had been undertaken by external consultants and they had subsequently facilitated a series of workshops for the Senior Leadership Team and service managers and six new risks had been added to the corporate risk register.

An action plan had been developed for the purpose of improving the risk management process, taking into account a number of the consultant's recommendations.

RESOLVED

That the report be noted.

REASON

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

AAG/15 **URGENT MATTERS**

There were no urgent matters to be considered.

AAG/16 **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/17 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT ON AUDIT FOLLOW UPS (PARAGRAPH 3)**

The Chief Internal Auditor submitted a report summarising progress since March 2015 on the implementation of actions in respect of audits undertaken in 2014/15, 2013/14, 2012/13 and 2011/12.

RESOLVED

- (i) That progress in terms of agreed actions implemented since March 2015 be noted.
- (ii) That the position in respect of the specific areas highlighted by the Chief Internal Auditor be noted.

RESOLVED

The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

The meeting finished at 7.08pm having commenced at 5.30pm.

CHAIRMAN

Mr Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading
RG1 1YE

Our ref: KE/ljw
Your ref:
E-mail: katharine.eberhart@horsham.gov.uk
Direct line: 01403 215300
Date: 23rd September 2015

Dear Paul

Horsham District Council - Audit for the year ended 31 March 2015

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 2015:

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: 22 September 2015.

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 23 September 2015

Signed:

Name: Katharine Eberhart

Position: Director of Corporate Resources

Date: 23 September 2015

Signed:

Name: Godfrey Newman

Position: Chairman, Accounts, Audit and Governance Committee

Date: 23 September 2015

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

23rd September 2015

By the Director of Corporate Resources

DECISION REQUIRED



Not Exempt

Statement of Accounts 2014/15

Executive Summary

It is a legal requirement of the Accounts and Audit (England) Regulations 2011 that the Statement of Accounts is approved by a resolution of the Council or the relevant Committee of the Council by 30th September. The Scheme of Delegation to Committees within the Council constitution (Part 3C Part 2.1) delegates the responsibility the Accounts, Audit and Governance Committee to consider and approve the Council's statement of accounts.

The accounts have been subject to external audit by Ernst and Young LLP and the Audit Results Report is also on the agenda for this meeting.

Recommendations

That the Committee is recommended:

- i) To approve the 2014/15 Statement of Accounts

Reasons for Recommendations

- i) It is a requirement of the Accounts and Audit (England) Regulations 2011 that the Statement of Accounts are approved by 30th September.
- ii) The external auditors plan to issue an unqualified audit opinion on the financial statements for 2014/15.

Background Papers: Consultation with the external auditors

Wards affected: All

Contact: Emma Thomas – Corporate Accountant Ext 5312

Background Information

1 Introduction

- 1.1 It is a requirement of the Accounts and Audit (England) Regulations 2011 that the statutory Statement of Accounts is approved by a resolution of the Council or the relevant Committee of the Council by 30th September. Under The Scheme of Delegation to Committees within Part 3c of the Council constitution the matter of considering and approving the statement of accounts has been delegated to the Accounts, Audit and Governance Committee. This report provides background information to the financial statements.

Background

- 1.2 The financial statements have been prepared following the requirements of the CIPFA Code of Practice on Local Authority Accounting 2014/15 which are based on International Financial Reporting Standards. The accounts have been subject to audit by Ernst and Young LLP who intend to issue an unqualified opinion.

2 Details

- 2.1 The Statement of Accounts 2014/15 are attached to this report.

3 Next Steps

- 3.1 The committee is asked to approve the Statement of Accounts 2014/15.

4 Outcome of Consultations

- 4.1 Not applicable.

5 Other Courses of Action Considered but Rejected

- 5.1 Not applicable.

6 Financial Consequences

- 6.1 There are no direct financial consequences arising from this report.

7 Staffing Consequences

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

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal?	There are reputational risks to the Council if the accounts are not approved by 30 September 2015.
How will the proposal help to reduce Crime and Disorder?	There is no impact on Crime and Disorder.
How will the proposal help to promote Human Rights?	There is no impact on Human Rights.
What is the impact of the proposal on Equality and Diversity?	There is no impact on Equality and Diversity.
How will the proposal help to promote Sustainability?	There is no impact on sustainability. The accounts will be published on the Council's website.

**Report to Accounts Audit & Governance
Committee**

23rd September 2015

By the Director of Corporate Resources

INFORMATION REPORT



Not Exempt

Annual Governance Statement 2014/15
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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 2014/15. 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.

Recommendation

The Committee is recommended to approve the Governance Statement for 2014/15.

Reasons for Recommendation

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.

Wards affected: All.

Contact: Paul Miller 01403 215319.

Background Information

1 Introduction and Background

- 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.
- 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 2015 Accounts Audit and Governance Committee meeting in “draft” form. Comments from the Committee have been incorporated into the final version.

2 Statutory and Relevant Council policy

- 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 Annual Governance Statement for 2014/15 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 Key officers have been consulted, including the Senior Leadership Team; Monitoring Officer; Head of Finance; Human Resources and Organisational Development Manager; and the Chief Internal Auditor. In addition, Service Managers have completed and signed Annual Assurance Statements covering their areas of responsibility.

6 Other Courses of Action Considered but Rejected

- 6.1 None

7 Financial Consequences

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

8 Legal Consequences

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

9 Staffing Consequences

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

10 Risk Assessment

- 10.1 There are no risks associated with this proposal.

Appendix 1

Consequences of the Proposed Action

How will the proposal help to reduce Crime and Disorder?	This report has no effect on Crime & Disorder issues.
How will the proposal help to promote Human Rights?	This report has no effect on human rights.
What is the impact of the proposal on Equality and Diversity?	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.



**Horsham
District
Council**

**Horsham District Council
Annual Governance Statement 2014-15**

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, and 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 (11th December 2013) which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), and 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 5F 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 2015 and up to the date of the approval of the Annual Report and Statement of Accounts for the 2014/15 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 and is formally reviewed and updated each year. An interim District Plan is in place to cover the period from April 2015 to end September 2015 until implementation of a new District Plan to run from October 2015 to 2019.
- 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 key performance indicators associated with the District Plan. Performance on a basket of key corporate indicators 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 an annual summary of the year's progress against the stated 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.

An "away day" for Members and senior officers took place on the 29th January 2015 which was run by external consultants. The theme for the day was "Leading Together", and part of the focus was improving working relations and understanding the differing perspectives of officers, Members and other stakeholders.

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 (**C**entral **S**ussex) Partnership, and Building Control services are provided in partnership with Crawley Borough Council. The Council also engages in local community development work with other local public bodies.

6. VALUES AND HIGH STANDARDS OF BEHAVIOUR

The organisation has developed with its staff core values of 'customer focus', 'achieving excellence' and 'our people' (working together, investing in people, training and encouraging responsibility). Desired behaviours are set out in the staff and manager's capabilities which form part of the annual appraisal.

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.

All service managers are responsible for implementing strategies at departmental level ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

Internal Audit provides an opinion on the effectiveness of the risk management framework annually in the end of year report published in June.

8. CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS

There are training opportunities for new officers. Training programmes for Council employees are identified from regular 1-2-1s, team meetings, staff appraisals and personal development programmes.

New Members to the Council receive induction training, which includes the Constitution, decision-making processes and the Council's Code of Members' Conduct. There is also ongoing training covering specific issues in a variety of areas.

Members of the Council have recently received a survey covering a range of issues including inductions, training, information and support. Responses have been largely positive. However, significant comments were made about a lack of information and this is being addressed via induction and ongoing training.

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 has conducted Residents' Surveys in the Autumn of 2011 and 2013 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.

Survey analysis is used as a resource to inform the Council when setting and reviewing policies and reinforcing priorities for the District Plan.

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 including the Youth Panel, 'HYPER', the Senior Persons' Council, and the Access Forum. Additionally it consults with Parish Councils and the Rural Towns Forum (i.e. a consortium of parish level Community Partnerships). Finally, it is a leading partner within the Community Safety and Health and Wellbeing Partnerships within which all partners (NHS, Clinical Commissioners, GPs, Police, County Council, etc) share feedback from their own stakeholder consultation.

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, particularly in areas such as Think Family Neighbourhoods where resources are being targeted. 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 senior 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 Council's governance arrangements 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, including deciding on the aims and objectives of the Council as set out in the District Plan.
- 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 which includes monitoring performance management.
- 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.
- 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. It also reviews the Council's Treasury Management and Investment Strategies and has delegated authority to review

and approve the statutory financial statements and consider reports from the Council's external auditors.

- The role of the Director of Corporate Resources (as 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.
- 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 Head of Legal and Democratic Services (as Monitoring Officer) has a duty to ensure that operations are carried out lawfully.
- 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 2014/15:

- A new asset management system (Elf) has been purchased and is due to be fully implemented by September 2015 which will improve management information used for decision-making.
- Reports to the quarterly meetings of the Finance and Performance Working Group have been revised to show financial and performance information together for each of the Council's service areas with a commentary by each of the Council's Service Managers. This has been well received by Members, enabling better Member understanding of corporate performance
- The Council's Contract Standing Orders and Procurement Code have been 'drafted' to reflect the new EU Procurement Regulations. These will go to full Council for approval in October.
- The office move from Park North to Parkside will reduce the Council's running costs and provides an opportunity to improve the working culture of the organisation
- The Council's risk registers have been converted from a 3x3 matrix to a 5x5 model. Consultants have been employed to provide an independent health check of the Council's risk management arrangements, and areas for improvement have been identified which form part of a new action plan. New service plans have been developed by all service managers following the management restructure.
- A complete review of performance indicators has been undertaken to ensure that these are meaningful and useful in helping services to achieve their objectives.
- Service Managers have been provided with training in budget forecasting and are required to approve monthly outturn forecasts for their departments.
- The Council's complaints process has been reviewed and revised for the purpose of improving speed of response and making efficiency savings.

13. SIGNIFICANT GOVERNANCE ISSUES

The 2013/14 Annual Governance Statement included an Action plan for 2014/15. 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

.....

Chief Executive

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

<p>1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.</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"> - Economic Development: Plan for a successful local economy with high levels of employment. - Efficiency and Taxation: Delivering excellent value and high performance. - Arts, Heritage and Leisure: Build an arts, leisure and culture reputation that also supports our economy. - Living, Working Communities: Working together to support the life of local communities. - Environment: A better environment for today and tomorrow. - Safer and Healthier: Improving health and well-being.
<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>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 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). This has been reviewed and revised for 2015 for the purpose of improving speed of response and making efficiency savings.</p>

<p>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.</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>3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</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>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</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 reports 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.
<p>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.</p> <p>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.</p>
The Council has a Confidential Reporting Code (Whistleblowing Policy) in place which forms part of the Officer Code of Conduct.
<p>5. Developing the capacity and capability of Members and officers to be effective.</p> <p>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.</p> <p>b) The Council will develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.</p> <p>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.</p>
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>6. Engaging with local people and other stakeholders to ensure robust accountability.</p> <p>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.</p> <p>c) The Council will take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service.</p> <p>d) The Council will make best use of human resources by taking an active and planned approach to meet responsibilities to staff.</p>

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. 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; director's meetings; team meetings; 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 2014/15

No.	Area for Improvement	Actions	Responsible Officer	Outcomes
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	Document is ready for approval, but a further review is now required following the District Election in May 2015.
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	Electronic forms have been developed and are now in use.
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	The Remuneration Panel has met and recommendations will be presented to full Council.
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	Actioned. This will form part of Member induction training.
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	The Policy has been reviewed and updated.
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. (ii) The consultation process will be	Senior Leadership Team	Training has been provided to officers to improve the quality of reports. The Chief

		reviewed and improved to ensure that appropriate officers and Members have an input prior to reports being submitted to Council / Committee.		Executive has emailed all service managers reminding them of the importance of proper consultation and timely reporting. Forward planning has improved, but requires further continuous improvement.
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	We will be reviewing our liaison with parishes and community engagement as a whole. An action plan will then be developed.
8.	The service planning process should consider how the service can deliver the 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	Completed.

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2015/16

No.	Area for Improvement	Actions	Responsible Officer	Target Date
1.	<u>Assurance Framework.</u> Second line assurance defence levels need to be identified so that these can feed into the Council's Annual Governance Statement for 2015/16.	A formal assurance framework will be developed.	Katharine Eberhart / Paul Miller	31 st March 2016
2.	<u>Constitution.</u> The Council's Constitution is currently based on the 2000 model and needs to be re-written. This will improve the Council's governance arrangements and will help to improve engagement with Members.	The Council's Constitution will be re-written in consultation with Members and senior officers.	Paul Cummins	31 st March 2016
3.	<u>Values / Behaviours</u> This has been identified as an area for development.	Staff workshops will take place mid-September to end of October, and a new competency and behaviour framework will be developed by December 2015. Training sessions will take place Spring 2016 and new competencies will be trialled in performance appraisals from April 2016.	Robert Laban	30 th April 2016
4.	<u>Health and Safety</u>	Agreed actions following an internal audit review of health & safety will be implemented by the end of December 2016.	Chief Executive	31 st December 2016

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

23rd September 2015
By the Director of Corporate Resources
INFORMATION REPORT

Not exempt



Treasury Management Activity and Prudential Indicators 2014/15

Executive Summary

This report covers treasury activity and prudential indicators for 2014/15. During 2014/15 the Council complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, was not breached.

At 31 March 2015, the Council's external debt was £4m (£4m at 31/3/14) and its investments totalled £24.6m (£22.8m at 31/3/14) including call accounts and Money Market Funds.

During 2014/15 the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.161m (£0.176m in 2013/14) was earned on investments, an average return of 0.5% (0.6% in 2013/14).

Recommendations

The Committee is recommended to:

- i) Note the Treasury Management stewardship report for 2014/15.
- ii) Note the actual prudential indicators for 2014/15.

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 2014/15 in accordance with the requirements of the relevant CIPFA Codes of Practice.

Background Papers

"Treasury Management Strategy 2014/15" - AAG Committee 5th December 2013

"Budget 2014/15 and MTFS to 2017/18" - Council 26th February 2014

"Budget 2015/16 and MTFS to 2018/19" - Council 25th February 2015

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 2014/15. 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 2014/15 together with Treasury Management Strategy 2014/15 were agreed by Council on 26th February 2014 having been approved by this Committee on 5th December 2013.

2 The Council's Capital Expenditure and Financing 2014/15

- 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 25th February 2015 as a part of budget report.

2014/15	Actual £000	Estimate £000
Total capital expenditure	5,326	6,862
Resourced by:		
Capital receipts and third party contributions	(2,484)	(3,766)
Capital grants	(500)	(442)
Revenue reserves	(573)	(855)
Unfinanced capital expenditure (additional need to borrow)	1,769	1,799

- 2.2 The capital spend in 2014/15 was significantly under budget. The major variances have been reported to the last meeting of this Committee on 23rd June. The underspend resulted in a reduced need for financing when compared with estimates although the unfinanced spend was close to the estimate.

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.

Agenda Item 9

- 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 2014/15 MRP Policy (as required by DCLG Guidance) was approved on 26th February 2014 as a part of the 2014/15 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. The movement in the CFR is close to the estimate.

Capital Financing Requirement	Actual £000	Estimate £000
Opening balance 1 April 2014	10,964	10,964
plus unfinanced capital expenditure	1,769	1,799
less Minimum Revenue Provision	(747)	(745)
Closing balance 31 March 2015	11,986	12,018

4 Treasury Position at 31 March 2015

- 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 on the 31 March 2015 compared with the previous year is shown below.

Treasury position	31 March 2015		31 March 2014	
	Principal £m	Average Rate	Principal £m	Average Rate
Fixed Interest Rate Debt	4.0	3.4%	4.0	3.4%
Investments	(24.6)	0.8%	(22.8)	0.6%
Net borrowing position	(20.6)		(18.8)	

- 4.3 Current returns continue at historically low levels reflecting the continuing low interest rates being offered by counterparties who are a good credit risk. An increase in rates is foreseen but it is likely to be slow.

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 2014/15 plus the expected CFR movement over 2015/16 and 2016/17. As external debt was £4m and the CFR remains around £12m and is not planned to decrease over the relevant future period the Council has complied with this prudential indicator.

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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 2014/15 and did not amend it during that year. The table below demonstrates that during 2014/15 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. This indicator was set at £9m while gross borrowing was at £4m for the whole year.

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.

	2014/15
Authorised Limit	£15.0m
Operational Boundary	£9.0m
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 6%

5.5 **Upper limits on variable and fixed rate exposure** – These indicators identify maximum limits for variable and fixed interest rate exposures. The table below shows the estimate and actual maxima in 2014/15. The variable exposure is exclusively investments and thus appears as a negative figure as the indicator shows the net debt position.

	Limit	Actual	Met?
Upper limit on fixed rate exposure	£15m	£4m	Ü
Upper limit on variable rate exposure	£0m	-£12m	Ü

5.6 **Maturity Structures Of Borrowing** - These gross limits are set to reduce the Council's exposure to large fixed rate loans falling due for refinancing. As the Council only has one debt and has set the percentage range to allow it freedom to refinance the debt there is no danger of not meeting this indicator. The table below shows the 2014/15 estimates and end of year position.

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

- 5.7 **Total Principal Funds Invested over 364 days** – This limit ensures liquid funds are maintained. The actual position was within the indicator.

2014/15	Original Indicator	Actual Position
Maximum principal sums invested > 364 days	£3m	£2m

Economic and Treasury management Context for 2014/15

- 5.8 The Council's Treasury Management activities are critically affected by what is happening in the general economy which is subject to continuing uncertainty. The Council has engaged ArlingClose Ltd to advise on various aspects of Treasury Management and a part of that advice, a commentary on the economic background and the finance sector during 2014/15, is included as the appendix to this report.

Debt management activity during 2014/15

- 5.9 No new borrowing was undertaken so the Council's only debt was £4.0m from Public Works Loan Board borrowed on 23rd April 2009 for 10 years at 3.38%.
- 5.10 As the CFR shown above is almost £12m the Council is using its internal resources in lieu of borrowing. This lowers overall treasury risk by reducing both external debt and temporary investments and is judged to be the best way of funding capital expenditure. However, this may not be sustainable over the medium term.

6 Investment activity in 2014/15

- 6.1 The Council's objectives 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 DCLG 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.
- 6.2 The Council's longer term cash balances comprise revenue and capital reserves and its core cash resources are shown in the table below. The Council is borrowing internally which reduces the funds available to be invested by approximately £10m.

Balance Sheet Resources	31 March 2015 £000	31 March 2014 £000
Revenue reserves	16,178	14,673
Other reserves and provisions	2,364	2,470
Usable capital receipts	0	388
Unapplied capital contributions	9,420	8,672
Working capital	4,775	3,647
Total	32,737	29,850

- 6.3 **Yield** - The investment income budget for the year 2014/15 was £0.177m (13/14 £0.195m). The actual interest received was £0.161m (13/14 £0.176m). This excludes £84,000 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 0.5% (13/14 0.6%) was achieved from the investments managed in-house. The benchmark, which is the average LIBID 7 day rate, was 0.44% (13/14 0.41%).
- 6.4 **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 one notch above the benchmark for ten months (A) and two above it for two months (A+).
- 6.5 **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 0.7 years, averaging 0.2 years. The average was affected by low values at the beginning of the year while the last quarter averaged 0.6 years as longer term investments were made.
- 7 **Outcome of consultations**
- 7.1 The views of the Council's treasury management consultants, ArlingClose Ltd, have been incorporated in all aspects of the above
- 8 **Staffing and Financial Consequences**
- 8.1 This report provides information only; no staffing or financial resources are required as a result of it.

Appendix

Economic Background in 2014/15 Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remained resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited.

Political uncertainty had a large bearing on market confidence in the year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The highly politicised March Budget heralded the start of a closely contested UK general election campaign and markets were braced for an expected hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in 2015.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission through into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

Issues relating to potential counterparties: The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014/15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, whose constituent banks are on the Authority's lending list, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is the Council's banker, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

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

Date of Meeting: 23rd September 2015

By Katharine Eberhart



INFORMATION REPORT

Not Exempt

Risk Management ~ Quarterly 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

That the Committee is recommended to:

- i) Note the contents of this report

Reasons for Recommendations

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

Background Papers

Management Information obtained from Covalent

Wards affected: All

Contact: Paul Miller, Chief Internal Auditor, 01403-215319

Background Information

1 Introduction and Background

- 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 (see 3.1 and 3.2 below).
- 1.3 Sections 3.3 and 3.4 below provide details of improvements to the Council's governance and risk management arrangements.

2 Relevant Council policy

- 2.1 Risk management is an important part of the Council's Governance framework and supports the Council's District Plan priorities and corporate objectives.

3 Details

3.1 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). Risk CRR10 has now been mitigated and will be removed from the register. Risks CRR14 and CRR15 are new risks that have recently been added.

3.2 Departmental Risk Registers

All 20 departmental risk registers have been reviewed and updated.

3.3 Risk Management Action Plan ~ External Consultants Review

All service managers have been tasked with updating their departmental risk registers. In particular, they have been asked to ensure that all risk categories have been considered, that impact and likelihood scores are realistic, and that appropriate control actions have been designed and are being implemented. Further guidance will be provided to departments, and the implementation date has been extended until the end of October 2015. High and medium risks will be escalated to the Senior Leadership Team (SLT) for review purposes. Significant risks may be added to the Corporate Risk Register where appropriate.

3.4 Annual Assurance Statements

As part of the Council's improved governance and risk management arrangements, each service manager has recently signed a Governance Assurance Statement in support of the Council's Annual Governance Statement. The assurance statements are designed to confirm that service managers have operated their governance

obligations in their areas of responsibility, and have highlighted any significant concerns or areas for improvement.

4 Next Steps

- 4.1 Significant risks identified by service managers and recorded on their departmental risk registers will be reviewed by the Senior Leadership Team. Where appropriate, risks will be escalated onto the Corporate Risk Register.

5 Outcome of Consultations

- 5.1 Not applicable.

6 Other Courses of Action Considered but Rejected

- 6.1 Not applicable.

7 Financial Consequences

- 7.1 There are no financial consequences.

8 Legal Consequences

- 8.1 There are no legal consequences.

9 Staffing Consequences

- 9.1 There are no staffing consequences.

10 Risk Assessment

- 10.1 The report provides an update on the Council's corporate risks and how these are being managed by the Senior Leadership Team. See Appendix 2 for the latest version of the Council's Corporate Risk Register.

Appendix 1

Consequences of the Proposed Action

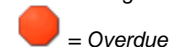
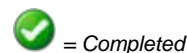
How will the proposal help to reduce Crime and Disorder?	Section 17 of the Crime and Disorder Act 1998 requires the Council to do all that it reasonably can to reduce crime and disorder. There are no crime and disorder implications as a result of this report.
How will the proposal help to promote Human Rights?	Effective risk management helps to ensure that the Council achieves its objectives within this area.
What is the impact of the proposal on Equality and Diversity?	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.

Corporate Risk Report September 2015 V3

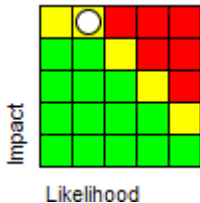

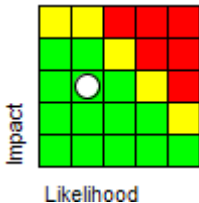


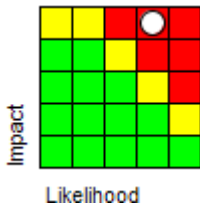

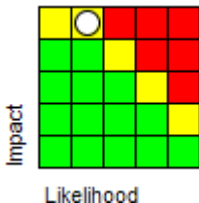


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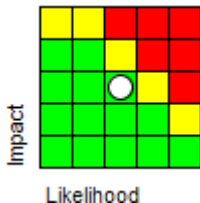
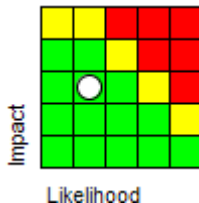
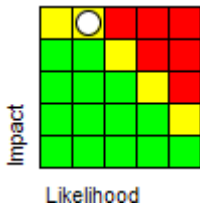
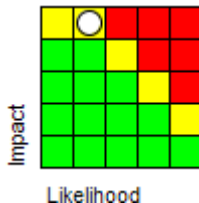


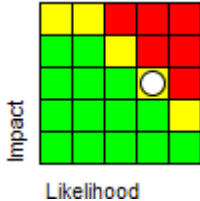
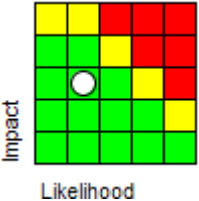
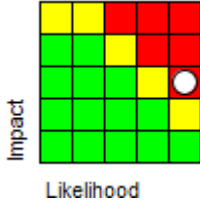
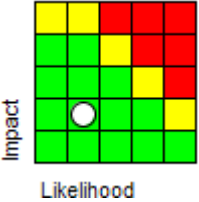
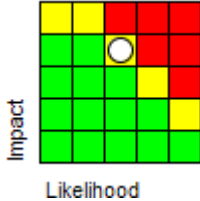
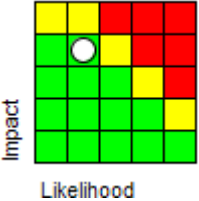
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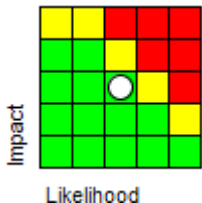
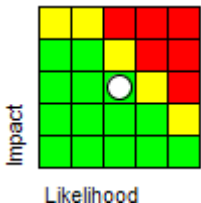
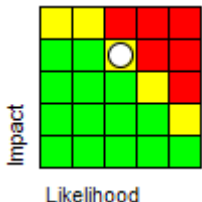
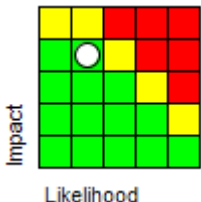
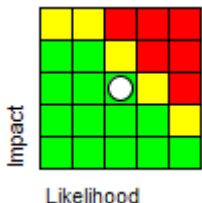
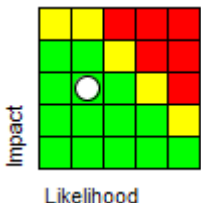


Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 Financial <u>Source:</u> The Council is reliant on Central Government funding (eg. New Homes Bonus). <u>Event:</u> Grant funding from Government is less generous than assumed in the MTFSP.	<ul style="list-style-type: none"> . Reductions in funding . Adverse effect on morale . Financial losses . Failure to achieve agreed objectives 	Katharine Eberhart		CRR.01.1 Review current budgets in preparation for the 2015/16 budget	Katharine Eberhart			<u>September 2015 Update:</u> Budget challenge meetings are progressing and announcements from central government are awaited.
				CRR.01.2 Develop options to deal with pressure for consideration by Members	Katharine Eberhart			
CRR02 Managerial / Professional <u>Source:</u> The Council has a legal obligation to protect personal data. The Information Commissioner has the power to levy significant financial penalties up to £500k for data breaches. Some information held by the Council is politically / commercially sensitive, and it is important that such information is not leaked. <u>Event:</u> Major data breach or leak of sensitive information to a third party.	<ul style="list-style-type: none"> . People and businesses come to harm and suffer loss that might not otherwise have occurred . Complaints / claims / litigation . Resources consumed in defending claims . Financial losses . Censure by regulators . Adverse publicity . Reputation damage 	Katharine Eberhart		CRR.02.1 Develop appropriate processes & procedures which underpin the IT Security Policy	Katharine Eberhart			<u>September 2015 Update:</u> Ongoing information security training will be provided.
				CRR.02.2 Provide a programme of training on Information Security to all staff.	Katharine Eberhart			
				CRR.02.3 Annual PSN Accreditation	Katharine Eberhart			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR03 Legal <u>Source:</u> The Civil Contingencies Act places a legal obligation upon the Council, with partners, to assess the risk of, plan, and exercise for emergencies, as well as undertaking emergency and business continuity management. The Council is also responsible for warning and informing the public in relation to emergencies, and for advising local businesses. <u>Event:</u> The Council is found to have failed to fulfil its obligations under the Act in the event of a civil contingency.	<ul style="list-style-type: none"> People and businesses come to harm and suffer loss that might not otherwise have occurred Complaints / claims / litigation Resources consumed in defending claims Financial losses Censure by regulators Reputation damaged 	Natalie Brahma-Pearl		CRR.03.1 Update corporate business continuity plan and regular review.	Trevor Beadle			<u>September 2015 Update:</u> CRR.03.1: Awaiting completion of all Departmental BC Plans to inform the Corporate BC Plan. Also awaiting Drill Hall IT upgrades to include this facility as our new warm site. Document should be completed by 31/10/15. CRR.03.2: All departmental BC plans are currently being reviewed. Approximately 7 are outstanding. Estimated completion date is 30/09/15. CRR.03.3 – Remove this control action – no longer feasible and the Drill Hall has been allocated as the Council's 'warm' recovery site.
				CRR.03.2 Update departmental business continuity plans and regular review.	Trevor Beadle			
				CRR.03.3 Explore feasibility of reciprocal arrangements with other authorities (by 31/03/14)	Trevor Beadle			
CRR04 Political <u>Source:</u> There is currently a shortfall in the Five Year Land Supply. In the absence of an approved Planning Framework, planning application appeals may be lost. <u>Event:</u> Developers are successful in appealing declined planning applications.	<ul style="list-style-type: none"> Failure of business objectives Financial business loss Damage to reputation 	Chris Lyons		CRR.04.01 Identify five year land supply via the Planning Development Framework (by 30/04/15)	Barbara Childs			<u>September 2015 Update:</u> It is anticipated that the Planning Framework will be debated by full Council on 21st October 2015.
				CRR.04.02 Continue to raise awareness with Members (Ongoing)	Barbara Childs			
				CRR.04.03 Member training (Ongoing)	Barbara Childs			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR05 Governance Source: Managers are responsible for ensuring that controls to mitigate risks are consistently applied.</p> <p>Event: Officers are either unaware of expected controls or do not comply with control procedures.</p>	<ul style="list-style-type: none"> Failure of business objectives Health & Safety Financial Service Delivery Compliance with Regulations Personal Privacy Infringement Reputation damage 	Katharine Eberhart		CRR.05.1 Officer training	Katharine Eberhart	✓		<p><u>September 2015 Update:</u> Governance Assurance Statements have been completed and signed off by Service Managers.</p>
				CRR.05.2 Raise the profile of risk and control by incorporating them into the performance management framework (e.g. integrate into appraisal process). (By 30/09/15).	Katharine Eberhart	▶		
				CRR.05.3 All Service Managers will be required to sign an Internal Control Statement. (By 30/06/15).	Katharine Eberhart	▶		
<p>CRR06 Physical Source: The Council is responsible for the health & safety of its clients, staff and other stakeholders, owns and maintains significant assets, and also has responsibility for H&S in some partner organisations where it does not have operational control.</p> <p>Event: A health & safety failure occurs.</p>	<ul style="list-style-type: none"> People come to harm Complaints/claims/litigation Financial losses Censure by audit / inspection Reputation damage Adverse effect on morale Stress and absenteeism 	Katharine Eberhart		CRR.06.1 Set up a Health & Safety Forum with clear terms of reference (by 30/11/15).	Robert Laban	▶		<p><u>September 2015 Update:</u> A Health & Safety Officer has now been appointed. A Health & Safety Strategy Group will be set up and strategic decisions will be cascaded down to Directorate working groups for implementation. Inspections have commenced and an inspection strategy is being developed. Responsibilities will be clarified shortly and fact finding is currently underway to identify a suitable solution for maintaining an inventory of risk assessments.</p>
				CRR.06.2 Develop and implement a corporate inspection strategy (By 30/11/15).	Robert Laban / Health & Safety Officer	▶		
				CRR.06.3 Clarity of responsibilities and implementation of a training programme (30/11/15).	Robert Laban	▶		
				CRR.06.4 Implement a central repository for risk assessments (by 30/06/16).	Robert Laban / Health & Safety Officer	▶		

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR07 Managerial / Professional <u>Source:</u> There is a lack of corporate consistency in terms of the way in which contracts are managed, and contract management is inadequate in some areas. <u>Event:</u> Failure of contract / poor service delivery / failure to achieve value for money.	<ul style="list-style-type: none"> . Failure of business objectives . Financial . Service delivery . Compliance with regulations . Personal Privacy Infringement . Reputation damage 	Katharine Eberhart		CRR.07.1 Specific contract management guidelines will be developed. (By 30/09/15).	Mark Pritchard	▶		<u>September 2015 Update:</u> Contract Management Guidelines are part of the Procurement Code which is currently in final draft format and is being subject to consultation. This shall be the basis of the training programme once approved which is being developed.
				CRR.07.2 A contract management training programme will be designed and implemented. (By 31/12/15).	Mark Pritchard	▶		
CRR08 Governance <u>Source:</u> The Councils decision-making processes are based on a Constitution that is overly bureaucratic and unnecessarily complicated <u>Event:</u> Non-compliance with the Constitution and delays in decision-making	<ul style="list-style-type: none"> . Opportunities lost . Complaints / claims / litigation . Financial losses . Lack of openness and transparency 	Paul Cummins		CRR.08.1 The Council's Constitution will be updated using the 2011 template. (By March 2016).	Paul Cummins	▶		<u>September 2015 update:</u> Members have acknowledged the need to review the Constitution to ensure that it is fit for purpose.
CRR09 Governance <u>Source:</u> The Council's decision-making relies upon the taking of professional advice from officers or external consultants <u>Event:</u> Advice is not taken.	<ul style="list-style-type: none"> . Poor/ultra vires decisions . Complaints/claims/ litigation . Financial losses . Reputation damage 	Tom Crowley		CRR.09.1 Member training (ongoing)	Paul Cummins	▶		<u>September 2015 Update:</u> Member induction training and officer training is taking place. Quarterly Member training agreed for Planning.
				CRR.09.2 Officer training (ongoing)	Paul Cummins	▶		
				CRR.09.3 Member briefings to improve communications	Paul Cummins	▶		

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR10 Managerial / Professional / Political <u>Source:</u> The Council is generally risk averse. <u>Event:</u> Ideas and proposals aren't progressed because of risk aversion.	. Missed opportunities . Poor decisions	Tom Crowley		CRR.10.1 Workshops with senior managers.	Katharine Eberhart	✓		<u>September 2015 Update:</u> This risk has been mitigated and will be removed from the register.
				CRR.10.2 Risk matrix amended	SLT	✓		
				CRR.10.3 Training for Members (ongoing)	SLT	▶		
				CRR.10.4 Council report template to be enhanced	Paul Cummins	▶		
CRR11 Managerial / Professional <u>Source:</u> The Council faces skills shortages in several disciplines and areas, has an over-reliance on interim and agency staff, has immature workforce strategy and succession planning, and operates in a competitive market in an affluent and expensive area. <u>Event:</u> Failure to recruit and retain good staff.	. Failure to reduce reliance on interims/agency staff . Stress and absenteeism . Adverse effect on morale . Increased costs/ financial losses . Failure to improve . Failure to achieve agreed objectives . Failure to deliver statutory services	Tom Crowley		CRR.11.1 Strategic outsourcing or commissioning. (Ongoing)	SLT	▶		<u>September 2015 Update:</u> Actions CR11.2 and CR11.3 are associated with strategic workforce planning. Systems will be put in place by 31/3/16.
				CRR.11.2 Undertake a skills audit and develop strategy to grow own people. (Systems to be put in place by 31/3/16).	Robert Laban	▶		
				CRR.11.3 Employ apprentices / trainees. (Systems to be put in place by 31/3/16).	Robert Laban	▶		
CRR12 Partnership / Supplier / Contractual <u>Source:</u> The Council is subject to EU procurement rules and regulations, is putting more services out to tender, and contractors are increasingly challenging contract awards. <u>Event:</u> A contractor	. Financial losses . Censure by audit / inspection . Reputation damage . Adverse effect on morale	Katharine Eberhart		CRR.12.1 Staff training	Mark Pritchard / Roger Dennis	✓		<u>September 2015 Update:</u> Training has been completed on the EU Directives. The EU Directives are being incorporated into the Procurement Code which is currently in final draft format and is currently subject to consultation. Further training for officers on the revised Procurement Code will take place once the new Code has been
				CRR.12.2 Up-to-date procedures	Mark Pritchard / Roger Dennis	▶		
				CRR.12.3 Reference to Procurement Team for advice	Mark Pritchard / Roger Dennis	▶		
				CRR.12.4 Proactive monitoring by the Procurement Team	Mark Pritchard / Roger Dennis	▶		

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
successfully challenges an award (eg on inflexible price:quality ratios).								formally adopted by Council.
CRR13 Governance <u>Source:</u> Decisions are not always based on data. <u>Event:</u> Wrong decision made.	. Missed opportunities . Poor decisions . Poor VFM . Increased costs / financial losses	Tom Crowley		CRR.13.1 Robust evaluation of business cases to inform decisions (ongoing)	SLT	▶		<u>September 2015 Update:</u> The recent appointment of a project support officer will help to ensure that the governance around projects is enhanced.
				CRR.13.2 Ensure that decisions are properly documented (Ongoing)	SLT	▶		
CRR14 <u>Customer/Citizen</u> <u>Source:</u> The negotiation of Section 106 and CIL (Community Infrastructure Levy) are essential for ensuring outcomes for residents. <u>Event:</u> Failure to negotiate the optimum outcome.	Reduced funding to deliver outcomes for the community	Chris Lyons		CRR14.1 Ensure that leisure priorities are understood within the CIL schedule process and keep under review	Trevor Beadle	▶		<u>September 2015 Update:</u> New risk.
				CRR14.2 Identify the impact of funding erosion with competing partners e.g. WSCC	Trevor Beadle	▶		
CRR15 Physical <u>Source:</u> Officers working alone may encounter difficulties, and it is important that appropriate procedures are in place to detect problems at the earliest opportunity. <u>Event:</u> Line manager is unaware that an officer has been physically harmed.	. People come to harm . Stress / absenteeism	Katharine Eberhart		CRR15.1 Review Corporate Policy.	Robert Laban	▶		<u>September 2015 Update:</u> New risk.
				CRR15.2 Review systems put into place by other organisations (for example, MSDC & the private sector).	Robert Laban	▶		
				CRR15.4 Ensure that services / teams have appropriate lone working arrangements in place.	Robert Laban	▶		

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

23rd September 2015

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 2015.

Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since June 2015.

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.

Background Papers

Internal Audit Reports and Correspondence

Wards affected: All.

Contact: Paul Miller, Chief Internal Auditor, 01403-215319

Background Information

1 Introduction and Background

- 1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since June 2015.
- 1.2 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.

2 Relevant Policy / Professional Standards

- 2.1 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.
- 2.2 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 Fuel Cards

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)¹

There is a sound system of control in place for fuel cards. The only area of concern related to fuel card users not being asked to “sign up” to the procedures. It was agreed that a copy of the new procedure guide would be sent to all fuel card holders requesting them to sign and return the document acknowledging that the procedures are understood and will be complied with.

3.2 Staff Loans

OVERALL AUDIT OPINION: LIMITED ASSURANCE

- The auditor reviewed a sample of car loan applications and found that internal checklists are not always being completed and signed off. Of particular concern was that vehicle registration documents evidencing vehicle ownership are not always requested. Remedial action has been agreed.

¹ The symbols in brackets indicate the movement in the level of assurance when the area was last audited.



(↑) = Improved.



(↔) = No change.



(↓) = Reduced.

() If blank ~ No previous opinion

- The auditor identified that there was no central control in respect of season ticket holder loans and gym membership loans. Documentation was missing and a Consumer Credit Act Loan Agreement had not been signed 'for and on behalf of the Council'. It has now been agreed that the Payroll & Benefits Controller will act as the central administrative point.
- It was identified that a 'Cycle to Work' loan had been granted to a member of staff who had only been working for the Council for a week and was subject to a six month probationary period. Further policy weaknesses were identified that could place the Council at risk financially. The auditor had similar concerns when reviewing the Assisted Car Purchase Policy. The policies will be appropriately amended. In addition, a 'Cycle to Work' loan application had not been processed by the Payroll department and therefore repayments were not being made. A new control has been implemented to prevent further occurrences.

3.3 BACS

OVERALL AUDIT OPINION: LIMITED ASSURANCE (↔)

- An issue was identified concerning the security of data prior to transmission to the bank. Whilst it is accepted that the 'likelihood' of unauthorised changes is extremely low, the potential 'impact' is high. A new control has been implemented and is in the process of being tested. This will provide greater assurance that all monies will be paid to the correct bank accounts. The solution will be further developed and will be embedded into the overall control process.
- Weaknesses were also identified in the control of user access to the Bacstel software and the recovery of the cards issued by the bank for authenticating users who process BACS payments. It has been agreed that controls over access to Bacstel software and the recovery cards will be tightened up.

4. Audit Plan ~ Progress Update

- 4.1 The audit plan for 2015/16 is currently on schedule.

5 Next Steps

- 5.1 Not applicable.

6 Outcome of Consultations

- 6.1 Not applicable.

7 Other Courses of Action Considered but Rejected

- 7.1 Not applicable.

8 Financial Consequences

- 8.1 There are no financial consequences.

9 Legal Consequences

- 9.1 There are no Legal consequences.

10 Staffing Consequences

- 10.1 There are no staffing consequences.

11 Risk Assessment

- 11.1 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).

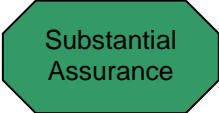
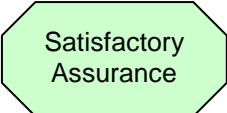


Appendix 1

Consequences of the Proposed Action

How will the proposal help to reduce Crime and Disorder?	This report has no effect on Crime & Disorder issues.
How will the proposal help to promote Human Rights?	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
What is the impact of the proposal on Equality and Diversity?	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.

Appendix 2

Categorisation of Audit Opinions

	<p>System of Control: There is a sound system of control in place which minimises risk to the Council; and</p> <p>Compliance with Controls: Audit testing identified that all expected controls are being consistently applied.</p>
	<p>System of Control: Whilst there is basically a sound system of control (i.e. key controls are in place), there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with controls in a few areas.</p>
	<p>System of Control: There are some weaknesses in the system of control (i.e. the absence of two or more key controls) which is placing the Council at risk in a number of areas; and/or</p> <p>Compliance with Controls: Audit testing identified a lack of compliance with two or more key controls.</p>
	<p>System of Control: The system of control is very weak or non-existent, which is placing the Council open to significant risk: and/or</p> <p>Compliance with Controls: Audit testing identified a high number of key controls which are not being complied with.</p>

Horsham District Council

Audit results report for the year ended 31 March 2015

September 2015

Ernst & Young LLP



Private and confidential

Accounts, Audit and Governance Committee
Horsham District Council
Parkside
Chart Way
Horsham
West Sussex
RH12 1RL

23 September 2015

Dear Members of the Accounts, Audit and Governance Committee

Audit results report

We are pleased to attach our audit results report for the Accounts, Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to Horsham District Council's (the Council's) financial position and results of operations for the year ended 31 March 2015.

The audit is designed to express an opinion on the 2014/15 financial statements, to reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and to address current statutory and regulatory requirements. This report contains our findings on the areas of audit emphasis, our views on the Council's accounting policies and judgments, and any significant deficiencies in internal control.

This report is intended solely for the information and use of the Accounts, Audit and Governance Committee and the Council. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of the report with you at the forthcoming Accounts, Audit and Governance Committee meeting.

Yours faithfully
For and on behalf of Ernst & Young LLP

Paul King
Ernst & Young LLP
United Kingdom
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's '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](#). This document 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.

1. Executive Summary

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In this 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 any planned changes in the coming period.

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

As auditors we are responsible for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings on the areas of audit emphasis and any significant deficiencies in internal control or views on the Council's accounting policies and judgements.

Summarised below are the conclusions from all elements of our work:

Financial statements

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.

The statements are of good quality and were prepared in a timely fashion with good supporting working papers.

Our main audit findings are set out below.

Significant risks:

Risk of management override

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements. We identify and respond to this fraud risk on every audit engagement.

Audit findings and conclusions

Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.

Non significant financial statement risks:

Accounting for property, plant and equipment

We concluded that there was a risk of misstatement of property, plant and equipment due to the introduction of a new module interfaced directly with the system which automatically posts updates to the ledger and replaces the use of an Excel spreadsheet asset register used to date.

Audit findings and conclusions

The module was thoroughly tested by the Council and run alongside the Excel spreadsheet at the year end to produce the figures and disclosures required for the financial statements. The Council restated the opening balances for property, plant and equipment as a result of this exercise after a review of an historic amendment to the accumulated depreciation done in 2010/11 on the implementation of International Financial Reporting Standards.

The data appears to have been migrated across to the module accurately and completely. We did not identify any significant issues with regards to the implementation of the new module.

Disposal of Park North

We concluded that there was a risk that the move of Council offices from Park North to County Hall North may not be correctly disclosed in the financial statements.

Audit findings and conclusions

The Council accounted for the Park North building correctly in the financial statements. However, the office move constitutes a non-adjusting event and requires disclosure in the financial statements. The Council has amended the financial statements to include this disclosure.

Control themes and observations

It was identified that the journals being raised by the senior finance team have not been reviewed since the Head of Finance's departure at the end of May 2015. No issues were identified with the testing of their journals.

It was also identified that the paper copies of authorisations, before the system was made fully electronic (retaining the authorisations on line rather than printing and signing) were disposed of during the office move. The journals selected for testing contained no issues.

We are satisfied there are no other significant deficiencies in internal control.

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit, as summarised below.

-
- ▶ There are no uncorrected misstatements resulting from our work.
 - ▶ Adjustments of approximately £1.6 million have been made by the Council to the disclosure of operating lease future minimum rents over 5 years, disclosed in Note 35 to the financial statements. This has no effect on the reported financial performance or position of the Council.
 - ▶ The Council initially did not disclose any prior year adjustments in Note 5 to the financial statements. However, two later notes (Note 12 Property, Plant and Equipment and Note 16 Financial Instruments) both disclosed a restatement of the opening balances. The Council agreed to include additional disclosure in Note 5 to reflect the changes to the opening balances. The restatements have no financial implications on the opening balances.
-

Economy, efficiency and effectiveness

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified value for money conclusion. Our detailed findings and conclusions are set out in section 4 of this report.

In considering the Council's arrangements for securing financial resilience, and for challenging how it secures economy, efficiency and effectiveness we have identified a significant risk in respect of the Council's financial position since we presented our Audit Plan in March 2015. This is based on the Council's updated medium Term Financial Strategy (MTFS) prepared in July 2015. From our work we have identified that:

- ▶ There is a cumulative budget gap of approximately of £5.6 million by 2018/19 (assuming no annual increases in Council Tax) if further savings cannot be identified. This is after inclusion of £1.2 million each year of the New Homes Bonus (NHB) within the Council's budget to fund revenue expenditure. Without this use of NHB the Council's expected budget gap by 2018/19 would be around £9 million.
- ▶ Unless the budget gap forecast in the MTFS is closed the Council would fully exhaust its usable reserves by the end of 2017/18 (assuming no increases in Council Tax) in the scenario of NHB being discontinued in its entirety from 2016/17.
- ▶ The Council's net spending relative to its statistical nearest neighbours remains low when looking at the Council's planned net expenditure per head of population. This finding is consistent with our findings in previous periods.

As at month 2 of 2015/16, the Council is forecasting meeting its financial budget forecast of a £0.175 million surplus.

Whole of Government Accounts

We have performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

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.

2. Scope update

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan issued in March 2015, the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the Audit Commission.

Our work comprises a number of elements. Our Audit Plan provided you with an overview of our audit scope and approach for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

We carried out our work in accordance with our Audit Plan with the following amendment:

- ▶ Identification of a significant risk for the Council regarding financial resilience.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit of your financial statements, including our conclusions on the areas of risk/ audit emphasis outlined in our Audit Plan.

Significant risk: Risk of management override of controls

Risk: As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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.

Our approach focused on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
 - ▶ Reviewing accounting estimates for evidence of management bias; and
 - ▶ Evaluating the business rationale for any significant unusual transactions.
-

Audit findings and conclusions: Our year end audit testing and audit procedures have found no indication that management has attempted to override accounting controls. Our conclusion is based on intensive audit testing of balances and controls susceptible to manipulation, such as year-end accruals and manual journals.

Non significant financial statement risk: Accounting for property, plant and equipment

Risk: The Council uses Excel spreadsheets to produce its figures and disclosures for property, plant and equipment. In previous years we have found that this process produces a complex audit trail and, as a result, the risk of misstatement is increased.

The Council introduced a new property, plant and equipment module which was in place by the year end. This module interfaces with the system and automatically posts updates to the ledger and replaces the spreadsheet used to date.

There is a risk of misstatement if the module does not function as anticipated or if data is not migrated across from the spreadsheet to the new module correctly.

Audit findings and conclusions: The new property, plant and equipment module was introduced during the year. The module was thoroughly tested by the Council and run alongside the Excel spreadsheet to produce the figures and disclosures. The Council restated the opening balances for property, plant and equipment as a result of this exercise after a review of an historic amendment to the accumulated depreciation done in 2010/11 on the implementation of International Financial Reporting Standards.

The data appears to have been migrated across to the module accurately and completely. The system generated report from the new Fixed Asset module in Task contained two errors. The purpose of this report is to show the asset revaluation/impairment and their treatment and allocation to the Comprehensive Income and Expenditure Statement (CIES) or to the revaluation reserves. An incorrect amount of revaluation was recorded in relation to these two assets. If not identified, these errors may lead to incorrect NBV of assets, incorrect amount of Revaluation reserves and incorrect CIES amounts. These errors were identified and corrected by the Council prior to preparation of the financial statements. The Council is working with the software provider to ensure that no future errors occur.

Non significant financial statement risk: Disposal of Park North

Risk: In October 2014, the Council approved the move of Council offices from Park North to County Hall North. The move is planned to start in March 2015 and complete in June 2015. The Council will then dispose of the Park North building.

Audit findings and conclusions: The Council accounted for the Park North building correctly in the financial statements. However, the office move constitutes a non-adjusting event and requires disclosure in the financial statements. The Council has amended their statements to include this disclosure in Note 6.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to report on:

- ▶ significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ significant difficulties, if any, encountered during the audit;
- ▶ significant matters, if any, arising from the audit that were discussed with management;
- ▶ written representations we are seeking;
- ▶ expected modifications to the audit report;
- ▶ other matters if any, significant to the oversight of the financial reporting process;
- ▶ findings and issues regarding the opening balance on initial audits (if applicable);
- ▶ related parties;
- ▶ external confirmations;
- ▶ going concern;
- ▶ consideration of laws and regulations; and
- ▶ group audits

We wish to draw your attention to the following issues

Policy/practice/finding	EY comments
<p>Prior period adjustments (PPAs)</p> <p>The Council made a number of immaterial adjustments to audited prior year comparatives in the notes to the draft financial statements to correct the fixed asset split between gross book value and historic depreciation and to amend the financial instruments note to be more in line with the guidance.</p> <p>The general principle in International Accounting Standard (IAS) 8 is that an entity must correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their</p>	<p>The Council should consider whether clearly immaterial prior year errors, that by definition are unlikely to affect the view a user of the financial statements, are treated as prior period adjustments in its financial statements.</p> <p>See recommendation 1</p>

Policy/practice/finding

EY comments

discovery. IAS 8 also specifies specific disclosure requirements relating to the prior period error. These disclosure requirements were not fully met by the Council for immaterial PPAs. We have requested that additional disclosure be made in Note 5 to the financial statements to ensure the consistency of the disclosures.

Basis of Allocation of Overheads

As part of our audit of the costs of services of the Council disclosed in the CIES, we identified that the basis of allocation of overheads across the service lines changes throughout the year.

The Council should consider whether changing the basis of allocation during the year is appropriate or if this should be a fixed basis for the whole of the financial year and should only be revisited if significant amendments are required.

See recommendation 2

Recommendation 1

Consider whether clearly immaterial prior year errors, that by definition are unlikely to affect the view a user of the financial statements, are treated as prior period adjustments in the financial statements.

Recommendation 2

Consider whether changing the basis of allocation during the year is appropriate or if this should be a fixed basis for the whole of the financial year and should only be revisited if significant amendments are required.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining corporate performance management and financial management arrangements we consider the following criteria specified by the Audit Commission:

- ▶ 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 operating for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions or improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas in our Audit Plan, as well as the additional risk identified since then. In considering the Council's arrangements for securing financial resilience, and for challenging how it secures economy, efficiency and effectiveness we have identified a significant risk in respect of the Council's financial position since we presented our Audit Plan in March 2015. This is based on the Council's updated medium Term Financial Strategy (MTFS) prepared in July 2015.

Significant risk: Failure to secure longer term financial resilience.

Description and audit response

The Council faces significant and increasing financial challenges over the medium term. A clear focus on addressing these challenges is therefore essential to the economy, efficiency and effectiveness of services delivered and the overall financial resilience of the Council.

The Council refreshed its Medium Term Financial Strategy (MTFS) in July 2015, which forecasts a cumulative budget gap of £5.6 million by 2018/19 (assuming no annual increases in Council Tax) if further savings cannot be identified. This is after inclusion of £1.2 million each year of the New Homes Bonus (NHB) within the Council's budget to fund revenue expenditure. Without the use of NHB the Council's expected budget gap by 2018/19 would be around £9 million.

In response to this our approach focused on:

- ▶ Consideration of the relative spending of the Council by reference to comparable authorities and previous years using the Audit Commission's VFM profile tool.
- ▶ Review of the reasonableness and robustness of medium term financial planning assumptions set out in the refreshed MTFS.

Impacts on arrangements for:

Economy, efficiency and effectiveness

Financial resilience

Audit findings

Consideration of the relative spending of the Council by reference to comparable authorities and previous years using the PSAA VFM profile tool

Public Sector Audit Appointments Ltd (PSAA) produces value for money and financial ratio profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual body against a comparator group of statistical nearest neighbours which have similarities in population, expenditure, and geographical area. We have used the latest available VFM profile data, largely relating to financial year 2013/14, to review the cost and efficiency of Council services.

Our review of the data shows provides strong corroborative assurance that the Council is

Significant risk: Failure to secure longer term financial resilience.

securing effective use of resources. The Council's net spending relative to its statistically nearest neighbours remains low when looking at the Council's planned net expenditure per head of population. Although, 'Spend on management and support (back office) services as a proportion of total service' is high as is 'Total spend (total income & revenue expenditure, £000s)'. This is consistent with our findings in both 2012/13 and 2013/14. We recognise that the Council has made changes to its management structure with the objective of reducing these costs, which should be reflected in the 2014/15 figures when these are available.

Review of the reasonableness and robustness of medium term financial planning assumptions set out in the refreshed MTFS

The Council has a good history of keeping expenditure within budgets. For 2014/15 the Council achieved an underspend of £0.8 million against the approved revenue budget. For 2014/15 the Council set a budget with a small deficit of £175,000 so this underspend means a small surplus was achieved. In 2013/14 the Council achieved a larger surplus of £0.9 million.

We concluded that the 2015/16 budget has been prepared on prudent and sound assumptions and the Council was planning a small surplus of £175,000 to transfer to general reserves.

In common with most public sector bodies, recent government spending reviews and financial settlements have had a significant impact on the Council. The financial challenge facing the Council is clearly set out in its MTFS which was updated during the year as part of the wider update of the Corporate Plan. The MTFS covers the four year period 2015/16 to 2018/19 and sets out key planning assumptions and resources projections together with information about key areas for capital and revenue investment and financing and treasury management strategies. The key driver of the financial projections in the MTFS continues to be the impact of reductions in central government funding over the medium term. The estimates reflected in the MTFS include significant reductions in both Revenue Support Grant and specific grants over the period. There is explicit recognition that there remains some uncertainty over the timing and scale of future funding reductions. There is also an acknowledgement that the local government finance settlement is not expected until December 2015. This will give the Council little time to react to any material change to the financial planning assumptions and it is recognised that budget planning will need to allow flexibility to bring forward savings in the event of further funding reductions.

The MTFS forecasts a cumulative budget gap of £5.6 million by 2018/19. This is after inclusion of £1.2 million each year of the New Homes Bonus (NHB) within the Council's budget to fund revenue expenditure. Without the use of NHB the Council's expected budget gap by 2018/19 would be around £9 million. This is taken before further cumulative business transformation savings estimated at £1 million recurring each year, which would reduce the budget gap to £3.2 million with the NHB contribution and £6.7 million without it. At this point the Council does not have specific plans in place to achieve these savings, although we do note that the Council has achieved business transformation savings to 31 March 2015 of some £0.4 million.

The Council recognises that after 2015/16 the income from NHB is uncertain and it may need to use the reserve that it has built up from the balance of NHB funding that is not used to fund revenue expenditure to draw on in the short-term if NHB funding were to reduce or cease altogether.

The Council's financial position remains sound at the end of 2014/15, but the overall level of usable reserves available to support spending is reducing. The Council's agreed minimum reserve level is £6 million and it is recognised that additional savings would be required to

Significant risk: Failure to secure longer term financial resilience.

maintain this level. The Council has reserves of £11.1 million as at 31 March 2015 and the Council were planning on increasing reserves to £14.6 million by 31 March 2019. However, after the revision of the MTFS the level of reserves by this latter point is now predicted to be £7.4 million. The original MTFS included modelling for the scenario of the discontinuation of NHB from 2016/17 which showed that reserves would drop to £7 million by 31 March 2019. Applying this scenario to the revised MTFS, the Council's usable reserves would be exhausted by the end of 2017/18 without any other corrective action.

Conclusion

Although we remain satisfied that the MTFS has been prudently updated in the light of the current economic climate and that the assumptions underpinning it remain reasonable, it does make clear the significant scale of the financial challenge faced by the Council.

The Council have reserves to meet the deficit in the short-term, however, there is a need to identify further recurrent savings within the current period of the MTFS if the Council is to retain a sustainable financial position.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

It was identified that the journals being raised by the senior finance team have not been reviewed since the Head of Finance's departure at the end of May 2015. No issues were identified with the testing of their journals.

It was also identified that the paper copies of authorisations, before the system was made fully electronic (retaining the authorisations on line rather than printing and signing) were disposed of during the office move. The journals selected for testing contained no issues.

We are satisfied there are no other significant deficiencies in internal control.

5.1 Challenges for the coming year

Highways Network Asset (formerly Transport Infrastructure Assets):

CIPFA's Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.

This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.

This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.

Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.

The Council will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as:

- ▶ Footways
- ▶ Unadopted roads on industrial estates
- ▶ Cycleways
- ▶ Street Furniture

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Council's financial statements is complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at Accounts, Audit and Governance Committee on 23 September 2015.	Management and Accounts, Audit and Governance Committee
Statement of Accounts	<ul style="list-style-type: none"> ▶ Incorporation of EY amendments ▶ Approval of accounts by Accounts, Audit and Governance Committee ▶ Accounts re-certified by RFO 	Management and Accounts, Audit and Governance Committee and EY
Any other outstanding work	<ul style="list-style-type: none"> ▶ Management and EY to work together to complete any outstanding work <p>The only area of work in progress is the NDR appeals provision, waiting for a response from Coneeley Tribe.</p>	Management and EY

On the basis of our audit work to date, we anticipate issuing an unqualified auditor's report on the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

We have not received any objections to the 2014/15 accounts from members of the public.

7. Fees update

A breakdown of our fee is shown below.

	Proposed final fee 2014/15 £'000	Planned fee 2014/15 £'000
Total Audit Fee – Code work	66,792	66,792
Certification of claims and returns*	*TBC	16,510

Our actual fee is in line with the agreed fee.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee.

**Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in January 2016 within the Annual Certification Report for 2014/15.*

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances which are uncertain or open to interpretation.

We determined planning materiality to be £1.4 million (2014: £1.4 million), which is 2% of gross expenditure reported in the accounts of £72.8 million. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.

We set our tolerable error for the audit at the upper end of the available range. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We set tolerable error at this level as a result of no material errors being detected in our audit of the prior year financial statements.

We agreed with the Accounts, Audit and Governance Committee that we would report to the Committee all audit differences in excess of £0.07 million (2014: £0.07 million) and these are included in our summary of misstatements below.

8.1 Uncorrected misstatements

There are no uncorrected misstatements.

8.2 Corrected misstatements

We highlight in particular the following misstatements identified during the course of our audit and which have been corrected by management that were individually greater than £0.07 million.

- ▶ Adjustments of approximately £1.6 million have been made by the Council to the disclosure of operating lease future minimum rents over 5 years, disclosed in Note 35 to the financial statements. This has no effect on the reported financial performance or position of the Council.
- ▶ The Council initially did not disclose any prior year adjustments in Note 5 to the financial statements. However, two later notes (Note 12 Property, Plant and Equipment and Note 16 Financial Instruments) both disclosed a restatement of the opening balances. The Council agreed to include additional disclosure in Note 5 to reflect the changes to the opening balances. The restatements have no financial implications on the opening balances.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2015. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's 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 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. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the Accounts, Audit and Governance Committee on 23 September 2015.

Appendix A Required communications with the Accounts, Audit and Governance Committee

There are certain communications that we must provide to the Accounts, Audit and Governance Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Accounts, Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud we have identified or information we have obtained indicating that a fraud may exist ▶ A discussion of any other matters related to fraud 	By correspondence with the Chair of the Accounts, Audit and Governance Committee dated 25 March 2015 Audit results report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report. No significant matters identified.
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Management has not refused for us to request external confirmations.

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Accounts, Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Governance Committee may be aware of 	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to managements and those charged with governance. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and update in section 9 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued January 2016.</p>

Appendix B Recommendations

Recommendation	Response from Officers
Consider whether clearly immaterial prior year errors, that by definition are unlikely to affect the view a user of the financial statements, are treated as prior period adjustments in the financial statements.	The Council amended prior year immaterial balances to ensure that the carried forward balances were accurate for future years.
Consider whether changing the basis of allocation during the year is appropriate or if this should be a fixed basis for the whole of the financial year and should only be revisited if significant amendments are required.	The Council follows its accounting policy for charging out overheads and support services – it has already reviewed its charge out methodology and it was agreed that due to changes in structure and services it cannot be accurate if fixed. Therefore this recommendation has already been considered and we concluded that it is appropriate in line with our policies that permit us to do this.

EY | Assurance | Tax | Transactions | Advisory

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Horsham
District
Council

Statement of Accounts



2014/15

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EXPLANATORY FOREWORD

INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2014/15. 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 2014/15. They cover the reporting period 1st April 2014 to 31st March 2015.

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 is the 2nd largest Local Authority District in West Sussex which covers a large area of open countryside, small town and villages. There are 32 parishes each with its own parish council. The population is around 133,000 people with over 45,000 of these living in Horsham and the immediate area. The market towns of Billingshurst, Southwater, Henfield, Pulborough, Storrington and Steyning are the other main centres of population with the remaining residents living in the surrounding parishes.

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 4,000 commercial premise based businesses plus a number of small businesses run from residential properties.

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, 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 2014/15

The Council approved a net General Fund Revenue budget for 2014/15 of £13.350m at the formal meeting on 26th February 2014. This was to be funded by £2.149m Revenue Support Grant, £1.828m net business rates, £0.082m of Council tax freeze grant, £1.943m of New Homes Bonus and £7.795m of Council tax. In addition, the Council collected £2.350m on behalf of Parish Councils within the District.

The budget envisaged that a contribution of £0.776m from the New Homes Bonus allocation would be transferred to the New Homes Bonus Reserve. This was the amount of additional allocation in 2014/15. Contributions from reserves included £0.061m estimated surplus on the Council Tax Collection Fund, £0.258m from the Renewal and Repairs Reserve and £0.189m from the General Fund Balance.

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 2014/2015

The Council monitors its expenditure and income against budget on a monthly basis and reports to Cabinet regularly and to its Finance and Performance Working Group quarterly. The revenue and capital outturn report for 2014/15 was reported to the Accounts, Audit and Governance Committee in June 2015.

The variance against original budget was reported as an underspend of £0.803m. Net additional income from fees and charges amounted to £0.366m with departmental underspending on budgets at £0.437m. A further £0.914m of revenue budgets, intended for projects in 2014/15, were unspent and carried forward to 2015/16.

After allowing for the budgeted transfers to reserves and other transfers to earmarked reserves, the outturn underspend has reduced the in-year deficit on the General Fund to £0.109m as shown below.

	£000
Outturn variance reported	(803)
Budgeted transfer from General Fund Balance	189
Budgets brought forward from 2013/14 (including repairs and renewals)	1,331
Supplementary estimates	155
Budgets carried forward to 2015/16	(914)
Use of Reserves to Fund Capital Spend	375
Underspend of MRP against budget	(128)
Other adjustments	<u>(96)</u>
Deficit on General Fund (after transfers to earmarked reserves)	109

While the General Fund shows a net deficit of £0.109m on expenditure and income transactions in the year, the Comprehensive Income and Expenditure Statement shows a surplus for the year of £1.447m, comprising a surplus on the provision of services of £1.426m and a further surplus of £0.021m 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 £0.109m 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 £2.368m is a charge for the use of assets that reflects the notional consumption of assets during the year and gains of £1.831m have been credited on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £2.245m 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 £2.060m 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 credit for pensions** of £1.036m 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 38.
- v) **A gain on the disposal of fixed assets** of £0.968m. 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 2014/15 the amount set aside was £0.747m. This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

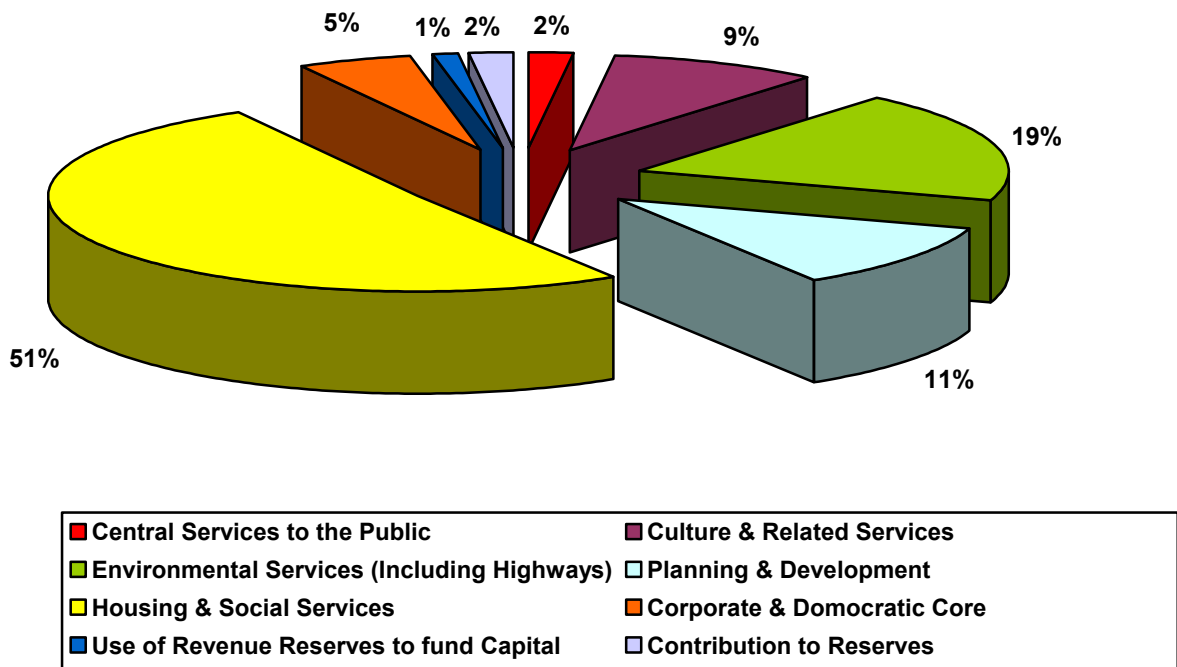
The table below summarises these accounting adjustments:-

	£000
Deficit on General Fund	109
(Income)/expenditure direct from earmarked reserves	(287)
Transfers (to)/from earmarked reserves	(1,525)
Use of revenue reserves to fund capital expenditure	(375)
Accounting adjustments	
Charge for depreciation	2,368
Revaluation of fixed assets	(1,831)
Revenue expenditure charged to capital	2,245
Capital grant income	(2,060)
IAS19 pension costs	1,036
Gain/loss on disposal of assets	(968)
Minimum Revenue Provision	(747)
Share of cumulative deficit on the Collection Fund	603
Other technical adjustments	6
Surplus on provision of services per CIES	<u>(1,426)</u>

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.

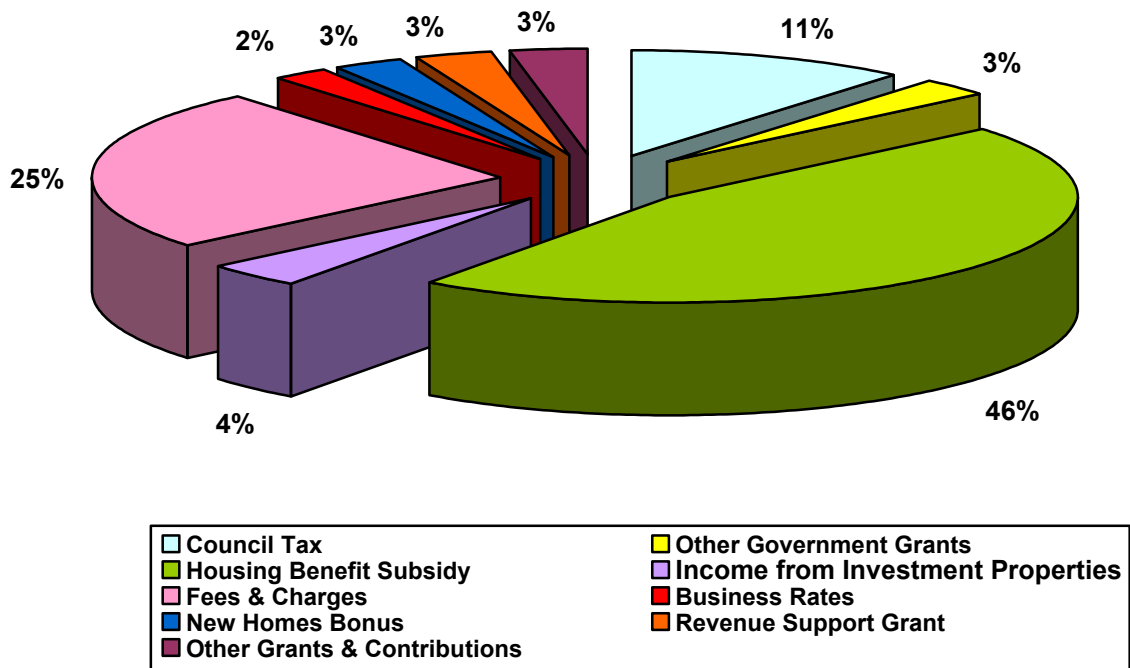
NET COST OF SERVICES - HOW THE MONEY WAS SPENT

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.



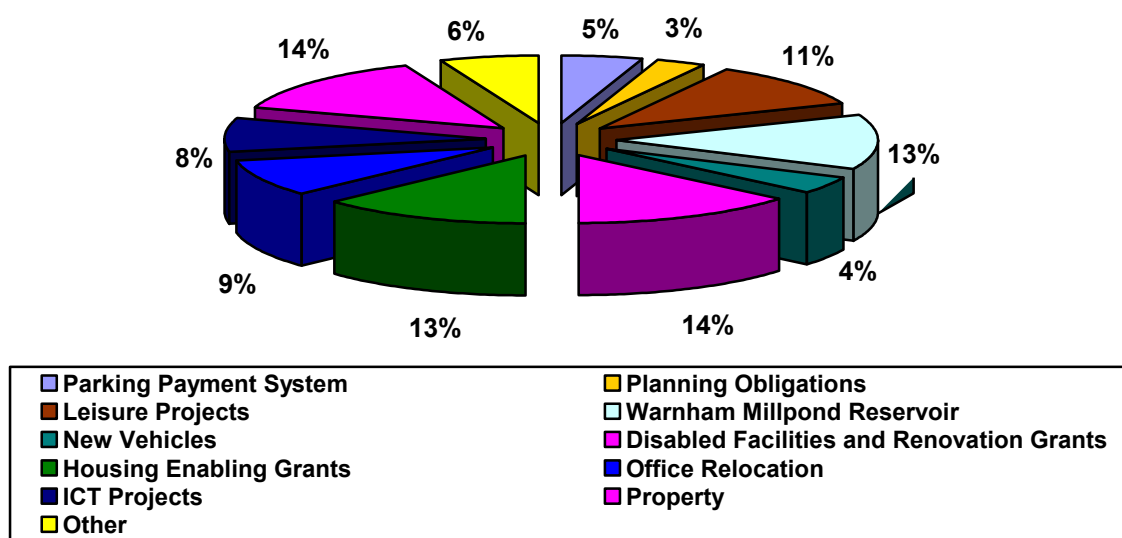
SOURCES OF FINANCE OF THE COUNCIL'S REVENUE ACTIVITIES

The chart below shows how Horsham District Council met the cost of its services in 2014/15 and what percentage each makes up of the total financing:



CAPITAL EXPENDITURE

In 2014/15 the Council invested £5.326m in a range of capital schemes (shown below).



The capital expenditure in the year was financed by:

Usable capital receipts	£1.396m
Government grants and other contributions	£1.588m
Revenue contributions	£0.573m
Unfinanced capital expenditure	£1.769m

FINANCIAL POSITION AT 31ST MARCH 2015

The net worth of the District Council is shown in the Balance Sheet. It has increased by £1.4m from 31st March 2014. This is a result of an increase in the Council's usable reserves of £1.5m and accounting adjustments related to fixed assets and pensions of £0.5m with offsetting increase in the Council's share of the Collection Fund deficit of £0.6m.

Property, Plant and Equipment value has increased by £6.6m mainly as a result of asset revaluations in the year.

The net pension liability has increased by £5.2m to £13.4m, reflecting poorer performance of assets during 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 1st April 2014. A full triennial valuation of the Fund was undertaken at 31st March 2013 and revised employer contribution rates have been agreed for the three years from 1st April 2014.

Usable Reserves have increased by just over £1.5m to £21.8m, the main increase of £1.505m was within revenue reserves with a modest increase in capital reserves of £0.08m. The total capital reserves will be used to fund the future capital programme. Further details on reserves can be found in the notes to the accounts.

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 2014/15.

FINANCIAL OUTLOOK

The Council introduced charging for its green waste service in 2013/14 and this, together with increases in parking charges and savings from its on-going transformation programme, meant that it set a balanced budget for 2014/15. However, there is still considerable uncertainty in the financial outlook with the government continuing to put pressure on Council finances with a reduction in grant funding and the future of current policies such as New Homes Bonus and Council Tax Freeze grant uncertain.

During 2014/15 the Council made a number of significant decisions which will affect the future use of the authority's resources and will impact on the financial position of its Balance Sheet. The following capital expenditure is planned in the next 2 years:

Redevelopment of the HopOast depot - the current depots at Horsham and Storrington are at the end of their physical lives and the council is investing £4.5m in consolidating the two sites to one, up to date facility which will better address the needs of the increased household numbers and service demand.

Temporary accommodation - the Council has approved a £2.9m budget for the purchase of seventeen apartments in Horsham town to be used as affordable short stay temporary accommodation for homeless households. The decision supports the statutory duty the Council has to house the homeless and it reduces the need to place households in bed and breakfast.

Loan to Saxon Weald – the Council has agreed in principle the provision of a £7m loan to Saxon Weald for the redevelopment of Winterton Court, Horsham. Twenty four social rent bungalows for older people are to be replaced with 60 one, two and three bedroom affordable homes for local householders in need. The possibility of Saxon Weald benefiting from the Council's financial capability was set out in Horsham District Council's Housing Policy Statement which was approved by Cabinet in July 2014.

Broadbridge Heath Leisure Centre – the Council has a £7.2m capital budget for the redevelopment of this site, a number of options are being evaluated before a final decision is made.

The Medium Term Financial Strategy will continue to be reviewed by the Council. 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 no significant changes to the accounting policies in 2014/15.

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, Parkside, Chart Way, 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 2014/15 present a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2015.

Director of Corporate Resources

Date:

CERTIFICATION OF ACCOUNTS 2014/15

Statement of Accounts 2014/2015

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 31st March 2015.

K. Eberhart FCA
Director of Corporate Resources

23rd September 2015

Certificate by Chairman

I confirm that the Statement of Accounts was approved by the Accounts, Audit and Governance Committee at a meeting held on 23rd September 2015.

Councillor G.Newman
Chairman of Accounts, Audit and Governance Committee

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
HORSHAM DISTRICT COUNCIL**

Report to be inserted when available

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MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £	Earmarked GF Reserves £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £	Note
Balance at 1 April 2013	(10,012,685)	(4,207,060)	(922,555)	(3,089,573)	(18,231,873)	(81,722,909)	(99,954,782)	
Movement in reserves during 2013/14								
(Surplus) or deficit on provision of services	(3,947,390)	0	0		(3,947,390)	0	(3,947,390)	26
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 (restated)	3,356,773	0	534,487	(2,118,082)	1,773,178	(1,773,178)	0	8
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)	
Balance at 31 March 2014 carried forward	(9,420,041)	(5,253,435)	(388,068)	(5,201,494)	(20,263,038)	(89,140,799)	(109,403,837)	
(Surplus) or deficit on provision of services	(1,426,456)	0	0	0	(1,426,456)	0	(1,426,456)	26
Other Comprehensive Expenditure and Income	0	0	0		0	(20,456)	(20,456)	
Total Comprehensive Expenditure and Income	(1,426,456)	0	0	0	(1,426,456)	(20,456)	(1,446,912)	
Adjustments between accounting basis & funding basis under regulations	(651,867)	0	388,068	(471,682)	(735,481)	735,481	0	8
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,078,323)	0	388,068	(471,682)	(2,161,937)	715,025	(1,446,912)	
Transfers to/from Earmarked Reserves	2,187,018	(1,613,506)	0	0	573,512	(573,512)	0	
Increase/Decrease (movement) in Year	108,695	(1,613,506)	388,068	(471,682)	(1,588,425)	141,513	(1,446,912)	
Balance at 31 March 2015 carried forward	(9,311,346)	(6,866,941)	0	(5,673,176)	(21,851,463)	(88,999,286)	(110,850,749)	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/2014			2014/2015				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£	£	£		£	£	£	
1,509,899	(708,066)	801,833	Central Services to the Public	1,324,563	(723,594)	600,969	36
5,672,383	(2,870,769)	2,801,614	Cultural & Related Services	6,325,145	(3,369,399)	2,955,746	36
10,789,130	(4,805,313)	5,983,817	Environmental & Regulatory Services	10,966,171	(5,029,909)	5,936,262	36
6,728,320	(2,341,046)	4,387,274	Planning & Development Services	7,878,818	(3,453,443)	4,425,375	36
37,256,433	(33,833,538)	3,422,895	Housing Services	35,971,284	(33,782,182)	2,189,102	32,36
1,994,398	(3,755,702)	(1,761,304)	Highways & Roads	2,493,481	(4,134,495)	(1,641,014)	36
314,079	(278,996)	35,083	Social Services	419,255	(284,276)	134,979	
2,330,215	(83,073)	2,247,142	Corporate & Democratic Core	3,935,001	(1,009,676)	2,925,325	28,31,
287,769	0	287,769	Non-Distributed Costs	310,441	0	310,441	36
66,882,626	(48,676,503)	18,206,123	Cost of Services	69,624,159	(51,786,974)	17,837,185	26
		1,146,287	Other operating expenditure			1,500,127	9
		(2,549,602)	Financing and investment income and expenditure			(2,093,325)	10,14,
		(20,750,198)	Taxation and non-specific grant income			(18,670,443)	36
		(3,947,390)	(Surplus) or deficit on provision of services			(1,426,456)	11,32
			Items that will not be classified to the (Surplus) or deficit on the Provision of Services				26
		(3,082,445)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(4,120,047)	12,24
		(2,391,107)	Actuarial (gains)/losses on pensions assets/liabilities			4,155,601	38
		(9,420,942)				(1,390,902)	
			Items that will be classified to the (Surplus) or deficit on the Provision of Services				
		(28,113)	Surplus or deficit on revaluation of financial assets (Available for sale)			(56,010)	16,24
		(9,449,055)	Total Comprehensive Income and Expenditure			(1,446,912)	

BALANCE SHEET

<u>31.3.14</u>		<u>31.3.15</u>	Note
£		£	
	Property, Plant and Equipment		
73,630,543	- Other Land and Buildings	79,740,656	12
3,788,695	- Vehicles, Plant, Furniture & Equipment	3,418,446	12
50	- Community Assets	50	12
61,592	- Assets under construction/Awaiting Development	801,260	12
709,400	Heritage Assets	709,400	13,41
30,082,686	Investment Property	30,085,253	14
232,901	Intangible Assets	375,326	15
29,524	Long-term Debtors	34,009	
0	Long-term Investments	2,000,000	16
108,535,391	TOTAL LONG TERM ASSETS	117,164,400	
15,483,316	Short - Term Investments	12,001,307	16
114,516	Inventories	128,838	17
4,323,337	Short Term Debtors	4,943,057	19,22
7,440,837	Cash and Cash Equivalents	10,834,498	16,20
27,362,006	CURRENT ASSETS	27,907,700	
(8,114,801)	Short Term Creditors	(9,880,527)	21
(8,114,801)	CURRENT LIABILITIES	(9,880,527)	
(719,507)	Provision for Corporate Restructure	(138,261)	22
(147,375)	Provision for Accumulated Absences	(128,394)	22
(1,069,686)	Provision for Business Rates Appeals	(1,692,565)	22
(4,000,000)	Long Term Borrowing	(4,000,000)	16
	Other Long Term Liabilities		
(8,220,500)	- Pension Asset/(Liability)	(13,412,288)	38
(6,735)	- Finance Lease Deferred Liability	0	16
(2,141)	- War Memorial Fund	(2,141)	
(3,471,375)	- Other Balances	(3,747,031)	
(741,440)	Capital Grants & Receipts in Advance	(1,220,144)	
(18,378,759)	LONG TERM LIABILITIES	(24,340,824)	
109,403,837	NET ASSETS	110,850,749	
	Usable Reserves		
(14,673,476)	- Reserves	(16,178,287)	7,23
(388,068)	- Capital Receipts Reserve	0	
(5,201,494)	- Capital Grants & Contributions Unapplied	(5,673,176)	23
	Unusable Reserves		
(15,756,201)	-Revaluation Reserve	(19,630,380)	24
8,219,822	-Pensions Reserve	13,411,610	24,38
(81,785,912)	-Capital Adjustment Account	(83,514,256)	24
(28,113)	Financial Instrument Available for Sale Reserve	(84,123)	24
(121,500)	-Financial Instrument Adjustment Account	(97,503)	24
183,730	-Collection Fund Adjustment Account	786,972	24
147,375	-Accumulating Absences Adjustment Account	128,394	24
(109,403,837)	TOTAL RESERVES	(110,850,749)	

Director of Corporate Resources

Date

CASHFLOW STATEMENT

<u>2013/14</u>		<u>2014/15</u>	<u>Note</u>
£		£	
	<u>Operating activities</u>		
(3,947,390)	(Surplus) or deficit on provision of services	(1,426,456)	26
(3,855,779)	Adjust net surplus or deficit on the provision of services for non- cash movements	(884,702)	25
6,084,948	Adjust for items in the net deficit on the provision of services that are investing or financing activities	3,206,062	25
(1,718,221)	Net cash flows from Operating activities	894,904	
	<u>Investing activities</u>		
1,784,119	Purchase of property, plant and equipment, investment property and intangible assets	1,455,645	
69,500,000	Purchase of short-term and long-term investments	79,250,000	
3,260	Other payments for investing activities	1,625,598	
(1,220,243)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,008,056)	
(62,050,000)	Proceeds from short-term and long-term investments	(80,750,000)	
(4,120,328)	Other receipts from investing activities	(3,856,808)	
3,896,808	Net cash flows from investing activities	(3,283,621)	
	<u>Financing Activities</u>		
(3,406,558)	Other receipts from financing activities	(1,004,944)	
0	Other payments for financing activities	0	
(3,406,558)	Net cash flows from financing activities	(1,004,944)	
(1,227,971)		(3,393,661)	
(6,212,866)	Cash and cash equivalents at 1 April	(7,440,837)	20
(7,440,837)	Cash and cash equivalents at 31 March	(10,834,498)	20

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1 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 that exceed £5,000 either individually, or as a class of expenditure are brought into account (irrespective of whether cash has been received or payment has been made), the exception to the £5,000 limit exists where the expenditure or part of it is to be recharged to a third party. Where a service is provided for a full year a full year's costs/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 29.

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 notes 29 and 30.

Information on termination costs and together with prior year comparatives are provided in note 37.

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
- Unitised 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 31st 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 2013/14 or prior years, but in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities will only be formally recognised in the 2014/15 accounts. The total provision which the Council believes it is necessary to make at the as at 31st March 2015 with regard to outstanding business rate appeals is £4.2m (11% of the estimated 14/15 gross rate yield after reliefs) of which the Council's share is 40% (£1.7m).

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. 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 ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement 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 a part 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.

2 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 2015. The standards introduced in the 2015/16 Code that are relevant to the requirements are:

- IFRS 13 – Fair Value Measurement (amended May 2011)
- IFRIC 21 Levies

Annual Improvements to IFRSs (2011-2013 Cycle) - Issues include:

- IFRIC 1 – Meaning of effective IFRSs;
- IFRS 3 – Scope exceptions for joint ventures;
- IFRS 13 – Scope of paragraph 52; and
- IAS 40 – Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

3 CRITICAL JUDGEMENTS AND ASSUMPTIONS

Critical Judgements

In applying the 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 hold a significant portfolio of investment property and although general economic growth is still fragile the council 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 rates retention scheme is assumed to be the safety net which has been set by the government at 7.5% of the authority spending baseline which equates to £135k.

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 31st March 2015 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows;

Pension 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 2014/15 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2015</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%	13,368	13-14%	896
1 year increase in member life expectancy	3%	4,272	3%	194
0.5% increase in Salary Increase Rate	3%	3,822	6%	434
0.5% increase in the Pension Increase Rate	7%	9,283	6-7%	433

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 £177k.

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 £32k.

Business Rates

The Business Rates Retention Scheme became effective from 1 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 a total provision of £4.2m as an estimate of potential successful appeals up to 31 March 2015, the Council's proportion (40%) reflected in the Balance Sheet is £1.7m. This estimate is calculated using 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.

4 MATERIAL ITEMS OF INCOME AND EXPENSE

There 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.

There were no material items of income or expenditure in 2014/15. In 2013/14 the Council made a lump sum payment of £1.5m to the West Sussex LG Pension Scheme to meet future liabilities and this is reflected in the comparative figures.

5 PRIOR PERIOD ADJUSTMENTS

The opening balance and movements on other land and buildings for 2013/14 have been restated after a review of a historic amendment to the accumulated depreciation done in 2010/11 on the implementation of International Financial Reporting Standards. Net asset values are unchanged but the breakdown of gross book value and depreciation in note 12 has been restated by £0.9m.

The re-statement of the 2013/14 financial instrument balances in note 16 is due to a review of the liabilities and assets that are excluded from the definition of financial instruments because they are statutory rather than contractual.

There is no financial impact of these changes within the statements only the disclosure notes.

6 EVENTS AFTER THE BALANCE SHEET DATE

In June 2015 the Council moved to a new location and now share offices with West Sussex County Council at Parkside, Chart Way, Horsham. The Council exchanged contracts for the sale of the two office buildings vacated in the same month, completion is expected to be at the beginning of October 2015. There is no adjustment required to the statement of accounts for this event.

In August 2015 the government announced that the Business Rates Levy and Safety Net Regulations were to be amended and the formula to include the prior year adjustments for Small Business Rate Reliefs and other discretionary reliefs funded by S31 grants. This revision to the regulations increases the Horsham District Council levy for 2014/15 to £20,229 from the £565 accrued in the accounts. There is no adjustment required to the statement of accounts for this event.

7 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 2014/15.

	Balance at 31.03.13	Income/ Expenditure 2013/14	Transfer In from other reserves 2013/14	Balance at 31.03.14	Income/ Expenditure 2014/15	Transfer In from other reserves 2014/15	Balance at 31.03.15
	£000	£000	£000	£000	£000	£000	£000
General Fund Balance	(10,013)	117	476	(9,420)	(1,416)	1,525	(9,311)
New Homes Reserve	(1,148)	0	0	(1,148)	0	(776)	(1,924)
Local Development Reserve	(68)	0	0	(68)	0	68	0
Repairs and Renewals Reserve	(616)	83	0	(533)	0	533	0
Neighbourhood Planning Grant	0	(34)	0	(34)	0	(284)	(318)
s106 Reserves	(849)	(362)	(6)	(1,217)	(285)	0	(1,502)
Insurance Reserve	(36)	0	0	(36)	0	0	(36)
Vehicle Replacement Reserve	(414)	143	0	(271)	198	0	(73)
NNDR Provision	0	0	(476)	(476)	0	(959)	(1,435)
Other	(1,076)	(400)	6	(1,470)	(2)	(107)	(1,579)
Other Earmarked Reserves	(4,207)	(570)	(476)	(5,253)	(89)	(1,525)	(6,867)

8 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.

2014/2015

	Usable Reserves				
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation of non-current assets	(2,283)				2,283
Impairment on Property, Plant and Equipment	1,790				(1,790)
Other gains transferred from Revaluation Reserve	0				0
Movements in the market value of Investment Properties	41				(41)
Amortisation of intangible assets	(85)				85
Capital grants and contributions applied	647			(647)	0
Revenue expenditure funded from capital under statute	(2,245)				2,245
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	747				(747)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,413			(1,413)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0			1,588	(1,588)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	968		(1,008)		40
Use of the Capital Receipts Reserve to finance new capital expenditure					0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			1,396		(1,396)
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)				24
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,328)				3,328
Employers pension contributions and direct payments to pensioners payable in the year	2,291				(2,291)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(603)				603
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19				(19)
Total Adjustments	(652)	0	388	(472)	736

2013/2014

Usable Reserves

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation of non-current assets	(2,023)				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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	749				(749)
Adjustments primarily involving the Capital Grants Unapplied Account:					
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)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,239		(225)		(1,014)
Use of the Capital Receipts Reserve to finance new capital expenditure			759		(759)
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)				24
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,275)				3,275
Employers pension contributions and direct payments to pensioners payable in the year	3,604				(3,604)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(198)				198
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	30				(30)
Total Adjustments	3,357	0	534	(2,118)	(1,773)

9 OTHER OPERATING EXPENDITURE

	2014/15	2013/14
	£000	£000
Parish council precepts	2,350	2,234
Parish grants	118	151
Gains/losses on the disposal of non-current assets	(968)	(1,239)
Total	1,500	1,146

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15	2013/14
	£000	£000
Interest payable and similar charges	137	137
Net interest cost on Pension	367	474
Interest receivable and similar income	(215)	(204)
Income and expenditure in relation to investment properties and changes in their fair value	(2,382)	(2,957)
Total	(2,093)	(2,550)

11 TAXATION AND NON SPECIFIC GRANT INCOMES

	2014/15	2013/14
	£000	£000
Council tax income	(10,269)	(9,959)
Non domestic rates income & expenditure	(1,095)	(1,379)
Non-ring fenced government grants	(5,247)	(4,745)
Capital grants and contributions	(2,060)	(4,667)
Total	(18,671)	(20,750)

12 PROPERTY, PLANT & EQUIPMENT

Movements in 2014/15

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2014	*75,584	8,170	0	62	*83,816
additions	1,286	767	0	801	2,854
reclassifications	62			(62)	0
revaluation increase/(decreases) recognised in the Revaluation Reserve	4,120				4,120
revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,790				1,790
other movements in cost or valuation	(2,511)				(2,511)
At 31 March 2015	80,331	8,937	0	801	90,069
Accumulated Depreciation and Impairment					
At 1 April 2014	*(1,954)	(4,381)	0	0	*(6,335)
depreciation charge	(1,146)	(1,137)			(2,283)
depreciation written out to the Revaluation Reserve	1,791				1,791
depreciation written out to the Surplus/Deficit on the Provision of Services	719				719
At 31 March 2015	(590)	(5,518)	0	0	(6,108)
Net Book Value					
at 31 March 2015	79,741	3,419	0	801	83,961
at 31 March 2014	73,630	3,789	0	62	77,481

* Opening balances at 1 April 2014 for Other Land & Buildings reflect the restated 2013/14 figures.

Movements in 2013/14

	Other Land & Buildings (restated) £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment (Restated) £000
Cost or Valuation					
At 1 April 2013	72,460	6,942	0	0	79,402
additions	263	1,228	0	62	1,553
reclassifications					0
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
other movements in cost or valuation	(848)				(848)
At 31 March 2014	75,584	8,170	0	62	83,816
Accumulated Depreciation and Impairment					
At 1 April 2013	(1,584)	(3,576)	0	0	(5,160)
depreciation charge	(1,218)	(805)			(2,023)
depreciation written out to the Revaluation Reserve	719				719
depreciation written out to the Surplus/Deficit on the Provision of Services	129				129
At 31 March 2014	(1,954)	(4,381)	0	0	(6,335)
Net Book Value					
at 31 March 2014	73,630	3,789	0	62	77,481
at 31 March 2013	70,876	3,366	0	0	74,242

The opening balance and movements on other land and buildings for 2013/14 are restated after a review of an historic amendment to the accumulated depreciation done in 2010/11 on the implementation of International Financial Reporting Standards. The restatement only affects this particular note. Net asset values are unchanged but the breakdown between gross book value and depreciation have been restated. The change in breakdown between accumulated depreciation and the Gross Book value is £0.9m for the opening of the 2014/15 accounts.

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 comprise the intangible assets have a life of four years.

Capital Commitments

At 31 March 2015, the Authority was committed to the following significant capital works contracts:

	£000
West Street Improvements	73
Southwater Country Park Play Area (Dinosaur Island)	165
Pavilions Leisure Centre Repair Works	890
Steyning Leisure Centre	267

The comparative figure for 31 March 2014 was £824k.

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 externally. 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		3,419		3,419
Valued at fair value as at				
31 March 2015	61,264			61,264
31 March 2014	8,009			8,009
31 March 2013	2,766			2,766
31 March 2012	7,563			7,563
31 March 2011	139			139
	<u>79,741</u>	<u>3,419</u>	<u>0</u>	<u>83,160</u>

13 HERITAGE ASSETS

	Art works £000	War memorial £000	Total £000
Cost or Valuation			
1st April 2013	459	250	709
Additions / (disposals)	0	0	0
Revaluations & impairments	0	0	0
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
31st March 2014	<u>459</u>	<u>250</u>	<u>709</u>
Cost or Valuation			
1st April 2014	459	250	709
Additions / (disposals)	0	0	0
Revaluations & impairments	0	0	0
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
31st March 2015	<u>459</u>	<u>250</u>	<u>709</u>

Art Works

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

War Memorial

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

14 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:

	2014/15 £000	2013/14 £000
Income from investment property	(2,509)	(2,551)
Direct operating expenses arising from investment property	168	252
Net (gains)/losses from fair value adjustments	<u>(41)</u>	<u>(658)</u>
Net (gain)/ loss	<u>(2,382)</u>	<u>(2,957)</u>

There are no restrictions to 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 the 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 the investment properties over the year:

	2014/15 £000	2013/14 £000
Balance at start of year	30,083	29,402
Additions	0	23
Subsequent expenditure	0	0
Disposals	(39)	0
Net gains/(losses) from fair value adjustments	41	658
Transfers	0	0
Balance at end of the year	<u>30,085</u>	<u>30,083</u>

15 INTANGIBLE ASSETS

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

The movement on intangible assets balances during the year is as follows:

	Purchased Software 2014/15 £000	Purchased Software 2013/14 £000
Balance at start of year:	£000	£000
- Gross carrying amounts	375	167
- Accumulated amortisation	(142)	(127)
Net carrying amount at start of year	233	40
Additions	227	208
Amortisation for the period	(85)	(15)
Net carrying amount at end of year	<u>375</u>	<u>233</u>
Comprising:		
Gross carrying amounts	602	375
Accumulated amortisation	(227)	(142)
	<u>375</u>	<u>233</u>

16 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

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

	Long Term		Current		Re-stated
	31.03.15 £000	31.03.14 £000	31.03.15 £000	31.03.14 £000	31.03.14 £000
Investments, Cash and Cash equivalents					
Loans and receivables	2,000	0	12,001	15,483	15,483
Available -for-sale financial assets	0	0	3,000	4,001	4,001
Cash and Cash equivalents	0	0	7,834	3,440	3,440
Total	2,000	0	22,835	22,924	22,924
Debtors					
Loans and receivables	34	30	0	0	0
Financial assets carried at contract amounts	0	0	1,331	846	2,164
Total	34	30	1,331	846	2,164
Borrowings					
Financial liabilities at amortised cost	(4,000)	(4,000)	0	0	0
Total	(4,000)	(4,000)	0	0	0

Other Long Term Liabilities

Finance lease liabilities	0	(7)	0	0	0
Total	0	(7)	0	0	0
Creditors					
Financial liabilities carried at contract amounts	0	0	(8,290)	(8,459)	(6,904)
Total	0	0	(8,290)	(8,459)	(6,904)

The re-statement of the 2013/14 balances is due to a review of the liabilities and assets that are excluded from the definition of financial instruments because they are statutory rather than contractual.

Income, Expense, Gains and Losses

	2014/15				2013/14			
	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Financial Assets: AfS	Total	Financial Liabilities measured at depreciated cost	Financial Assets: Loans & receivables	Financial Assets: AfS	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	137	0	0	137	137	0		137
Total expense in Surplus or Deficit on the Provision of Services	137	0	0	137	137	0		137
Interest income	0	(160)	(56)	(216)	0	(176)	(28)	(204)
Total income in Surplus or Deficit on the Provision of Services	0	(160)	(56)	(216)	0	(176)	(28)	(204)
Gains/Loss on revaluation	0	0	0	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	0
Net gain/(loss) for the year	137	(160)	(56)	(79)	137	(176)	(28)	(67)

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 loans 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:

	31.03.15		31.03.14	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(4,000)	(4,429)	(4,000)	(4,341)
Loans and receivables	(2,000)	(2,093)	0	0

The financial liability is a long term borrowing whose rate is less favourable than the applicable prevailing rate. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of long term debtors is not materially different from the carrying amount.

Reclassifications

There were no reclassifications in 2014/15.

17 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
31 March 2014						
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
Total	92					115
31 March 2015						
Consumables	14	14	(4)	0	0	24
Fuel	51	632	(645)	0	0	38
Trade Bins	44	31	(12)	0	0	63
Car Park Tickets	6	20	(22)	0	0	4
Total	115					129

18 ASSETS HELD FOR SALE

There were no assets held for sale in 2014/15.

19 DEBTORS

	31.03.15	31.03.14
	£000	£000
Sundry Debtors	896	1,755
Central government bodies:	1,463	119
Payments in advance	256	246
Council Tax debtors	367	329
NDR Debtors	1,016	936
Housing benefit overpayments	2,777	2,486
Moat Management service charge	292	303
Other local authorities	445	316
	<u>7,512</u>	<u>6,490</u>
Provision for doubtful debts	<u>(2,569)</u>	<u>(2,167)</u>
	<u>4,943</u>	<u>4,323</u>

The sundry debtors and payments in advance figures include adjusting balances of £76k and -£90k respectively this is required to ensure the balance sheet reflects the council's share of the Census partnership debtor balances outstanding as 31 March 2015.

20 CASH AND CASH EQUIVALENTS

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

	31.03.15	31.03.14
	£000	£000
Cash held by authority	2	3
Bank current accounts	155	135
Short-term deposits	<u>10,677</u>	<u>7,303</u>
Total Cash and Cash Equivalents	<u>10,834</u>	<u>7,441</u>

21 CREDITORS

	31.03.15	31.03.14
	£000	£000
Sundry Creditors	(5,200)	(4,447)
Prepayment of NNDR	(606)	(367)
Prepayment of Council Tax	(221)	(201)
WSCC Council Tax creditors	(2,550)	(1,268)
SPA Council Tax creditors	(313)	(151)
Central Government - Grants & Reliefs	(78)	(850)
Central Government - NDR Levy	(1)	(74)
Central Government - NDR creditors	(760)	(631)
WSCC NDR Creditors	(152)	(126)
Total	<u>(9,881)</u>	<u>(8,115)</u>

22 PROVISIONS

	Provision for doubtful debts	Provision for NNDR appeals	Provision for corporate restructure	Provision for Accumulated Absences	Total
	£000		£000	£000	£000
Balance at 1 April 2013	(2,203)	0	(148)	(177)	(2,528)
Additional provisions made in 2013/14	(151)	(1,070)	(630)	0	(1,851)
Amounts used in 2013/14	187	0	58	30	275
Unused amounts reversed in 2013/14	0	0	0	0	0
Balance at 31 March 2014	(2,167)	(1,070)	(720)	(147)	(4,104)
Additional provisions made in 2014/15	(678)	(997)	0	0	(1,675)
Amounts used in 2014/15	276	374	582	0	1,232
Unused amounts reversed in 2014/15	0	0	0	19	19
Balance at 31 March 2015	(2,569)	(1,693)	(138)	(128)	(4,528)

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

The provision was set up for the redundancy and pension costs of corporate management restructures. The balance remaining in the provision is to cover any future payments to the pension fund for early access costs. In 2014/15 the provision was used to meet the redundancy and early access to pension costs relating to the management restructure approved in 2013/14 and the final pension costs for a previous restructure in 2008/09.

Provision for Accumulated Absences

Established in 2009/10 to cover employees' leave that was not taken at the end of each year.

23 USABLE RESERVES

Movements in reserves are detailed in the Movement in Reserves Statement in Notes 7 and 8.

	31.03.15	31.03.14
	£000	£000
Revenue Reserves:		
Local Development Reserve	0	(68)
Neighbourhood Planning Grant	(318)	(34)
Repairs and Renewals Reserve	0	(533)
Section 106 Reserves	(1,502)	(1,217)
Insurance Reserve	(36)	(36)
Vehicle Replacement Reserve	(73)	(271)
New Homes Reserve	(1,924)	(1,148)
NDR Provision	(1,435)	(476)
Other Reserves	(1,579)	(1,470)
General Fund Balance	<u>(9,311)</u>	<u>(9,420)</u>
	(16,178)	(14,673)
Capital Grants Unapplied	<u>(5,673)</u>	<u>(5,590)</u>
Total Usable Reserves	<u>(21,851)</u>	<u>(20,263)</u>

In 2013/14 a new NDR provision was 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.

24 UNUSABLE RESERVES

	31.03.15	31.03.14
	£000	£000
Revaluation Reserve	(19,630)	(15,756)
Capital Adjustment Account	(83,514)	(81,786)
Financial Instruments Adjustment Account	(97)	(121)
Financial Instruments Available for Sale Reserve	(84)	(28)
Pensions Reserve	13,412	8,220
Collection Fund Adjustment Account	787	184
Accumulated Absences Account	<u>128</u>	<u>147</u>
Total Unusable Reserves	<u>(88,998)</u>	<u>(89,140)</u>

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.

	31.03.15	31.03.14
	£000	£000
Balance at 1 April	(15,756)	(12,873)
(Upward)/downward revaluation of assets	(4,985)	(4,062)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	865	980
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	
Difference between fair value depreciation and historical cost depreciation	<u>246</u>	<u>199</u>
Balance at 31 March	<u>(19,630)</u>	<u>(15,756)</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

	31.03.15 £000	31.03.14 £000
Balance at 1 April	(28)	0
Upward revaluation of investment	(56)	(34)
Downward revaluation of investment not charged to the Surplus or Deficit on the Provision of Services	0	6
Accumulated gains on assets sold and maturing asset written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	0
Balance at 31 March	<u>(84)</u>	<u>(28)</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 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 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2014/15 £000	2013/14 £000
Balance at 1 April	(81,786)	(79,808)
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	452	738
- - Revaluation losses on Property, Plant and Equipment		
- - Depreciation of intangible assets	85	15
- Revenue expenditure funded from capital under statute	2,245	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	40	0
Adjusting amounts written out of the Revaluation Reserve	(246)	(199)
Heritage assets added to Balance Sheet		
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(1,396)	(1,773)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(647)	(640)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(941)	(1,910)
- Statutory provision for the financing of capital investment charged against the General Fund	(747)	(749)
- Use of general revenue reserves for the financing of capital investment	(573)	(143)
Balance at 31 March	<u>(83,514)</u>	<u>(81,786)</u>

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.

	2014/15 £000	2013/14 £000
Balance at 1 April	(121)	(145)
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
Balance at 31 March	(97)	(121)
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.

	2014/15 £000	2013/14 £000
Balance at 1 April	8,220	10,940
Actuarial gains or losses on pensions assets and liabilities	4,155	(2,391)
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	3,328	3,275
Employers pensions contributions and direct payments to pensioners payable in the year	(2,291)	(3,604)
Balance at 31 March	13,412	8,220

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.

	2014/15 £000	2013/14 £000
Balance at 1 April - Council Tax	(157)	(14)
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	(184)	(143)
Balance at 31 March	(341)	(157)
Balance at 1 April - NNDR	341	0
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	787	341
Balance at 31 March	1128	341
Total	787	184

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.

	2014/15 £000	2013/14 £000
Balance at 1 April	147	177
Settlement or cancellation of accrual made in the end of the preceding year	(147)	(177)
Amounts accrued at the end of the current year	128	147
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	(19)	(30)
Balance at 31 March	128	147

25 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

	2014/15 £000	2013/14 £000
Depreciation and Impairments	537	754
Pensions Liability	1,036	(329)
(Increase)/decrease in debtors	(1,684)	1,816
(Increase)/decrease in creditors	606	672
Movement in provisions	355	973
(Increase)/decrease in inventories	(14)	(22)
Other non cash adjustments	49	(8)
	885	3856

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

	2014/15 £000	2013/14 £000
Capital grants credited to the surplus or deficit on the provision of services	(2,060)	(4,669)
Proceeds from the sale of non-current assets	(968)	(1,239)
Council Tax and NDR adjustment	(178)	(177)
	(3,206)	(6,085)

c) Interest received, interest paid and dividends received

	2014/15 £000	2013/14 £000
Interest received	(215)	(204)
Interest paid	137	137
	(78)	(67)

26 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	Legal and Democratic Services & Elections	Revenue & Benefits	Audit, Finance, HR and Commissioning	ICT	Community & Culture	Refuse, Cleansing & Environmental Services	Parking	Customer Services	Housing	Planning Services & Economic Development	Property & Facilities	Total
2014/15	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(27)	(80)	(1,596)	(363)	(2,135)	(3,345)	(3,915)	(3,842)	0	(1,032)	(2,577)	(3,013)	(21,925)
Government grants	0	0	(31,880)	0	0	(30)	(124)	0	0	(16)	(64)	0	(32,114)
Total Income	(27)	(80)	(33,476)	(363)	(2,135)	(3,375)	(4,039)	(3,842)	0	(1,048)	(2,641)	(3,013)	(54,039)
Employee expenses	1,120	879	1	1,701	2,301	2,150	4,292	543	340	580	3,081	657	17,645
Other service expenses	313	533	33,881	904	1,549	4,024	3,245	1,034	1	748	1,507	1,031	48,770
Total Expenditure	1,433	1,412	33,882	2,605	3,850	6,174	7,537	1,577	341	1,328	4,588	1,688	66,415
Net Expenditure	1,406	1,332	406	2,242	1,715	2,799	3,498	(2,265)	341	280	1,947	(1,325)	12,376
Support service recharges	(400)	97	74	(2,006)	(1,715)	1,067	1,213	415	(341)	576	1,468	(559)	(111)
Net Expenditure after recharges	1,006	1,429	480	236	0	3,866	4,711	(1,850)	0	856	3,415	(1,884)	12,265

There was a major management restructure in 2014-15 and the new departmental allocation is reflected in the table below:

	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
2013/14	£000	£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)
Total Income	0	(10)	(61)	(33,432)	(494)	(5,171)	(1,850)	(2,476)	(2,790)	(3,586)	(3,728)	(53,598)
Employee expenses	1,385	237	859	0	1,555	3,426	1,270	1,444	3,184	3,562	467	17,389
Other service expenses	143	610	245	33,702	608	2,955	1,524	2,602	865	3,026	883	47,163
Total Expenditure	1,528	847	1,104	33,702	2,163	6,381	2,794	4,046	4,049	6,588	1,350	64,552
Net Expenditure	1,528	837	1,043	270	1,669	1,210	944	1,570	1,259	3,002	(2,378)	10,954
Support service recharges	138	(63)	2	522	(1,696)	(3,646)	957	1,053	1,365	766	482	(120)
Net Expenditure after recharges	1,666	774	1,045	792	(27)	(2,436)	1,901	2,623	2,624	3,768	(1,896)	10,834

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.

	2014/15 £000	2013/14 £000
Net expenditure in the Segments Analysis	12,265	10,834
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,067	4,058
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,505	3,314
Cost of services in Comprehensive Income and Expenditure Statement	17,837	18,206

Recognition to Subjective Analysis

	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
2014/15						
Fees, charges & other service income	(21,925)	(520)	2,726	(19,719)	(2,509)	(22,228)
Interest and investment income	0	0	0	0	(5,296)	(5,296)
Income from council tax and Business Rates	0	0	0	0	(11,363)	(11,363)
Government grants and contributions	(32,114)	0	46	(32,068)	(7,308)	(39,376)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(968)	(968)
Total Income	(54,039)	(520)	2,772	(51,787)	(27,444)	(79,231)
Employee expenses	17,645	496	0	18,141	0	18,141
Other service expenses	48,769	2,555	(172)	51,152	169	51,321
Support Service recharges	(110)	0	0	(110)	0	(110)
Depreciation and impairment	0	536	42	578	(41)	537
Interest payments	0	0	(137)	(137)	5,585	5,448
Precepts & Levies	0	0	0	0	2,468	2,468
Total Expenditure	66,304	3,587	(267)	69,624	8,181	77,805
Surplus or deficit on the provision of services	12,265	3,067	2,505	17,837	(19,263)	(1,426)

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)
Interest and investment income	0	0	0	0	(5,013)	(5,013)
Income from council tax and Business Rates	0	0	0	0	(11,337)	(11,337)
Government grants and contributions	(32,055)	0	262	(31,793)	(9,412)	(41,205)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(1,239)	(1,239)
Total Income	(53,598)	1,876	3,045	(48,677)	(29,552)	(78,229)
Employee expenses	17,391	1,404	0	18,795	0	18,795
Other service expenses	47,024	24	(252)	46,796	251	47,047
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
Total Expenditure	64,432	2,182	269	66,883	7,399	74,282
Surplus or deficit on the provision of services	10,834	4,058	3,314	18,206	(22,153)	(3,947)

27 ACQUIRED AND DISCONTINUED OPERATIONS

There have been no acquired or discontinued operations in 2014/15.

28 MEMBERS ALLOWANCES

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

	2014/15 £000	2013/14 £000
Attendance Allowances	302	304
Expenses	30	35
Total	332	339

29 OFFICER'S REMUNERATION

Corporate Post Holder Title	Total Remuneration excluding pension contributions	Employer Pension Contributions	Total Remuneration including pension contributions
2014/15	£	£	£
Chief Executive	115,135	20,539	135,674
Director of Community Services	92,937	16,677	109,614
Director of Corporate Resources (Section 151 Officer)	91,313	16,677	107,990
Director of Planning, Economic Development and Property	53,660	9,960	63,620
Head of Legal and Democratic Services (Monitoring Officer)	49,779	9,370	59,149
Principal Solicitor (Monitoring Officer)	11,197	1,910	13,107
2013/14			
Chief Executive	117,544	19,429	136,973
Director of Community Services	93,736	15,697	109,433
Director of Corporate Resources (Section 151 Officer)	90,761	15,717	106,478
Principal Solicitor (Monitoring Officer)	44,832	7,225	52,057

There was a change in the management structure of the Council in 2014/15 which created a Strategic Management Team made up of the Chief Executive and the three strategic Directors. The remuneration details of these officers and the Monitoring Officer are included in the table above.

The Director of Planning, Economic Development and Property was a new post created as part of the management restructure and the officer started in August 2014. Therefore there are no comparative figures for 2013/14 and the remuneration figures only include part of the 2014/15 year.

The Monitoring Officer role was held by the Principal Solicitor until June 2014 when it became the responsibility of the new Head of Legal and Democratic Services.

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

Remuneration Band	Number of Employees 2014/15	Number of Employees 2013/14
£50,000 - £54,999	7	8
£55,000 - £59,999	5	5
£60,000 - £64,999	2	1
£65,000 - £69,999	3	6
£70,000 - £74,999	1	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	2	2
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	1

30 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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £000	2013/14 £000
£0 - £20,000	2	0	2	1	4	1	37	19
£20,001 - £40,000	0	0	1	1	1	1	21	35
£40,001 - £60,000	0	3	0	0	0	3	0	155
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	91
£100,001 - £150,000	0	1	0	0	0	1	0	135
£150,001 - £200,000	0	1	0	0	0	1	0	194
Total	2	6	3	2	5	8	58	629

The figures include packages that were approved in 2013/14 as part of the corporate restructure but which were not payable until early 2014/15. The costs, as committed in 2013/14, were accrued in the 2013/14 statements with an increase in the provision for Corporate Restructure on the Balance Sheet.

31 EXTERNAL AUDIT COSTS

	2014/15 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	67	66
Fees payable in respect of statutory inspections	0	0
Fees payable for the certification of grant claims and returns for the year	17	11
Fees payable in respect of other services provided during the year	0	0
Total	84	77

32 GRANT INCOME

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

	2014/15 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	(10,269)	(9,959)
NNDR	(1,095)	(1,379)
Revenue Support Grant	(2,149)	(2,695)
Council Tax Freeze Grant	(83)	(82)
Small Business Rate Relief	(803)	(488)
Other Government Grants	(264)	(314)
New Homes Bonus	(1,949)	(1,166)
s.106 contributions	(1,413)	(3,878)
Capital Government grants	(443)	(433)
Other contributions	(204)	(356)
Total	(18,672)	(20,750)
Credited to Services		
Benefits Grants	(31,659)	(31,842)
Other Government Grants	(332)	(239)
Other grants	(519)	(598)
Total	(32,510)	(32,679)

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:

	2014/15	2013/14
Capital Grants Receipts in Advance	£000	£000
Section 106 Contributions	(852)	(505)
Other contributions	(368)	(248)
Total	(1,220)	(753)
Donated Assets Accounts	0	0

33 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 26 (Amounts reported for resource allocation decisions).

Grant receipts outstanding at 31 March 2015 are shown in note 32 (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 2014/15 is shown in note 28.

In 2014/15 the Council contracted £32k of services from an organisation providing youth support work which a council member is the Chief Executive and trustee. It also paid grant monies during the year to the organisation of £5k for the provision of the Horsham District foodbank and granted discretionary business rates relief of £8k.

Senior Officers - are defined as the Chief Executive together with the Directors which together make up the Senior Leadership 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 29. There were no related party disclosures by senior officers in 2014/15.

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 2014/15 financial year:

<u>ICT – Hosted by Horsham Council District Council</u>		Outstanding at 31.3.15 (Due to HDC)
	£000	£000
Mid Sussex	1,049	83
Horsham	920	0
Adur & Worthing	1,577	219
<u>Revenues and Benefits – hosted by Mid Sussex District Council</u>		Outstanding at 31.3.15 (payable to MSDC)
	£000	£000
Mid Sussex	1,018	0
Horsham	973	(120)
Adur	792	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 2014/15 amounted to £277k and £70k was outstanding as at 31 March 2015.

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 2014/15 the costs for each authority were:

	Outstanding at 31.3.15 (due to HDC)	
	£000	£000
Crawley	80	4
Horsham	44	0
Mid Sussex	38	12

Access Officer - shared resource

The Access Officer role is a shared resource utilised by Horsham DC and Crawley BC. In 2014/15 the costs for each authority were:

	Outstanding at 31.3.15 (due to HDC)	
	£000	£000
Crawley	8	2
Horsham	33	0

34 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.

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	10,964	11,712
Capital Investment		
Property, Plant & Equipment	2,854	1,553
Investment Properties	0	23
Intangible Assets	227	208
Revenue Expenditure Funded from Capital Under Statute	2,245	2,683
Sources of finance		
Capital receipts	(1,396)	(1,773)
Government grants and other contributions	(1,588)	(2,550)
Direct revenue contributions	(573)	(143)
MRP/loans fund principal	(747)	(749)
Closing Capital Financing Requirement	11,986	10,964
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,769	0
Increase in underlying need to borrowing	(747)	(749)
Assets acquired under finance leases	0	0
Increase/ (decrease) in Capital Financing Requirement	1,022	(749)

35 LEASES

Authority as Lessee

Operating Leases

The Council has no operating leases as at 31 March 2015.

Finance Leases

	31 March 2015	31 March 2014
	£000	£000
Vehicles, Plant, Furniture & Equipment	47	47
	<u>47</u>	<u>47</u>

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.

Authority as Lessor

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:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	1,700	1,800
Later than one year and not later than five years	4,500	5,100
Later than five years	7,600	8,200
	<u>13,800</u>	<u>15,100</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The council received contingent rent of £0.38m in 2014/15 (£0.51m in 2013/14).

Finance Leases

The Council has no investment in finance leases.

36 REVALUATION GAINS

During 2014/15, the Authority has recognised a net revaluation gain of £1.831m in relation to the following:

	£000
The Capitol	(555)
Broadbridge Heath Leisure Centre	1,904
Steyning Leisure Centre	888
Billingshurst Leisure Centre	194
Rookwood Golf Course	(902)
Recreation Grounds	(126)
Childrens Playgrounds	(62)
Warnham Nature Reserve	(589)
Cemetries	92
Car Parks	(63)
Council Offices	1,007
Others	43
	<u>1,831</u>

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

	£000
Cultural	773
Environmental	92
Highways and Roads	(63)
Housing	(6)
Corporate and Democratic	994
Cost of Services	1,790
Investment Properties	41

37 TERMINATION BENEFITS

During 2014-15 the council terminated five posts at a total cost of £58k which was made up of redundancy payments of £21k and other termination costs of £37k (termination costs in 2013/14 were £629k).

38 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.

<u>Comprehensive Income and Expenditure Statement</u>	2014/15 £000	2013/14 £000
<u>Cost of Services</u>		
- current service cost	(2,807)	(2,801)
- past service costs	(153)	0
Total Service Cost	(2,960)	(2,801)
<u>Financing and Investment Income and Expenditure</u>		
Interest income on planned assets	5,080	4,809
Interest cost on defined benefit obligation	(5,448)	(5,283)
Total Net Interest	(368)	(474)

Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services

(3,328)

(3,275)

Remeasurements of the Net Defined Liability

Actuarial losses arising from changes in demographic assumptions	0	(6,295)
Actuarial losses arising from changes in financial assumptions	(18,005)	276
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,022	1,361
Return on assets excluding amounts included in net interest	12,828	7,049
Actuarial gains and losses	0	0
Total re-measurements recognised in other comprehensive income	(4,155)	2,391
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(7,483)	(884)

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	(1,037)	329
Employers contributions payable to scheme	(2,291)	(3,604)

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:

	2014/15 Census £000	2014/15 HDC £000	2013/14 Census £000	2013/14 HDC £000
Present value of liabilities - Funded	(6,558)	(140,631)	(5,132)	(120,402)
Present value of liabilities - Un- funded	0	(1,763)	0	(1,656)
Fair value of plan assets	6,394	129,146	5,419	113,552
Net liability arising from defined benefit obligation	(164)	(13,248)	287	(8,506)
Funded Liabilities - LGPS	2014/15 Census £000	2014/15 HDC £000	2013/14 Census £000	2013/14 HDC £000
Reconciliation of present value of the scheme liabilities:				
Balance at 1 April	(5,132)	(122,058)	(4,328)	(113,520)
Current service cost	(215)	(2,592)	(202)	(2,600)
Interest cost	(222)	(5,226)	(195)	(5,087)
Contributions by scheme participants	(61)	(699)	(54)	(658)
Actuarial gains and losses	(968)	(16,016)	(393)	(4,265)
Benefits paid	54	4,336	40	4,072
Past service costs	(14)	(139)	0	0
Balance at 31 March	(6,558)	(142,394)	(5,132)	(122,058)
Reconciliation of fair value of the scheme assets:				
Balance at 1 April	5,419	113,552	4,518	102,390
Interest income on planned assets	232	4,848	203	4,606
Return on planned assets (excluding amounts in net interest)	587	12,241	549	6,500
Employer contributions	149	2,142	134	3,470
Contributions by scheme participants	61	699	55	658
Benefits paid	(54)	(4,336)	(40)	(4,072)

Balance at 31 March	6,394	129,146	5,419	113,552
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LGPS Assets comprised:

Fair Value of scheme assets at 31 March

	2015			2014		
	Census	HDC	Total % of assets	Census	HDC	Total % of assets
	£000	£000		£000	£000	
Equity Securities:						
Consumer	963.6	19,460.4	15.1%	912.1	19,113.0	16.8%
Manufacturing	561.3	11,335.7	8.8%	485.2	10,166.3	9.0%
Energy & Utilities	284.6	5,747.4	4.5%	279.3	5,853.3	5.2%
Financial Institutions	1,004.3	20,281.8	15.7%	843.6	17,678.1	15.6%
Health & Care	425.4	8,591.1	6.7%	375.1	7,859.1	6.9%
Information Technology	824.0	16,641.2	12.9%	634.4	13,293.5	11.7%
Other	224.3	4,529.2	3.5%	147.0	3,080.8	2.7%
Debt Securities:	0.0		0.0%			
UK Government	130.4	2,634.2	2.0%	136.5	2,861.1	2.5%
Private Equity:	0.0		0.0%			
All	348.2	7,032.7	5.4%	330.0	6,915.7	6.1%
Real Estate:	0.0		0.0%			
UK Property	414.4	8,368.7	6.5%	422.3	8,850.2	7.8%
Overseas Property	3.5	71.3	0.1%	12.1	254.1	0.2%
Investment Funds & Unit Trusts:	0.0		0.0%			
Equities	0.0	0.0	0.0%	0.0	0.0	0.0%
Bonds	880.2	17,775.2	13.8%	487.1	10,206.5	9.0%
Other	47.1	950.2	0.7%	237.7	4,980.7	4.4%
Cash & cash Equivalents: All	283.6	5,726.9	4.4%	116.4	2,439.4	2.1%
	6,395	129,146	100%	5,419	113,552	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 an 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 that are 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 31 March 2013.

The principal assumptions used by the actuary have been:

		2014/15	2013/14
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	24.4	24.4
	Women	25.8	25.8
Longevity at 65 for future pensioners:	Men	26.9	26.9
	Women	28.5	28.5

Rate of inflation / pension	2.4%	2.9%
Rate of increase in salaries	3.8%	4.2%
Rate of discounting scheme liabilities	3.2%	4.3%

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.

39 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

There were no contingent liabilities or assets at 31 March 2015.

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 :

- Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements
- 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 2015 £000	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectibility at 31 March 2015 £000	Estimated maximum exposure at 31 March 2015 £000
	A	B	C	(AxC)	
AAA rated counterparties		0.00%	0.00%	0	0
A rated counterparties		0.05%	0.05%	4	8
BBB rated counterparties		0.20%	0.20%	4	4
Trade debtors		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 £1m of the £1.353m balance is past its due date for payment.

The past due amount can be analysed as follows:

Age	31-Mar-15 £000s	31-Mar-14 £000s
Less than three months	696	511
Three to six months	128	92
Six months to one year	115	94
More than one year	63	63
Total	<u>1,002</u>	<u>760</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-15 £000s	31-Mar-14 £000s	(Re-stated) 31-Mar -15 £000s
Less than one year	8,290	8,459	6,904
Between one and two years	0	0	0
Between two and five years	4,000	7	7
More than five years	<u>0</u>	<u>4,000</u>	<u>4,000</u>
Total	<u>12,290</u>	<u>12,466</u>	<u>10,911</u>

The re-statements of last year's balances are due to a review of the liabilities and assets that are excluded from financial instrument definition as they are statutory rather than contractually based.

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 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 2015 and persist for a year the magnitude of the effect on the fair value of investments would be £0.85m.

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.

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 18th and 19th century crime, trade and civic life and a notable collection of documents on political corruption.

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

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

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

Photographic collection

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

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

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

Book Collection

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

Horsham museum ethnographic and archaeological collections

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

Lorinary 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

2013-14			2014-15		
Business Rates £	Council Tax £	Total £	Business Rates £	Council Tax £	Total £
INCOME					
0	81,717,869	81,717,869	0	84,260,040	84,260,040
40,641,497	0	40,641,497	39,492,176	0	39,492,176
Transfers from General Fund					
0	7,085	7,085	0	3,183	3,183
46,324	0	46,324	(138,006)	0	(138,006)
40,687,821	81,724,954	122,412,775	39,354,170	84,263,223	123,617,393
EXPENDITURE					
Apportionment of Previous Year Deficit					
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
Precepts, Demands and Shares					
15,225,457	9,815,823	25,041,280	15,577,433	10,084,915	25,662,348
3,806,364	62,908,977	66,715,341	3,894,358	64,572,651	68,467,009
0	7,493,920	7,493,920	0	7,841,232	7,841,232
19,031,821	0	19,031,821	19,471,791	0	19,471,791
38,063,642	80,218,720	118,282,362	38,943,582	82,498,798	121,442,380
Charges to Collection Fund					
343,947	164,615	508,562	523,769	167,146	690,915
280,194	168,485	448,679	120,623	105,059	225,682
2,674,215	0	2,674,215	1,557,198	0	1,557,198
177,362	0	177,362	178,215	0	178,215
3,475,718	333,100	3,808,818	2,379,805	272,205	2,652,010
41,539,360	80,551,820	122,091,180	41,323,387	82,771,003	124,094,390
(851,539)	1,173,134	321,595	(1,969,217)	1,492,220	(476,997)
0	108,961	108,961	(851,539)	1,282,095	430,556
(851,539)	1,282,095	430,556	(2,820,756)	2,774,315	(46,441)
Surplus / Deficit (-) carried forward 31st March			Surplus / Deficit (-) carried forward 31st March		

NOTES TO THE COLLECTION FUND

The Collection Fund is an agents statement which represents the statutory requirement for each billing authority to maintain a separate Collection Fund. The statement 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. Collection Fund surpluses or deficits declared by the billing authority are apportioned to the relevant precepting bodies in the subsequent financial year.

The accounts have been prepared on an accruals basis.

1 COUNCIL TAX

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 "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
A	up to 40,000	6/9	734
B	40,000-52,000	7/9	2,253
C	52,000-68,000	8/9	7,832
D	68,000-88,000	1	10,462
E	88,000-120,000	11/9	11,231
F	120,000-160,000	13/9	10,260
G	160,000-320,000	15/9	11,049
H	over 320,000	2	1,412
COUNCIL TAX BASE			55,233

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 31 Dec 2014 was £100.458m and the National Non-Domestic Rate multiplier for the year was 0.482.

3 COUNCIL TAX PRECEPTS AND DEMANDS

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.

31 March 2015

£

Accumulated Deficit at 31/3/15	(46,441)
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Apportionment based on 2014/15 precepts and demands:

	<u>Business Rates</u> £	<u>Council Tax</u> £	Total £
Horsham District Council	(1,128,302)	341,229	(787,073)
Sussex Police Authority	0	265,620	265,620
West Sussex County Council	(282,077)	2,167,466	1,885,389
Central Government	(1,410,377)	0	(1,410,377)
	(2,820,756)	2,774,315	(46,441)

GLOSSARY

ACCRUALS	Amounts charged for goods or services received or provided during the year for which payment has not been made or income due has not been received at the year end.
BALANCES	The amounts remaining at the year end on the various funds of the Council.
CAPITAL EXPENDITURE	Expenditure on the acquisition of assets either directly by the Local Authority or indirectly in the form of grants to other persons or bodies that will give benefit for a number of years.
CAPITAL RECEIPTS	Receipts from the sale of property, plant and equipment e.g land, building etc.
CENTRAL SUPPORT SERVICES	The expenditure on the central administration of the Council, including the cost of accommodation.
CIPFA	Chartered Institute of Public Finance and Accountancy
COLLECTION FUND	A statutory fund maintained by a billing authority that is used to record local taxes and non-domestic rates collected by the authority, payments to precepting authorities, central government and its own general fund.
COMMUNITY ASSETS	Assets that are not used for operational purposes, have an indeterminable useful life and which a local authority intends to hold in perpetuity. Land held as open space or common land is an example of a community asset.
CONTINGENT ASSET	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.
COUNCIL TAX	A locally determined charge based on property values and levied by a local authority to enable it to provide its services.
CREDITORS	Individuals and organisations to whom the Council owes money.
DEBTORS	Individuals and organisations who owe money to the Council.
DEPRECIATION	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.
EARMARKED RESERVES	Amounts set aside for specific purposes falling outside the definition of provisions.
FAIR VALUE	Amount for which 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.
FINANCE LEASE	A lease used to finance the purchase of fixed assets where ownership of the asset passes to the authority at the end of the lease. Finance leases are treated as a credit arrangement i.e. as if it was similar to borrowing.
FINANCIAL INSTRUMENT	A contract that gives rise to a financial asset or liability.
FINANCIAL ASSET	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
FINANCIAL LIABILITY	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability.

FINANCIAL REPORTING STANDARDS	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
FIXED ASSET	A tangible asset that yields benefit to an authority and the services it provides for a period of more than one year.
GENERAL FUND	The main revenue fund of a billing authority from which day to day spending on services (other than the provision of Council housing services) is met.
IAS	International Accounting Standard.
MINIMUM REVENUE PROVISION (MRP)	The minimum amount that must be charged to an authority's revenue account to be set aside to pay back debt.
NATIONAL NON-DOMESTIC RATES (NNDR)	This is the charge payable on all business premises and is calculated by multiplying the rateable value of the property by a nationally set rate multiplier.
OPERATING LEASE	Lease of equipment in a similar arrangement to that used for the hire or rent of equipment where ownership of the asset remains with the lessor.
PRECEPT	An amount charged to the Collection Fund to finance services provided by another authority e.g. County and parish councils.
PRECEPTING AUTHORITIES	Those authorities which are able to raise a precept.
PROVISION	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain.
PUBLIC WORKS LOAN BOARD (PWLb)	A statutory body operating within Central Government responsible for lending money to local authorities and other bodies.
REVENUE EXPENDITURE FUNDED AS CAPITAL UNDER STATUTE (REFCUS)	Expenditure that may properly be treated as capital expenditure but which does not represent a Council tangible asset (property, plant and equipment).
SECTION 106 (S106)	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.