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# Audit Committee

Wednesday, 12th July, 2023 at 5.30 pm  
Conference Room, Parkside, Chart Way, Horsham

Councillors: Mike Wood (Chairman)  
Dennis Livingstone (Vice-Chairman)  
Len Ellis-Brown Richard Landeryou  
Anthony Frankland Belinda Walters  
Tony Hogben

You are summoned to the meeting to transact the following business

Jane Eaton  
Chief Executive

## Agenda

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	Page No.
1. <b>Apologies for absence</b>	
2. <b>Minutes</b>	3 - 10
To approve as correct the minutes of the meeting held on 29 March and 24 May 2023 ( <i>Note: If any Member wishes to propose an amendment to the minutes they should submit this in writing to <a href="mailto:committeeservices@horsham.gov.uk">committeeservices@horsham.gov.uk</a> at least 24 hours before the meeting. Where applicable, the audio recording of the meeting will be checked to ensure the accuracy of the proposed amendment.</i> )	
3. <b>Declarations of Members' Interests</b>	
To receive any declarations of interest from Members of the Committee	
4. <b>Announcements</b>	
To receive any announcements from the Chairman of the Committee or the Chief Executive	
5. <b>External Audit - 2021/22 Audit Results Report &amp; Annual Auditors Report</b>	11 - 50
To receive the Audit Results Report and Annual Auditors report from the external auditors.	

6.	<b>Statement of Accounts 2021-2022 and Letter of Representation</b>	51 - 110
	To receive the Statement of Accounts for 2021/22 and delegate approval to the Chairman of the Audit Committee, in consultation with the Director of Resources, and be signed once the audit has been completed, and to receive and approve the Council's letter of representation to the External Auditor.	
7.	<b>Internal Audit - Annual Report and Opinion 2022/23</b>	111 - 136
	To receive a report from the Chief Internal Auditor	
8.	<b>Internal Audit review of Revenues and Benefits 2022/23</b>	137 - 140
	To receive a report from the Director of Resources	
9.	<b>Annual Governance Statement</b>	141 - 162
	To receive the Annual Governance Statement for 2022/23	
10.	<b>Risk Management - Quarterly Update</b>	163 - 174
	To receive a report from the Director of Resources	
11.	<b>Treasury Management Activity and Prudential Indicators</b>	175 - 188
	To receive a report from the Director of Resources	
12.	<b>Subsidiary Housing Company Accounts</b>	189 - 224
	To receive a report from the Director of Resources	
13.	<b>Urgent Business</b>	
	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	

**Audit Committee**  
**29 MARCH 2023**

Present: Councillors: Stuart Ritchie (Chairman), John Blackall (Vice-Chairman), Matthew Allen, Martin Boffey and Richard Landeryou

Apologies: Councillors: Paul Clarke and Gordon Lindsay

AAG/35 **MINUTES**

The minutes of the meeting held on 7 December were approved as a correct record and signed by the Chairman.

AAG/36 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/37 **ANNOUNCEMENTS**

Councillor Stuart Ritchie, Chairman of the Committee, made three announcements:

- Both himself and Councillor John Blackall, Vice Chairman of the Committee, were standing down as Councillors in May, so this was their last meeting. He had thoroughly enjoyed the important work undertaken in this role and hoped whoever chaired this Committee in the future finds it as rewarding. He advised that until a new Chairman was in place, he would remain available to the Council if required.
- The issue of acquiring external auditors discussed at the last meeting had been resolved; HDC had successfully applied to the Department of Levelling Up, Housing & Communities (DLUHC) to return to the PSAA arrangements. This brought efficiency gains and he was pleased the matter had been resolved.
- The Director of Resources had prepared a paper on investment performance, which had been discussed at the previous meeting. Councillor Ritchie would consider this and share a summary with Committee members with a view to them deciding on future actions.

AAG/38 **2021/22 ANNUAL AUDIT REPORT**

Councillor Ritchie invited the external auditor to introduce the report. Elizabeth Jackson, Partner at Ernst Young, stated that the report was substantially complete and summarised the changes that had been made since the draft report had been considered at the December meeting.

There was a discrepancy of approximately £1m in the valuation by the external auditor and the Council of certain properties (leisure centres and operational buildings); this was not an error, but a different judgement on how these valuations were calculated. This discrepancy would not affect the Council's financial position, but would be noted in the report.

She went on to explain why the audit report could not be signed by the external auditor tomorrow as planned, and why it was necessary to extend the cash-flow assessment period from the end of March 2024 to June 2024. This delay was caused by a national issue regarding the triennial pension valuations, and local authority audits could not be signed until the National Audit Office resolved the issue.

Once resolved, Ernst Young would be able to sign and then the Council's statement of accounts could be adjusted and finalised. The external auditor was confident that the report could be signed before the District and Parish elections on 4 May, although this could not be guaranteed at this stage.

AAG/39 **STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION**

Following the discussion on the previous item, the external auditor agreed that it would not be necessary for the accounts, once finalised, to return to Audit Committee for approval, given that the details in those accounts had been scrutinised in depth and the outstanding issue would not have an impact on the outturn or reporting to 31 March.

RESOLVED

To delegate approval of the Statement of Accounts to the Chairman of the Audit Committee in consultation with the Director of Resources, to be signed once the audit had been completed.

AAG/40 **FINANCIAL REPORTING AND AUDIT**

Councillor Ritchie stated that since 2015/16 the national audit completion rate had fallen from 97% to 12% in 2021/22. The difficulties that HDC had experienced when looking for an external auditor reflected this national picture and the DLUHC's current inquiry into financial reporting and audit was an opportunity to share this experience. He suggested that this information should be shared with the Institute of Chartered Accountants as well if their recent report called for evidence.

RESOLVED

- (i) To respond, via a letter from the Chairman of the Audit Committee on behalf of the Audit Committee, to the DLUHC inquiry before Monday 17 April 2023.

## REASON

- (i) To provide evidence to help DLUHC Committee examine how local authority financial reporting could be improved to better engage with taxpayers and other stakeholders.

### AAG/41 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided a progress report of internal audits carried out during Quarter 3 of 2022/23. Of the five formal audits finalised during the quarter, one received an opinion of 'substantial assurance' and four received an opinion of 'reasonable assurance'.

Details of the internal audit highlighted at the meeting included: Contract Management received 'reasonable assurance', which was an excellent outcome compared to previous years; Emergency Planning and Capitol Cultural Compliance had both previously received 'partial insurance' and had now improved to 'reasonable assurance'; and Payroll received 'substantial assurance'. The Chief Internal Auditor also confirmed that the RAG score for all performance indicators was green.

The Committee noted the contents of the report.

### AAG/42 **INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24**

The Chief Internal Auditor presented the Internal Audit Strategy and Annual Plan for 2023/24.

The strategy proposed an approach based on focusing audit resources in areas with the highest risk to the achievement of the Council's objectives. These areas had been identified and prioritised based on the Council's own risk assessment processes and following consultation with senior officers and Members.

In order to ensure audit and assurance activity would be focussed on supporting the delivery of the Council's priorities, the audit plan had taken into account the key corporate goals of the Council as set out within the Council's Corporate Plan.

## RESOLVED

- (i) To approve the Council's Internal Audit Strategy and Annual Plan 2023/24.

## REASON

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).

- (ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/43 **INTERNAL AUDIT - EXTERNAL ASSESSMENT REPORT**

The Chief Internal Auditor advised that an independent external quality assessment of the Orbis internal audit service had been undertaken by the Chartered Institute of Internal Auditors in October/November. This showed the service to be fully compliant with the professional standards.

Councillor Ritchie stated that the report was a reflection of the high quality of work undertaken by Orbis and asked that his comments and thanks be passed to relevant officers.

AAG/44 **DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23**

The Director of Resources reported that 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 2022/23.

The Director of Resources drew attention to the Council's governance arrangements, as there had been some minor governance issues, as set out in Appendix A of the report. These were being addressed in the action plans to help achieve improvements.

The Action Plan for 2023/24 included some issues that had been actioned in 2022/23, but needed some further work to embed them into the Council's culture, namely the use of the modern.gov report-writing system and management of bullying and harassment. The Director of Resources highlighted the areas for improvement regarding Procurement, which were required because of new regulations being introduced later this year.

RESOLVED

- (i) To approve the draft Annual Governance Statement for 2022/2023.

REASON

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

AAG/45 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Resources presented the Risk Management Quarterly Update to the Committee. The report included an update on the Corporate Risk Register for consideration and provided an update on progress with the quarterly departmental risk register reviews.

It was reported that there were six risks considered to be high, as set out in 3.3 of the report, compared to four in the previous quarter: CRR17 Housing Benefit Subsidy claim had risen from amber to red; and CRR38 regarding the recruitment and retention of officers in some key service areas was a new red risk.

The Director of Resources advised that recruitment to specialist posts had become more difficult, but measures were being taken to retain and train existing staff. The success of the graduate trainee scheme was noted, although it was acknowledged that such schemes took time to bear fruit. He stated that the use of locums and interim staff was currently high because of these difficulties, largely caused by the pandemic and cost of living crisis. Councillor Ritchie suggested that the use of interim and temporary staff could be added to the risk management report. Councillor Boffey suggested officers also consider whether the impact from additional burdens from Government should also be reflected in the risk management report.

A new risk, CRR39, had been added regarding the new requirement for voter ID to be shown at the upcoming election. It was noted that Covid-19 infection had been removed from the risk register.

#### RESOLVED

That the contents of the report be noted.

#### REASON

As part of good governance, it is important that Members understand the key risks facing the Council.

#### AAG/46 **2021 - 2022 HOUSING BENEFIT AUDIT**

The Director of Resources advised that the audit of the 2021/22 Housing Benefit subsidy claim had been completed in March and identified that errors were likely to exceed the lower threshold after which the Council will lose subsidy, with a likely loss of £65,416.

This was caused by errors identified internally and also in the 2021/22 audit undertaken by KPMG where significant and complex testing was undertaken.

The Director of Resources stated that the department had been under a constant and significant pressure over the last three years. This was for a number of reasons including last minute Government changes to business rates, caseloads increasing, and distribution of additional Government grants exceeding £50m, they had been required to process during and after the pandemic. He also advised that a higher level of temporary staff had added to the challenge, following experienced staff leaving during the pandemic and the service was finding it difficult to recruit and retain staff, therefore using temporary staff as cover, which brought with it a higher risk of a reduction in

quality. In addition, higher levels of quality assurance checking was identifying more errors.

Members discussed the pressures on the Revs and Bens team and noted the range of measures being put in place to address the challenges facing the team. The Director of Resources reminded Councillors that the improving quality measures might take some time to feed through, such that there was a high probability that further subsidy might be lost in 2022/23 as well.

RESOLVED

To note (a) the expected loss of subsidy that has been identified in the audit of the 2021-22 Housing Benefit claim, and, (b) the measures being taken to improve the process and reduce errors in the future.

REASON

To make the Audit Committee aware of the subsidy loss and the measures taken to reduce the risk of future subsidy loss.

AAG/47 **URGENT BUSINESS**

There was no urgent business. Councillor Ritchie closed the meeting by thanking Committee members, and stating that they had been very well served by officers with a high degree of professionalism. Members thanked Cllr Ritchie for his work as Chairman of the Committee.

*The meeting closed at 6.40 pm having commenced at 5.30 pm*

CHAIRMAN



**Audit Committee**  
**24 MAY 2023**

Present: Councillors: Len Ellis-Brown, Tony Hogben, Richard Landeryou,  
Dennis Livingstone, Belinda Walters and Mike Wood

Apologies: Councillors: Anthony Frankland

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor Mike Wood be elected Chairman of the Committee for the ensuing Municipal Year.

AAG/2 **ELECTION OF VICE CHAIRMAN**

RESOLVED

That Councillor Dennis Livingstone be elected Vice-Chairman of the Committee for the ensuing Municipal Year.

AAG/3 **TIMES OF MEETINGS FOR THE MUNICIPAL YEAR**

RESOLVED

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

*The meeting closed at 6.44 pm having commenced at 6.39 pm*

**CHAIRMAN**

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# Horsham District Council Audit Results Report

Year ended 31 March 2022  
July 2023

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letter.

Building a better  
working world

Agenda Item 5

3 July 2023



*Horsham District Council  
Chart Way  
Horsham  
RH12 1RL*

*Dear Audit Committee Members*

*We are pleased to attach our final Audit Results Report for the forthcoming meeting of the Audit Committee, summarising the status of our audit and findings to date. We will update the Audit Committee at its meeting scheduled for 12 July 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion. This report updates the previous version of the report presented to the Audit Committee on 29 March 2023.*

*The audit is designed to express an opinion on the 21/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Horsham District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.*

*This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. 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 this report with you at the Audit Committee meeting on 12 July 2023.*

*Elizabeth Jackson  
Partner*

*For and on behalf of Ernst & Young LLP*

*Encl*

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between 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 “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Horsham District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Horsham District Council those matters we are required to state to them in this report and for no other purpose. To the **fullest** extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Horsham District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



**01**

## Executive Summary



## Executive Summary

### Scope update

*In our audit planning report presented at the 29 April 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. Below we have highlighted the changes to that scope:*

#### **Changes in materiality**

*We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.45m (Audit Planning Report – £1.50m). This results in updated performance materiality, at 75% of overall materiality, of £1.07m, and an updated threshold for reporting uncorrected misstatements of £71,225.*

*We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:*

- ▶ *Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.*
- ▶ *Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.*

### Status of the audit

*Our audit of Horsham District Council for the year ended 31 March 2022 is substantially complete at the time of writing this report. We will provide an update on the status of the audit at the 12 July meeting. Until work is complete, further amendments may arise:*

- ▶ *Final memo from EYRE review concluding their work on sample of investment property valuations;*
- ▶ *Completion of the additional work arising from the updated IAS19 valuation report based on the new triennial valuation as at 31<sup>st</sup> March 2022 (see details set out in section 02);*
- ▶ *Final engagement partner review of the file;*
- ▶ *Completion of subsequent events review;*
- ▶ *Review of final version signed Statement of Accounts; and*
- ▶ *Receipt of the signed management representation letter.*

### Audit differences

*In the work completed to date, we have identified two adjusted differences relating to the pension fund asset and the National Non-Domestic Rate creditors. Full details are available in section 04. We have also identified a small number of disclosure amendments that have been made to the final version of the accounts.*

*Since our last reporting in March 2023, we have identified two uncorrected misstatements in the accounts that management has declined to amend. The details of the differences are set out in section 04.*



## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

*Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.*

*The specified reporting criteria are:*

- *Financial sustainability*  
*How the Council plans and manages its resources to ensure it can continue to deliver its services;*
- *Governance*  
*How the Council ensures that it makes informed decisions and properly manages its risks; and*
- *Improving economy, efficiency and effectiveness:*  
*How the Council uses information about its costs and performance to improve the way it manages and delivers its services.*

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### Status of the audit – Value for Money

*We have completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment as part of our completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. This risk assessment will remain in progress until we are in a position to sign the audit report and will report any risks identified to you.*

*As a result of the work completed for our planned VFM procedures, we have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report within 3 months of issuing the audit report.*





## Executive Summary

### Other reporting issues

*We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.*

*We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit and provide an update to the Committee following completion of this work. We have received the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22 and the Council remains below the reporting threshold.*

*We have no other matters to report.*

### Areas of audit focus

*Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.*

*We ask you to review these and any other matters in this report to ensure:*

- There are no other considerations or matters that could have an impact on these issues*
- You agree with the resolution of the issue*
- There are no other significant issues to be considered.*

*There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.*

### Control observations

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

*However, we have identified one deficiency in the Council's ability to obtain information in relation to some of its investment properties to support the valuation. See Section 07 for further details.*

### Independence

*We have no issues to report.*

*Please refer to Section 08 for our update on Independence.*



**02**

# Areas of Audit Focus



## Significant risk

Misstatements due to fraud or error \*

### What is the risk?

*The financial statements as a whole are not free of material misstatements whether caused by fraud or error. 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.*

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### What judgements are we focused on?

*As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.*

*We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:*

- *IAS 19 disclosures;*
- *NDR appeals provision; and*
- *Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.*

### What did we do?

*We have performed the procedures described in our original audit plan. Please see the following page for full details.*

### What are our conclusions?

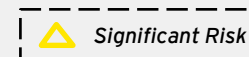
*Our work in relation to this risk is ongoing at the time of writing this report as the membership data testing for the triennial valuation to support the revised IAS19 report is in progress at West Sussex Pension Fund. However, this is unlikely to lead to any reporting issues for this risk as the testing does not relate to management bias.*

*Our audit work found no evidence that management had attempted to override internal controls.*

*We have not identified any instances of inappropriate judgements being applied.*

*We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.*

*This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.*





# Significant risk



### Further details on procedures/work performed

*We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.*

*We have:*

- Inquired of management about risks of fraud and the controls put in place to address those risks.*
- Understood the oversight given by those charged with governance of management's processes over fraud.*
- Considered of the effectiveness of management's controls designed to address the risk of fraud.*

*performed mandatory procedures regardless of specifically identified fraud risks, including:*

*Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.*

*Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:*

- IAS 19 disclosures;*
- NDR appeals provision; and*
- Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.*

*We found that the valuation method for each of the above has not changed from prior years.*

- Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.*
  
- In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.*



# Significant risk

### **Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure \***

#### **What is the risk?**

*Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.*

*From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.*

*Capitalised revenue expenditure can be funded through borrowing with only minimal Minimum Revenue Provision charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.*

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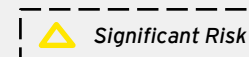
#### **What did we do?**

*Our approach focused on:*

- ▶ *For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16*
- ▶ *We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold*
- ▶ *Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.*

#### **What are our conclusions?**

*We are satisfied that capital additions made in the year met the requirements of IAS 16, and had been correctly capitalised.*





# Significant risk

### Valuation of Property, including investment property

#### What is the risk?

*The Council holds a significant investment in retail property. The valuation of property is complex and subject to several assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.*

*Difficulties in the retails sector have led to many retailers, including well-known names, closing stores, going into administration, or otherwise looking to reduce their rental costs by renegotiating existing leases.*

*These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers.*

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#### What did we do?

We have:

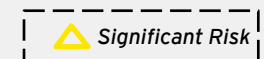
- *Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;*
- *Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);*
- *instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Councils Valuer*
- *Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.*
- *Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;*
- *Considered changes to useful economic lives as a result of the most recent valuation; and*
- *Tested accounting entries have been correctly processed in the financial statements;*

#### What are our conclusions?

*The work of our specialist (EY Real Estates) has been completed although we are waiting for the final version of their memo. We have had a number of meetings with the Council's valuer and officers to discuss the valuation of two investment properties selected for testing. We had not been able to obtain sufficient information initially about the valuation inputs of these assets.*

*For one of the assets, Swan Walk, the valuation was not updated for 2021/22 due to the timing of information provided by the management agent. This valuation has been reassessed by the Council's valuer and an amendment is needed to the Accounts before the audit report can be issued.*

*We are satisfied that the valuation of the assets are materially fairly stated.*





## Other risk

### Pension asset valuation

#### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £31,006k.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What did we do?

We have:

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Liaised with the auditors of West Sussex Pension Fund to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.

- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- Reviewed the Council's calculation of the impact of the 'McCloud' and 'Goodwin' judgement noting that the post balance sheet events did not have a material impact on the pension liability and therefore are not required to be disclosed as post balance sheet event.

#### What are our conclusions?

We identified that the pension asset value at 31 March 2022 used by the actuary in their report was overstated by £280k in the draft accounts. Management agreed to amend the accounts for this misstatement.

However, due to the audit being unsigned at the end of March 2023, the Council obtained an updated IAS19 valuation report based on the triennial valuation at 31 March 2022. This reported an understatement of £830k of the pension asset value.

As a result of the two misstatements, the net adjustment to pension asset in the final version accounts was an increase of £549k. Management has corrected this misstatement.

As at July 2023, our membership data testing at the West Sussex Pension Fund (WSPF) is still in progress. The revised IAS19 valuation report includes a material increase in the 'Other Experiences' figure provided by the actuary which forms part of the overall Pension Asset valuation figure included in the accounts. The reason for the increase is difficult to quantify and audit so we are placing reliance on the work at WSPF to obtain assurance for issuing the audit report.



# Other risk

## Accounting for Covid business grants

### What is the risk?

Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2021/22 statements. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2021/22.

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### What did we do?

We have:

- Reviewed the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
- Reviewed whether any initial conditions are attached to grants impacting their recognition;
- Assessed whether the accounting appropriately follows those judgements; and
- Checked the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

### What are our conclusions?

We are satisfied that officers have appropriately accounted for and disclosed Covid Business grants received in year.





# 03 Audit Report



## Draft audit report - example only

Note this is an illustrative draft of the audit report

### Our opinion on the financial statements

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

##### Opinion

We have audited the financial statements of Horsham District Council for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- and the related notes 1 to 32.
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial position of Horsham District Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that Director of Corporate Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Resource with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

##### Other information

The other information comprises the information included in the Statement of Accounts for the Financial Year 2021/22, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



## Draft audit report - example only

### Our opinion on the financial statements

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022

We have nothing to report in these respects.

#### Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of the Director of Corporate Resources Responsibilities set out on page 9, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

#### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,



## Draft audit report - example only

### Our opinion on the financial statements

- *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,*
- *Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)*
- *The Local Audit and Accountability Act 2014, and*
- *The Accounts and Audit Regulations 2015.*

*In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.*

*We understood how Horsham District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information.*

*Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.*

*We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.*

*Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, Risk of fraud in revenue recognition - sales, fees and charges income grant and management override of controls to be our fraud risks.*

*To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.*

*To address our fraud risk of fraud in revenue recognition - sales, fees and charges income grant we assessed whether the grant return appropriately followed the guidance, and whether the values included in the return were supported by relevant and appropriate evidence .*

*To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.*

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

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

*We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Horsham District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Horsham District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.*

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

*We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.*



## Audit Report

# Draft audit report - example only

### Our opinion on the financial statements

*We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.*

#### **Delay in certification of completion of the audit**

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

#### **Use of our report**

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

*Elizabeth Jackson (Key Audit Partner)*

*Ernst & Young LLP (Local Auditor)*

*Luton*

*Date*



# 04 Audit Differences





## Audit Differences

*In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known 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 that are uncertain or open to interpretation.*

### Summary of adjusted differences

*We report to you any misstatements greater than our nominal value of £73,000.*

*We identified two adjustments that have been made to the accounts:*

- The pension asset value at 31 March 2022 used by the actuary in their report was overstated. The effect of this was to decrease the pension asset by £280k. Following the initial work the Council needed to obtain a revised IAS19 report which identified an understatement of £830k based on the triennial valuation as at 31 March 2022. As a result, the net adjustment to the pension asset is a £549k increase; and*
- The National Non-Domestic Rates creditor did not reconcile to the Collection Fund. The effect was to understate creditors and overstate the NDR income by £105k.*

*We have no other corrected misstatements to report to you at the date of this report. We have identified a small number of disclosure amendments that have been made to the final version accounts. These include amendments to the following notes: Pensions; Financial Instruments; and Leases. None of the amendments required need to be individually reported to you.*

### Summary of unadjusted differences

*We have identified two uncorrected misstatements in the accounts that management has declined to amend.*

- 1) Our PPE valuation work identified that there was a difference between the WHE valuations and our recalculations due to the location factor changing from 1.08 in December 2021 to 1.11 in March 2022. The Council has determined that this doesn't lead to a material misstatement in the accounts. The location factor error impacts on the Council's assets valued using Depreciated Replacement Cost. We have assessed the potential judgemental error in the accounts and the maximum misstatement would be £1.055m. This is an estimation technique so we have concluded this as reasonable.*
- 2) An updated property valuation was obtained from WHE for Swan Walk and supplied to our EY Real Estate team, but no adjustment was made for the new valuation in the financial statements. The difference between the old and new valuations is £98k.*



**05**

# Value for Money Risks







# Value for money

## The Council's responsibilities for value for money (VFM)

*The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.*

*As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.*

## Risk assessment

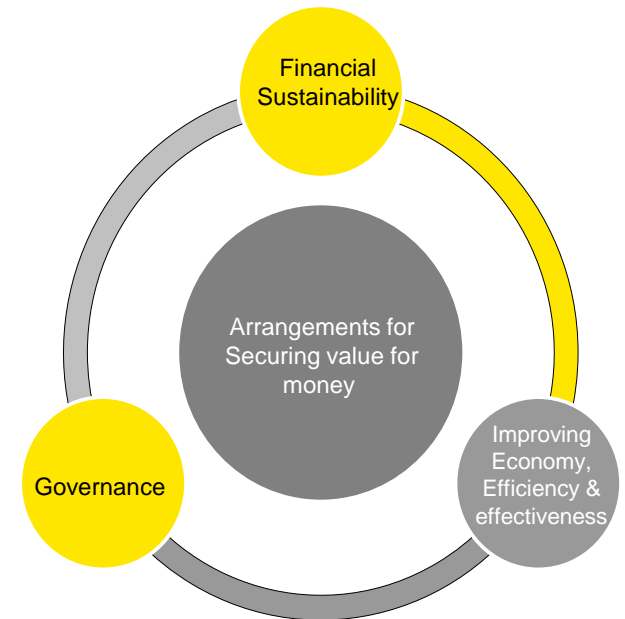
*We have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any new risks for 2021/22.*

*The risk assessment will remain in progress until we are in a position to sign the audit report and will report any new risks identified to you.*

## Status of our VFM work

*We have completed our planned VFM procedures at the date of drafting this report and have no matters to report by exception in the auditor's report (see Section 03).*

*We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report within three months of issuing the audit report.*





# 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

*We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.*

*We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.*

*Financial information in the Narrative Statement in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.*

*We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.*

### Whole of Government Accounts

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

*We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit and provide an update to the Committee following completion of this work. We have received the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22 and the Council remains below the reporting threshold.*

### Other powers and duties

*We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.*

*We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.*

### Other matters

*We have no other matters to report.*



**07**

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

*Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client.*

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

*As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.*

*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.*

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

*However, we would like to bring an internal control deficiency to your attention:*

*Access to information held by management agents of the Council's investment properties - the Council needs to ensure that it has access to all information in a timely manner from the management agents of its investment properties. The difficulty in obtaining information has led to a likely misstatement in the valuation of one of the investment properties as at 31 March 2022. Due to the complexities of valuing this type of asset, the Council should review its access to information and strengthen arrangements with the management agents to ensure the draft accounts are based on the most up to date information. The valuation of these assets requires the valuation inputs to be verified to source data and we are not currently able to do this as we have been unable to obtain tenancy agreements and lettings information. We do however note the Council is a minority stakeholder in this arrangement, holding 15.5% of the investment, which increases the difficulty of holding the management company accountable for supplying the required information.*



**08**

# Independence

## Confirmation and analysis of Audit fees

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

At the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2022.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
Total Fee - Code work	38,572	38,572	38,572
Additional fee determined by PSAA (1)	TBC	-	24,460
<b>Total audit fee</b>	<b>TBC</b>	<b>38,572</b>	<b>63,032</b>

Note:

- As detailed in our 2020/21 Auditor's Annual Report we submitted a proposed rebasing of the scale fee. PSAA have now determined this fee for 2020/21. We will be submitting scale fee rebasing for 2021/22 following the conclusion of the audit. We requested an additional fee of £38,200 and PSAA determined that £24,460 could be invoiced in relation to this.

We will determine an additional fee for the 2021/22 audit once the audit work is complete and discuss this with management before submitting to PSAA for approval.

All fees exclude VAT.

## Other communications

### EY Transparency Report 2022

*Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.*

*Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:*

[EY UK Transparency Report 2022 | EY UK](#)









**09**

**Appendices**





# Required communications with the Audit Committee





There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - April 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - April 2022
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit planning report - April 2022

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# Appendix A

		 <b>Our Reporting to you</b>
Required communications	 <b>What is reported?</b>	  <b>When and where</b>
Going concern	<p><i>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</i></p> <ul style="list-style-type: none"> <li>• <i>Whether the events or conditions constitute a material uncertainty</i></li> <li>• <i>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</i></li> <li>• <i>The adequacy of related disclosures in the financial statements</i></li> </ul>	<p><i>No conditions or events were identified, either individually or together to raise any doubt about Horsham District Council's ability to continue for the 12 months from the date of our report</i></p>
Misstatements	<ul style="list-style-type: none"> <li>• <i>Uncorrected misstatements and their effect on our audit opinion</i></li> <li>• <i>The effect of uncorrected misstatements related to prior periods</i></li> <li>• <i>A request that any uncorrected misstatement be corrected</i></li> <li>• <i>Material misstatements corrected by management</i></li> </ul>	<p><i>Audit results report - December 2022, March 2023 and July 2023</i></p>
Subsequent events	<ul style="list-style-type: none"> <li>• <i>Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</i></li> </ul>	<p><i>Audit results report - December 2022, March 2023 and July 2023</i></p>
Fraud	<ul style="list-style-type: none"> <li>• <i>Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</i></li> <li>• <i>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</i></li> <li>• <i>Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:</i> <ul style="list-style-type: none"> <li>• <i>Management;</i></li> <li>• <i>Employees who have significant roles in internal control; or</i></li> <li>• <i>Others where the fraud results in a material misstatement in the financial statements.</i></li> </ul> </li> <li>• <i>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</i></li> <li>• <i>Any other matters related to fraud, relevant to Audit Committee responsibility.</i></li> </ul>	<p><i>Audit results report - December 2022, March 2023 and July 2023</i></p>





		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit results report - December 2022, March 2023 and July 2023
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, 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"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report - April 2022 and Audit results report - December 2022, March 2023 and July 2023
External confirmations	<ul style="list-style-type: none"> <li>• Management’s refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report - December 2022, March 2023 and July 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report - December 2022, March 2023 and July 2023
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report - December 2022, March 2023 and July 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report - December 2022, March 2023 and July 2023

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# Appendix A

		 <b>Our Reporting to you</b>
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - December 2022, March 2023 and July 2023
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report - April 2022 and Audit results report - December 2022, March 2023 and July 2023
Certification work	<ul style="list-style-type: none"> <li>Summary of certification work</li> </ul>	Certification Report (if required)

# Management representation letter

## Management Rep Letter

Elizabeth Jackson  
Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

*This letter of representations is provided in connection with your audit of the financial statements of Horsham District Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Horsham District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*

*We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.*

*Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:*

### **A. Financial Statements and Financial Records**

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.*

- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.*
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.*
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.*
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[reasons to be specified in signed letter\]](#).*

### **B. Non-compliance with law and regulations, including fraud**

- 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.*
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.*
- 3. We 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.*

# Management representation letter

## Management Rep Letter

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- 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.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 7 December 2022.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are 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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. We 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.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. 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.

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 31 to the financial statements all guarantees that we have given to third parties



# Management representation letter

## Management Rep Letter

### **E. Going Concern**

1. *Note 32 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans*

### **F. Subsequent Events**

1. *There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.*

### **G. Other information**

1. *We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.*
2. *We confirm that the content contained within the other information is consistent with the financial statements.*

### **H. other information**

1. *We acknowledge our responsibility for the preparation of the other information. The other information comprises of the Narrative Statement*
2. *We confirm that the content contained within the other information is consistent with the financial statements.*

### **I. Use of the Work of a Specialist**

1. *We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension and have adequately considered the qualifications of the specialists 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 specialists 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 specialists.*

### **J. Estimates**

1. *We confirm that the significant judgments made in making the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, and in generating the IAS19 pension ("the accounting estimates") have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.*
2. *We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.*
3. *We confirm that the significant assumptions used in making the accounting estimate appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.*
4. *We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*
5. *We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.*
6. *We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.*

### **K. Retirement benefits**

1. *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.*

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ED None

*This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.*

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**Horsham  
District  
Council**

# Statement of Accounts 2021/22

Unaudited

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# Narrative Statement

## INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2021/22. The Council's finances are complex and the Council is required by law to include a large amount of detail and to present much of this in a prescribed format. Every effort has been made to make this report as understandable as possible. This Narrative Report to the Statement of Accounts presents an overview of the Council's accounts for the financial year 1 April 2021 to 31 March 2022 and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business. It includes comment on the financial performance and economy, efficiency and effectiveness in the use of resources over the financial year and in the context of the Medium-Term Financial Strategy.

## BASIS OF PREPARATION

The Accounts 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 2021/22. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

## ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Horsham District is the second largest local authority district in West Sussex which covers a large area of open countryside, small towns and villages. There are 32 parishes each with its own parish council. The population is around 147,000 people with over 45,000 of these living in Horsham and the immediate area. Billingshurst, Southwater, Henfield, Pulborough, Storrington and Steyning are the other main centres of population with the remaining residents living in the surrounding parishes.

There is a strong administrative and service sector presence in the district alongside a retail sector with more than 4,000 commercial premise-based businesses, plus a number of small businesses run from residential properties.

In addition to financial pressure from government cuts and the impact of new legislation, the Council has been focusing on strengthening resilience in its operations and policies including financial and staffing resilience. The Council's excellent record of sound financial management puts the Council in a good position to withstand the financial challenges it faces in the future.

## GOVERNANCE

The District Council has adopted the Cabinet model of governance with a Leader, Deputy Leader and Cabinet Members. 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. The whole Council approves the Council's expenditure plan and the budget, as part of the process of setting the Council Tax each year. The Council has 48 elected Councillors.

The 2019-2023 Corporate Plan identifies key priorities that have been grouped and presented under five broad headings which cover the economic, environmental, social and organisational responsibilities.

<https://www.horsham.gov.uk/council-democracy-and-elections/finance-and-council-performance/corporate-plan>

- A great place to live - creating well balanced communities that meet residents' needs
- A thriving economy - increasing economic growth and create new local jobs
- A strong, safe and healthy community - ensuring Horsham District remains one of the best places in Sussex to live
- A cared-for environment - prioritising the protection of our environment as we move to a low-carbon future
- A modern and flexible Council – making it easy for our residents to access the services that they need

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. There have not been any significant changes in, or issues around, governance arrangements in the year. The Audit Committee monitors the action plan of any identified governance improvement areas.

## PERFORMANCE DURING 2021/22

The Council monitors financial and non-financial performance indicators on a monthly basis. It measures and publishes its performance using a set of 32 key performance indicators which cover many of the Council's key services. The

performance figures for the 2021/22 year are reported quarterly to Overview and Scrutiny Committee, with the final outturn reported in June. The Council also reviews delivery of the Corporate Plan objectives at this meeting.

These indicators show performance remained good across a lot of areas, with nearly 89% of indicators at, or close, to target. Of the three indicators outside the target, the museum had remained closed for refurbishment for the first half of the year, and the surge in numbers of households in Bed and Breakfast and temporary accommodation had risen as a result of the eviction ban lifting. The numbers have stabilised, and actions are being taken to reduce the numbers to target levels.

### Employees

The number of permanent employees was 368.3 FTE at 31 March 2022 (361.6 at 31 March 2021). There were 6.0 sickness days per FTE employees (5.1 days at 31 March 2021) and remains below the 7 day target. No trends needing intervention were identified. The Council publishes equality and diversity data such as the gender pay gap, as well as other HR and Trade Union reporting data, made available on the website at:

<https://www.horsham.gov.uk/communitysupport/community-support/equality.-diversity.-human-rights>

### Local taxpayers

During the year, the Council collected £124.24m in Council Tax on behalf of West Sussex County Council, the Sussex Police and Crime Commissioner and Horsham District Council and its towns and parishes. Around 91% of this was passed on to the other authorities. The collection rate for the year was 98.48% of the total amount due which was more than 2020/21 (98.31%). Collection of the remainder will continue into 2022/23 and the target of 98.8% remains unchanged for future years.

### Provisions and write-offs

An allowance has been made for Council Taxpayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2022. A total of £2.72m (£2.74m in 2020/21) has been allowed against debts of £4.46m (£4.02m in 2020/21) outstanding as at 31 March 2022. The Council's share of the allowance is £310k (£315k in 2020/21).

An allowance has also been made for Business Ratepayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2022. A total of £1.01m (£1.37m in 2020/21) has been allowed against debts of £1.02m (£2.35m in 2020/21) outstanding as at 31 March 2022. The Council's share of the allowance is £406k (£546k in 2019/20).

In 2021/22 there has been £0.175m of uncollectable amounts written off (£0.260m in 2020/21).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022 has been made of £4.04m (£5.01m in 2020/21). The Council's 40% share is £1.62m (£2.00m in 2019/20), as detailed in the Provisions note 18. The reduction is a result of several appeals being settled during the year.

### BUDGET 2021/22

In 2021/22, the total expenditure incurred by the Council was £66.7m; this is excluding non-cash costs charged to the services such as depreciation, impairment costs and pension adjustments. Of this, the Council pays around 50% in housing benefit to many residents in the district on low incomes. This money is repaid by the Government as a subsidy.

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.

The Council approved a net General Fund Revenue budget for 2021/22 of £13.0m at the formal meeting on 10 February 2021. To support with the increased cost of further Covid 19 restrictions an additional budget of £1.1m was added to the General Fund Revenue budget for 2021/22 at a formal meeting on 28 April 2021.

Net expenditure		<b>14,139</b>
Funded by:	<b>Council Tax</b>	(10,251)
	Business Rates baseline	
	Funding	(2,052)
	Collection fund deficit	1
	One off Government funding	(717)
	Total funding	<b>(13,019)</b>
	Deficit	<b>1,120</b>

## CORE STATEMENTS

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing Services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2021/22, rather than the amount to be funded from taxation.

Movement in Reserves Statement – This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year.

Balance Sheet – The Balance Sheet sets out the financial position of the Council as at 31 March 2022 and consolidates the individual balance sheets of the General Fund and Collection Fund. It shows the value as at the year-end date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Cash flow statement – This statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

## REVENUE OUTTURN FOR 2021/22

The Council monitors its expenditure and income against budget on a monthly basis, regularly reporting to Cabinet and to Overview and Scrutiny (O&S) Committee on a quarterly basis. The 2021/22 year-end revenue and capital outturn is reported to O&S Committee in June.

The variance against original budget was reported as a surplus of £2.11m. A budget of £16k has been carried forward to 2022/23 for Economic Development to continue their training and support to local businesses.

After allowing for the budgeted transfers to reserves and other transfers to earmarked reserves, the operational outturn deficit has increased the in-year deficit on the General Fund to £1.663m as shown below.

	£000
<b>Outturn variance reported</b>	<b>(2,111)</b>
Budgets brought forward from 2020/21	4
Budgets carried forward to 2021/22	(16)
Services funding from Government	(1,201)
S31 Government Grants	(2,926)
Collection fund Deficit	7,950
Other adjustments	(37)
<b>Surplus on General Fund (after transfers to earmarked reserves)</b>	<b>1,663</b>

The General Fund shows a net deficit of £1.663m on expenditure and income transactions in the year. The Comprehensive Income and Expenditure Statement shows a surplus for the year of £29.32m, comprising a surplus on the provision of services of £14.381m and a surplus of £14.939m on the revaluation of non-current 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. The surplus for the year represents the total amount by which the Council's overall net worth has increased over the year as shown in the Balance Sheet.

In addition to the net General Fund deficit of £1.663m 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 £2.392m is a charge for the use of assets that reflects the notional consumption of assets during the year and revaluation decreases of £3.113m have been recognised on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £3.044m 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 £7.407m have been credited in accordance with proper accounting practice. However, these grants are used to fund the Council's capital programme and do not fall into the General Fund.
- iv) **A charge for pensions** of £3.279m representing the difference between the accounting cost of pensions of £5.760m (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions of £2.481m paid to the West Sussex Pension Fund. Further details of the movement in the pension fund liability are shown in note 30.
- v) **A gain on the disposal of assets** of £0.684m. 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.

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 2021/22 the amount set aside was £0.92m (2020/21 £0.88m). This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

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.

The table below summarises these accounting adjustments:-

	<b>£000</b>
<b>Deficit on General Fund</b>	<b>1,663</b>
Transfers (to) / from earmarked reserves	(5,114)
<b>Accounting adjustments</b>	
Charge for depreciation	2,392
Revaluation of non-current assets	(3,113)
Revenue expenditure charged to capital	3,044
Capital grant income	(8,531)
IAS19 pension costs	3,279
(Gain) / loss on disposal of assets	(684)
Minimum Revenue Provision	(918)
Share of in year deficit on the Collection Fund	(5,298)
Other technical adjustments	(1,101)
Surplus on provision of services per CIES	<u>(14,381)</u>

## **CAPITAL EXPENDITURE**

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.

Against a final capital plan of £8.3m in 2021/22, the Council's capital spending for the year was £4.7m across a range of 24 capital schemes with the largest being:

- £1.1m on disabled facilities using Government grant funding to help disabled residents live in their homes
- £0.9m on Housing Enabling grants, to help towards the provision of affordable housing in the district.
- £0.9m on S106 and CIL infrastructure spend by parishes
- £0.7m on the refurbishment and carbon reduction improvements at St Peter's Hall

The 2021/22 capital programme did not move forward at the expected rate during the year. Spend on vehicle replacement was curtailed by approximately £0.6m as the Council reviewed the strategy to re-use or replace using alternative fuels such as electric vehicles. A £0.7m extension at an industrial estate unit was paused due to a third party pausing the development, other large projects were delayed due to lengthy consultation or contract negotiation processes. Where projects are continuing, the unspent capital budget has been re-profiled into 2022/23 and later years.

Where not re-profiled, unspent budgets are removed from the capital programme, as the original schemes are either superseded or no longer needed. The 2022/23 capital programme will be £12m.



## FINANCIAL POSITION AT 31 MARCH 2022

The net worth of the District Council is shown in the Balance Sheet. It has increased by £29.32m from 31 March 2021.

Property, Plant and Equipment value has increased by £6.3m to £114.2m including surplus assets, with additions of £1.4m, depreciation of £2.4m, overall net upward revaluations of £4.3m. Investment Property value has risen by £1.7m to £59.7m due to £1.8m in net gains from fair value adjustments, £0.1m additions and £0.2m disposal in year.

The net pension asset increased by £5.7m from a net pension surplus of £31.0m at 31 March 2021 to a net pension surplus of £36.7m at 31 March 2022. The value of assets decreased less than the decrease in liabilities from changes in the financial assumptions on salaries, inflation and future liability discounts used by the Actuary. This position is a snapshot of the actuarial assessment at the Balance Sheet date and does not mean that the pension fund will remain in surplus in the future. Asset values of the fund can decrease and the liabilities can also significantly increase in the future.

A full triennial valuation of the Fund was undertaken at 31 March 2022 and the employer contribution rates were agreed for the three years from 1 April 2023. The contribution rate for 2022/23 is 18%. The Council relies on and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Full details of the movement in the liability are shown in note 30.

The level of usable capital and revenue Reserves increased by £8.56m to £66.9m during 2021/22. The Council's level of General Reserves held at 31 March 2022 stands at £23.3m. Given our intention to become financially independent in the medium term, our reserves will enable us to invest in transformation as well as mitigate against any financial uncertainty from the multiple and various risks faced. A policy was developed during 2017 for the New Homes Bonus reserve to strengthen the Council's ability to generate income from appropriate investments in order to receive income to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's residents. Further details on reserves can be found in note 19.

The Council does not have any borrowing.

## FINANCIAL OUTLOOK INCLUDING STRATEGY AND RESOURCE ALLOCATION

The Covid-19 pandemic legacy continued to have an impact on the lives of our residents and businesses during 2021/22. The Council too remains affected by a reduction of income and higher levels of expenditure compared to pre-pandemic. Whilst a £2.1m operational surplus was produced in 2021/22, this was in the context of a very cautious budget set in lockdown in January 2021. Net expenditure was still £1m higher than 2019/20 levels, so there is still some way to go as new habits such as hybrid working have become semi-permanent. Restructure actions taken at the end of 2020 contributed a saving of approximately £1.4m per year going forward which have helped.

Operationally, the impact has fallen heavily on Revenues and Benefits, both from increased benefit claims and the application of the measures announced by The Chancellor to support businesses through grant funding, and rate reliefs and rate discounts during the pandemic. The Council received close to £10m of grant funding from Government in 2021/22 and paid out close to £9.9m during the year across ten complex and detailed grant schemes, helping to support many hundreds of businesses that were forced to close or were severely affected by the restrictions and lockdowns. £7.4m of this was spent as agent transactions, where the Council paid set amounts to specific businesses for specific periods of time effectively on behalf of Government. £2.5m was spent as principal transactions, where the Council was given the grant funding and had discretion on amounts and recipients to support businesses on a case-by-case basis under broader, more localised criteria.

The principal transactions are reported in the CIES and grant disclosure note 10. The additional costs of the extra administration were broadly met by new burdens grants during 2021/22 as Government recognised the impact on local authorities, but there is a continuing impact on the Revenues and Benefits and Finance payment teams too.

Income largely met the 2021/22 budget across most services, albeit that the budgets were dampened for the expected impact of Covid-19 when set in lockdown in February 2021. Parking income remains £0.6m below the pre-pandemic levels, with lower numbers of annual season tickets being sold as customer habits changed to more flexible working patterns. The numbers of parking customers has generally recovered but dwell time has lagged. Income may therefore never return to previous levels. Deferral and write-off of some rents and some re-negotiations of rent levels continues to affect a small proportion of property investment income. Support for the leisure centres reduced in 2021/22 as numbers of users returned and the Council anticipates that the leisure contract will return to management fee income in 2022/23.

At 31 March 2022, the Council has £23.3m of general fund reserves and £23.6m of earmarked reserves including £12.6m in New Homes Bonus. It is expected that £0.107m will be used to top the transformation fund back up to £0.5m, providing funds to drive transformational changes in the future. The Council will continue to harness the digital opportunities to better meet customer expectations and needs and also reduce the re-keying of data. Transformation will help protect the level of general fund reserves with an aim to keep them above the £6m minimum level of general reserves that Members agreed upon in 2012. The Council is also due to receive £2.1m in New Homes Bonus during 2022/23 which is not ring-fenced, nor presently taken into the revenue budget.

The values in the balance sheet at 31 March 2022 are just a snapshot in time and the value of the asset base, investment assets and pension fund assets continue to fluctuate. The value of pension fund and treasury investments have continued to hold up. Income from treasury investments suffered from near zero interest rates on short term cash for much of the year, but were held up by the income from the longer-term pooled funds.

The 2021/22 budget was set in February 2021 to balance with the help of Government Covid-19 related grants. The ongoing risk though is that the Council will not be able to return to previous levels of income if consumer habits permanently change and that the rate of inflation continues at close to double-digit levels, but the Government grants fall away as expected. Greater detailed budget monitoring and forecasting will be key to understanding 2022/23 in more detail, especially as events outside the Council's control play out with regards to inflation. The current cost of living crisis is expected to continue in 2022/23 and beyond, early identification of issues will help the Council take action to further mitigate overspends and reduce the impact on cash flows. A £1m earmarked reserve for inflationary pressures has been set aside to mitigate the risk of inflation related overspends in 2022/23 as well as the Council using existing reserves to support residents.

The Director of Resources regularly reports to the Council on the basis of the latest information available, so that the risks and opportunities can be considered and evaluated. The Medium-Term Financial Strategy will be regularly revisited during 2022/23 as it was in 2021/22, updating the assumptions. The outcome from forthcoming Government reviews of Business Rates and Fair Funding together with costs of decarbonisation during the decade and any implementation of food waste, leaves significant uncertainty for the financial position in the future.

The Council's cash flow remains healthy. At the current year-end, the Council has £15m of cash and cash equivalents. The value of treasury investments including those classified as cash and cash equivalents ended the year at £10.5m.

Over the last 12 months, the Council has made some significant decisions that will affect the future use of the Council's resources and will impact on the financial position of its Balance Sheet. The following significant capital expenditure has either been completed in 2021/22 or is planned to complete over the next twelve months:

- Completion of the Warnham nature reserve discovery hub; £0.5m visitors centre building at the nature and conservation reserve. The Council was awarded a £0.28m grant by the European Agricultural Fund for Rural Development who support investment in public recreational infrastructure to help fund this.
- £1m in 2022/23 of a £2.6m extension to an Industrial estate unit, completing in 2023/24.
- £1m in 2022/23 of a £2.5m public realm strategy design and delivery, completing in 2023/24.
- £0.75m in 2022/23 of a £2.6m community building and nursery at Highwood.

## **RISKS AND OPPORTUNITIES**

The medium-term financial strategy takes a prudent but balanced view of the financial future but continuing to take further action is also important to also help mitigate the risks that the Council faces over the medium term. These risks are set out in summary below and include:

- significant economic uncertainty from world events, especially on the global supply chain and inflation.
- income may be significantly affected by external factors such as recession, or by permanent changes to consumer behaviour
- changes to organisation processes or ICT infrastructure that slow the achievement of strategic objectives.
- a solution to develop a water neutrality mitigation strategy cannot be found and a Local Plan is not developed.
- further or steeper funding cuts / to help government meet their financial targets especially beyond the current settlement period (2023).
- Fair Funding Review outcomes, including any impact on locally generated sales, fees and charges.
- legislation forcing local government to pick up additional responsibilities that we don't yet know about.

The work under the transformational programme has identified several medium-term opportunities that could be developed to mitigate some of these risks. The Council will also continue to pursue opportunities that deliver savings and / or generate income whilst retaining a good quality of service delivery.

## **FURTHER INFORMATION**

Interested members of the public have a statutory right to inspect the accounts from 4 July 2022 to 12 August 2022. The notice was placed on the Horsham District Council website, under the Finance and Performance Service - Statement of Accounts.

Further information on the contents of this publication can be obtained from the Director of Resources; Dominic Bradley ([Dominic.Bradley@horsham.gov.uk](mailto: Dominic.Bradley@horsham.gov.uk)) or the Head of Finance and Performance; Samantha Wilson ([Samantha.Wilson@horsham.gov.uk](mailto: Samantha.Wilson@horsham.gov.uk)), at Horsham District Council, Parkside, Chart Way, Horsham, West Sussex RH12 1RL.

It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

## Statement of Responsibility 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.

### CERTIFICATION OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2021/22 present a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2022.

**Dominic Bradley C.P.F.A.**  
**Director of Resources**

### APPROVAL OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2021/22 have been approved by the Council's Audit Committee under delegated powers at a meeting held on

**Councillor Michael Wood**  
**Chairman of the Audit Committee**

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## Movement in Reserves Statement

	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2020</b>	(25,191)	(2,088)	(10,646)	(37,925)	(156,681)	(194,605)	
Movement in reserves during 2020/21:							
(Surplus) or deficit on provision of services	(13,570)	0	0	(13,570)	0	(13,570)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(6,016)	(6,016)	
Total Comprehensive Expenditure and Income	(13,570)	0	0	(13,570)	(6,016)	(19,586)	
Adjustments between accounting basis & funding basis under regulations	(4,731)	366	(2,519)	(6,884)	6,884	0	7,11
Increase/Decrease (movement) in year	(18,301)	366	(2,519)	(20,454)	868	(19,586)	
<b>Balance at 31 March 2021 carried forward</b>	(43,492)	(1,722)	(13,165)	(58,379)	(155,813)	(214,191)	
Movement in reserves during 2021/22:							
(Surplus) or deficit on provision of services	(14,381)	0	0	(14,381)	0	(14,381)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(14,939)	(14,939)	
Total Comprehensive Expenditure and Income	(14,381)	0	0	(14,381)	(14,939)	(29,320)	
Adjustments between accounting basis & funding basis under regulations	10,981	89	(5,255)	5,815	(5,815)	0	7,11
Increase/Decrease (movement) in year	(3,400)	89	(5,255)	(8,566)	(20,754)	(29,320)	
<b>Balance at 31 March 2022 carried forward</b>	(46,892)	(1,633)	(18,419)	(66,944)	(176,567)	(243,511)	

## Comprehensive Income and Expenditure Statement

2020/21			2021/22			Note	
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
£000	£000	£000	£000	£000	£000		
2,780	(41)	2,739	Audit, Finance HR & Commissioning	2,761	(44)	2,717	
6,593	(2,090)	4,503	Leisure & Culture	5,296	(2,118)	3,178	
1,339	(16)	1,323	Corporate Management	1,287	(36)	1,251	
400	(1)	399	Customer Services	327	(2)	325	
4,217	(2,595)	1,622	Housing & Community Services	5,823	(3,674)	2,149	
1,880	(33)	1,847	ICT	2,178	(128)	2,050	
1,692	(116)	1,576	Legal and Democratic Services & Elections	1,827	(96)	1,731	
5,578	(4,750)	828	Parking	1,100	(4,840)	(3,740)	
5,735	(3,508)	2,227	Planning & Economic Development	6,614	(3,622)	2,992	
1,970	(273)	1,697	Property & Facilities	2,582	(264)	2,318	
9,796	(4,294)	5,502	Refuse, Cleansing & Environmental Services	11,637	(5,030)	6,606	
26,956	(26,809)	147	Revenues & Benefits	25,284	(25,320)	(36)	
<b>68,936</b>	<b>(44,526)</b>	<b>24,410</b>	<b>Cost of Services</b>	<b>66,716</b>	<b>(45,174)</b>	<b>21,542</b>	7
		3,602	Other operating expenditure			3,255	8
		(9,559)	Financing and investment income and expenditure			(8,010)	9
		(32,023)	Taxation and non-specific grant income			(31,168)	10
		<b>(13,570)</b>	<b>(Surplus) or deficit on provision of services</b>			<b>(14,381)</b>	7
			<b>Items that will not be classified to the (Surplus) or deficit on the Provision of Services</b>				
		789	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(5,958)	
		(6,705)	Actuarial (gains)/losses on pensions assets			(8,981)	30
		(100)	Surplus or deficit on revaluation of financial assets			0	
		<b>(6,016)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(14,939)</b>	
		<b>(19,586)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(29,320)</b>	



## Balance Sheet

<u>31.03.2021</u>		<u>31.03.2022</u>	<b>Note</b>
£000	<b>NON-CURRENT ASSETS</b>	£000	
	Property, Plant and Equipment		
104,161	- Other Land and Buildings	109,809	12
2,415	- Vehicles, Plant, Furniture & Equipment	1,788	12
283	- Assets under construction/Awaiting Development	5	12
1,057	- Surplus Assets	2,558	12
531	Heritage Assets	531	
57,996	Investment Property	59,746	13
8	Intangible Assets	0	
313	Assets Held for Sale	0	
31,006	Pension Asset	36,708	30
218	Long-term Debtors	214	
<u>25,162</u>	Long-term Investments	<u>28,651</u>	14
<b>223,150</b>	<b>TOTAL LONG-TERM ASSETS</b>	<b>240,010</b>	
13,415	Short - term Investments	40,279	14
91	Inventories	159	
5,862	Short -term Debtors	5,033	16
<u>20,981</u>	Cash and Cash Equivalents	<u>14,945</u>	15
<b>40,349</b>	<b>CURRENT ASSETS</b>	<b>60,416</b>	
<u>(19,431)</u>	Short-term Creditors	<u>(31,640)</u>	17
<b>(19,431)</b>	<b>CURRENT LIABILITIES</b>	<b>(31,640)</b>	
(394)	Provisions	(219)	18
(2,004)	Provision for Business Rates Appeals	(1,618)	18
(335)	Council tax and NDR appropriations	(449)	
(13,837)	Long-term liabilities - S106 Contribution	(9,601)	18
(364)	CIL Contribution	(720)	
(821)	Rent Deposits and Other Balances	(1,322)	
(12,122)	Capital Grants & Receipts in Advance	(11,347)	18
<u>(29,877)</u>	<b>LONG-TERM LIABILITIES</b>	<u>(25,275)</u>	
<b>214,191</b>	<b>NET ASSETS</b>	<b>243,511</b>	
	Usable Reserves		
(43,492)	- Reserves	(46,892)	19
(1,722)	- Capital Receipts Reserve	(1,633)	19
(13,165)	- Capital Grants & Contributions Unapplied	(18,420)	19
	Unusable Reserves		
(34,194)	- Revaluation Reserve	(36,425)	20
(31,006)	- Pensions Reserve	(36,708)	20,30
(98,336)	- Capital Adjustment Account	(104,794)	20
(484)	- Pooled Fund Adjustment Account	(1,374)	
(60)	- Financial Instrument Revaluation Reserve	(60)	
7,874	- Collection Fund Adjustment Account	2,576	20
<u>394</u>	- Accumulating Absences Adjustment Account	<u>219</u>	
<b>(214,191)</b>	<b>TOTAL RESERVES</b>	<b>(243,511)</b>	

Dominic Bradley C.P.F.A Director of Resources

## Cash Flow Statement

<u>2020/21</u>		<u>2021/22</u>	<u>Note</u>
£000		£000	
	<b><u>Operating activities</u></b>		
(13,570)	(Surplus) or deficit on provision of services	(14,381)	7
(13,730)	Adjust net surplus or deficit on the provision of services for non- cash movements	8,217	21
5,566	Adjust for items in the net deficit on the provision of services that are investing or financing activities	9,399	21
<b>(21,734)</b>	<b>Net cash flows from Operating activities</b>	<b>3,235</b>	
	<b><u>Investing activities</u></b>		
2,835	Purchase of property, plant and equipment, investment property and intangible assets	1,562	
111,126	Purchase of short-term and long-term investments	187,408	
183	Other payments for investing activities	0	
(552)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(924)	
(105,517)	Proceeds from short-term and long-term investments	(157,000)	
(5,500)	Other receipts from investing activities	(9,038)	
<b>2,575</b>	<b>Net cash flows from investing activities</b>	<b>22,008</b>	
	<b><u>Financing Activities</u></b>		
4,465	Other receipts from financing activities	(19,206)	
0	Other payments for financing activities	0	
<b>4,465</b>	<b>Net cash flows from financing activities</b>	<b>(19,206)</b>	
(14,693)	Net (increase) or decrease in cash and cash equivalents	6,036	
<b>6,288</b>	<b>Cash and cash equivalents at 1 April</b>	<b>20,981</b>	15
<b>20,981</b>	<b>Cash and cash equivalents at 31 March</b>	<b>14,945</b>	15

## Notes to the Core Statements

### 1 ACCOUNTING POLICIES

#### GENERAL PRINCIPLES

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

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- 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 accruals 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 preceding authorities' accounting 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

Council'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 errors 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 the Council's 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 2015, a note disclosing officers' emoluments is required which includes 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 is found in note 25.

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 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 Code requires disclosure of the details of exit packages agreed and the costs within bandings for the financial year with prior year comparatives. Information on termination costs together with prior year comparatives are provided in notes 26 and 27.

##### **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 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 council – 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 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**

##### **Financial Liabilities**

Financial Liabilities and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The amount presented in the Balance Sheet for borrowings is the outstanding principal repayable (plus accrued interest).

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### **Financial Assets Measured at Amortised Cost**

Financial assets are initially measured at fair value. They are subsequently measured at their amortised cost. Annual income appears in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) and is based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory arrangements protect the General Fund Balance from this charge and this is therefore reversed out of the General Fund Balance to a reserve in the Movement in Reserves Statement.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

These assets are treated as Financial Assets Measured at Fair Value through Profit of Loss in terms of valuations but any gains and losses are taken to the Financial Instrument Revaluation Reserve rather than the Surplus or Deficit on the Provision of Services. Any gains and losses that arise on the derecognition of the asset are credited or debited to the General Fund through the Movement in Reserves Statement. The relevant assets are the Fundamentum REIT and the Council's investment in its Housing Subsidiary which are equity instruments which the Council has elected to treat in this category.

## **GRANTS AND CONTRIBUTIONS**

Where the Council has not identified itself as an agent, grants have been recognised using the following accounting policy:

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 in April 2013, local authorities are responsible for collecting and distributing income from the business rates they collect.

The Council is responsible for any refunds relating to backdated appeals although a significant element of refunds relate to 2014/15 or prior years and in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities are formally recognised in the accounts.

Safety net arrangements are in place to protect the Council from the impact of any reductions below 5% of its baseline funding level.

## **HERITAGE ASSETS**

A tangible heritage asset is a tangible asset intended to be preserved in trust for future generations 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 Council 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 102 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 revalued the treatment would be the same as for normal properties using the Revaluation Reserve where appropriate and reporting impairments if necessary.

The Council does not recognise any intangible heritage assets.

## **INTANGIBLE ASSETS**

Intangible assets such as software and licences 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 Council 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 initially at cost and then at fair value which is defined as the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. The valuation is based on highest and best use of any asset and so should take into account the highest price in the most advantageous market for that asset.

Investment properties are not depreciated but valued annually. 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. Gains and losses on disposal are treated similarly.

## **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 has no material investment in finance leases as lessee or lessor.

### **The Council as a Lessee**

#### Operating Leases

Rentals paid are recognised in Comprehensive Income and Expenditure Statement 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**

#### Operating Leases

Rental income is recognised in Comprehensive Income and Expenditure Statement. 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 allocated to revenue and capital accounts. The Council has adopted the general principle of allocating the costs of central administrative departments based on operational data or where this is not present on the estimated time spent by officers on the various services. 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 Council 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 are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). 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.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

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

In order to account properly for valuation changes the Revaluation Reserve was set up with a zero balance at 1 April 2007. Any revaluation upward results in a credit to the reserve. A downward revaluation can be set against the Revaluation Reserve if there is a balance referring to the devalued asset. As the reserve was set at zero many downward revaluations of assets could 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. 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 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 value's judgment we reduce the useful life of most of our assets by one year; the remaining assets' lives are reviewed by the value 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 council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account.

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.

## **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 2021/22 (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted by the Code for the relevant financial year. The standards introduced by the 2022/23 Code and relevant for additional disclosures that will be required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These amendments are minor, and they are not expected to have a material impact on the Statement of Accounts.

IFRS 16 Leases has been issued by IASB. Adoption has been postponed until at least the 2022/23 CIPFA Accounting Code of Practice and will require Council's that are lessees to recognise the majority of leases on their balance sheets as right-of-use assets with corresponding lease liabilities.

## **3 CRITICAL JUDGEMENTS AND ASSUMPTIONS**

### **Critical Judgements**

In applying the accounting policies the Council has made the following critical judgements that have a significant effect on the statements:

- Future levels of local authority funding and income are uncertain. However based on the current level of reserves and its medium term planning using prudent assumptions on funding, and based on announcements made by central government, the Council judges that its assets will not be impaired as a result of a need to close facilities, reduce service provision or ongoing maintenance in the short term.
- The Council holds a significant portfolio of investment property and although general economic activity is fragile, the Council judges that its portfolio in the context of the local economy is robust enough that its overall asset portfolio will not be impaired as a result of short term decrease in economic activity.
- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 7.5% of the Council spending baseline which equates to £154k.

## **Assumptions and Other Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 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 Council with expert advice about the assumptions to be applied. However the interaction of these assumptions is complex.

Furthermore, the actuary has also estimated an impact for the implications of the 2014 transitional arrangement protection which the Court of appeal ruled as unlawful in June 2019. Wider explanation of this issue, more commonly known as 'McCloud', is detailed in Note 30.

During 2021/22 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2022</u>		
	Approximate % increase to employer	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	3,260
1 year increase in member life expectancy	4%	7,135
0.1% increase in Salary Increase Rate	0%	233
0.1% increase in the Pension Increase Rate	2%	3,003

### **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. A 10% increase in default rates increases the provision by £314k.

### **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 lives of buildings were to decrease the extra depreciation would be £0.033m.

### **Property valuations**

Intrinsic in the valuations of properties are assumptions on property yields, building costs, and planning policy. These may be affected by wider political and economic environment in the forthcoming financial year.

### **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 £4.0m as an estimate of potential successful appeals up to 31 March 2022, the Council's proportion (40%) reflected in the Balance Sheet is £1.6m. This estimate is calculated using Valuation Office ratings list of appeals an analysis of successful appeals to date for 2010 list and the percentage built into the multiplier by MHCLG for the 2017 list.

## **4 PRIOR PERIOD ADJUSTMENTS.**

There have not been any prior period adjustments made to these accounts.

## **5 MATERIAL ITEMS OF INCOME AND EXPENSE**

Material items in terms of the Council's overall net expenditure, which are derived from events or transactions that are not expected regularly, that fall within the ordinary activities of the Council. 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 2020/21 or 2021/22 other than disclosed on the face of the Comprehensive Income and Expenditure Statement.

## **6 EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts were authorised for issue by the Director of Resources for Horsham District Council on xx xxx xxxx. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information. There were no material post balance sheet events that have required an amendment or disclosure in the statement of accounts.

## 7 EXPENDTURE AND FUNDING ANALYSIS

This note details how the annual expenditure is used and funded from resources in comparison with resources consumed or earned by the local authority in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the councils departments.

Net	2020/21	Net Expenditure		2021/22	Net Expenditure	
Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	in the Comprehensive Income and Expenditure Statement
	(Note 7a)				(Note 7a)	
1,500	1,239	2,739	Audit, Finance, HR & Commissioning	1,876	841	2,717
3,652	851	4,503	Leisure & Culture	2,120	1,058	3,178
1,611	(288)	1,323	Corporate Management	1,039	212	1,251
371	28	399	Customer Services	280	45	325
983	639	1,622	Housing & Community Services	1,125	1,025	2,149
1,727	120	1,847	ICT	1,866	184	2,050
1,191	385	1,576	Legal and Democratic Services & Elections	1,594	137	1,731
(425)	1,253	828	Parking	(2,240)	(1,500)	(3,740)
2,045	182	2,227	Planning & Economic Development	1,433	1,559	2,992
(2,394)	4,091	1,697	Property & Facilities	(2,164)	4,482	2,318
3,720	1,782	5,502	Refuse, Cleansing & Environmental Services	3,873	2,734	6,607
798	(651)	147	Revenues & Benefits	573	(609)	(36)
<b>14,779</b>	<b>9,631</b>	<b>24,410</b>	<b>Net cost of services</b>	<b>11,373</b>	<b>10,168</b>	<b>21,542</b>
(33,081)	(4,899)	(37,980)	Other income and expenditure	(14,774)	(21,149)	(35,923)
<b>(18,302)</b>	<b>4,732</b>	<b>(13,570)</b>	<b>Surplus or deficit</b>	<b>(3,401)</b>	<b>(10,981)</b>	<b>(14,381)</b>
<b>(25,189)</b>			Opening General Fund Balance	<b>(43,491)</b>		
<b>(18,302)</b>			Less Surplus on General Fund in Year	<b>(3,401)</b>		
<b>(43,491)</b>			<b>Closing General Fund Balance</b>	<b>(46,892)</b>		

**7a ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS**

**2021/22**

<b>Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Covid-19 Support</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
Audit, Finance, HR & Commissioning	0	218	(2,473)	3,096	841
Leisure & Culture	717	284	(146)	204	1,058
Corporate Management	0	214	0	(2)	212
Customer Services	0	45	0	0	45
Housing Services	1,138	450	17	(581)	1,025
ICT	8	189	0	(14)	184
Legal and Democratic Services & Elections	0	197	0	(60)	137
Parking	(1,319)	139	(272)	(49)	(1,500)
Planning & Economic Development	948	877	0	(266)	1,559
Property & Facilities	(917)	96	0	5,303	4,482
Refuse, Cleansing & Environmental Services	1,724	1,164	0	(154)	2,734
Revenues & Benefits	0	0	(257)	(352)	(609)
Other income and expenditure from the Funding Analysis	(10,111)	(594)	3,129	(13,573)	(21,149)

**Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services**

**(7,811)                      3,279                      0                      (6,449)                      (10,981)**

**2020/21**

<b>Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Covid-19 Support</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
Audit, Finance, HR & Commissioning	(4)	323	0	920	1,239
Leisure & Culture	1,760	132	(762)	(279)	851
Corporate Management	0	84	0	(372)	(288)
Customer Services	0	28	0	0	28
Housing Services	499	151	0	(11)	639
ICT	13	63	0	43	120
Legal and Democratic Services & Elections	0	67	0	318	385
Parking	3,199	52	(1,998)	0	1,253
Planning & Economic Development	102	300	(191)	(29)	182
Property & Facilities	(2,346)	34	0	6,403	4,091
Refuse, Cleansing & Environmental Services	1,507	381	0	(106)	1,782
Revenues & Benefits	0	0	0	(651)	(651)
Other income and expenditure from the Funding Analysis	(6,310)	(580)	2,951	(958)	(4,899)

**Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services**

**(1,580)                      1,034                      0                      5,278                      4,732**

## 8 OTHER OPERATING EXPENDITURE

	2020/21	2021/22
	£000	£000
Parish council precepts	3,865	3,939
(Gains)/losses on the disposal of non-current assets	<u>(263)</u>	<u>(684)</u>
<b>Total</b>	<b><u>3,602</u></b>	<b><u>3,255</u></b>

## 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21	2021/22
	£000	£000
Net interest income on LGPS Pension	(582)	(594)
Interest receivable and similar income	(867)	(1,217)
Income and expenditure in relation to investment properties and changes in their fair value (as detailed in note 13)	(5,771)	(5,309)
Changes in fair value of investments	<u>(2,339)</u>	<u>(890)</u>
<b>Total</b>	<b><u>(9,559)</u></b>	<b><u>(8,010)</u></b>

## 10 TAXATION AND GRANT INCOME

	2020/21	2021/22
	£000	£000
Benefits Grants	(24,400)	(23,138)
Other Government Grants	(4,946)	(3,345)
Other Grants	<u>(1,677)</u>	<u>(503)</u>
<b>Grants credited to Services</b>	<b><u>(31,023)</u></b>	<b><u>(26,986)</u></b>
Council Tax	(13,687)	(14,185)
Non Domestic Rates income & expenditure	6,825	977
Lower Tier Funding	0	(1,201)
New Homes Bonus	(4,831)	(3,083)
Section 31 Grant – Business Rates Reliefs	(10,677)	(7,279)
Covid-19 Support Grants	(1,753)	(571)
Discretionary Covid-19 Grants	(2,779)	1,756
Capital grants and contributions	<u>(5,121)</u>	<u>(8,531)</u>
<b>Credited to Taxation and Non Specific Grant Income</b>	<b><u>(32,023)</u></b>	<b><u>(32,117)</u></b>

During the year, the Council received £1.81m in discretionary Covid-19 grants. In 2021/22 £3.53m was paid to local businesses, this was paid using the in-year receipts and ear marked reserve that was created in 2020/21.

## 11 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2021/22	Usable Reserves		Capital Grants Unapplied	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve		
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation of non-current assets	(2,392)			2,392
Revaluation movement in Property, Plant and Equipment				(1,269)
	1,269			
Movements in the market value of Investment Properties	1,844			(1,844)
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	(570)			570
Revenue expenditure funded from capital under statute	(3,044)			3,044
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	918			(918)
Capital expenditure financed from revenue balances	86			(86)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,531		(5,255)	(3,276)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,254	(1,254)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,343		(1,343)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Gain/loss on revaluation of Financial Instruments Adjustment Account	890			(890)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,760)			5,760
Employers pension contributions and direct payments to pensioners payable in the year	2,481			(2,481)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,298			(5,298)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	175			(175)
<b>Total Adjustments</b>	<b>10,980</b>	<b>89</b>	<b>(5,255)</b>	<b>(5,815)</b>

2020/21

	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
			Movement in Unusable Reserves
			£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation of non-current assets	(2,703)		2,703
Revaluation movement in Property, Plant and Equipment	(1,996)		1,996
Movements in the market value of Investment Properties	2,067		(2,067)
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	(490)		490
Revenue expenditure funded from capital under statute	(2,520)		2,520
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment	880		(880)
Capital expenditure financed from revenue balances	173		(204)
		31	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>			
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,121		(2,571)
		(2,550)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	753	(753)	
Use of the Capital Receipts Reserve to finance new capital expenditure		1,119	(1,119)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>			
Gain/loss on revaluation of Financial Instruments Adjustment Account	2,339		(2,339)
<b>Adjustments primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,850)		3,850
Employers pension contributions and direct payments to pensioners payable in the year	2,816		(2,816)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(7,086)		7,086
<b>Adjustments primarily involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(235)		235
<b>Total Adjustments</b>	<b>(4,731)</b>	<b>366</b>	<b>(2,519)</b>
			<b>6,884</b>



## 12 PROPERTY, PLANT & EQUIPMENT

Movements in 2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
<b>At 1 April 2021</b>	<b>104,762</b>	<b>8,688</b>	<b>283</b>	<b>1,057</b>	<b>114,790</b>
Additions	1,158	273			1,431
Reclassifications	54		(278)	224	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	4,650			1,277	5,827
Revaluation increase/(decrease) recognised in Surplus /Deficit on the Provision of Services	1,269				1,269
De-recognition – disposal					
Other movements in cost or valuation	(1,537)				(1,537)
Other movement	(39)				(39)
<b>At 31 March 2022</b>	<b>110,317</b>	<b>8,961</b>	<b>5</b>	<b>2,558</b>	<b>121,841</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2021</b>	<b>(601)</b>	<b>(6,273)</b>	<b>0</b>	<b>0</b>	<b>(6,874)</b>
Depreciation charge	(1,483)	(900)			(2,383)
Written out to the Revaluation Reserve	1,308				1,308
Written out to the Surplus/Deficit on the Provision of services	229				229
Other movement	39				39
<b>At 31 March 2022</b>	<b>(508)</b>	<b>(7,173)</b>	<b>0</b>	<b>0</b>	<b>(7,681)</b>
<b>Net Book Value</b>					
<b>At 31 March 2022</b>	<b>109,809</b>	<b>1,788</b>	<b>5</b>	<b>2,558</b>	<b>114,160</b>
<b>At 31 March 2021</b>	<b>104,161</b>	<b>2,415</b>	<b>283</b>	<b>1,057</b>	<b>107,916</b>
Movements in 2020/21	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
<b>At 1 April 2020</b>	109,635	8,506	5	0	118,146
Additions	901	187	278	5	1,371
Reclassifications	(137)			137	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1,865)			924	(1,865)
Revaluation decrease recognised in Surplus /Deficit on the Provision of Services	(1,990)				(1,995)
De-recognition – disposal	(15)	(5)			(15)
Other movements in cost or valuation	(1,767)			(9)	(1,776)
<b>At 31 March 2021</b>	<b>104,762</b>	<b>8,688</b>	<b>283</b>	<b>1,057</b>	<b>114,790</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2020</b>	<b>(821)</b>	<b>(5,137)</b>			<b>(5,958)</b>
Depreciation charge	(1,556)	(1,136)			(2,692)
Written out to the Revaluation Reserve	840				840
Written out to the Surplus/Deficit on the Provision of Services	927				927
Other movements	9				9
<b>At 31 March 2021</b>	<b>(601)</b>	<b>(6,273)</b>			<b>(6,874)</b>
<b>Net Book Value</b>					
<b>At 31 March 2021</b>	<b>104,161</b>	<b>2,415</b>	<b>283</b>	<b>1,057</b>	<b>107,916</b>
<b>At 31 March 2020</b>	<b>108,814</b>	<b>3,369</b>	<b>5</b>	<b>0</b>	<b>112,188</b>

### Other Plant, Property and Equipment assets - Surplus Assets

Four assets valued at £2.558m (31 March 2021 Three assets £1.057m).

The lives of operational properties are individually assessed by the valuing officer. Vehicles have a 5-7 year life, ICT equipment have a life of 3-5 years.

### Assets Held for Sale

None held - (31 March 2021 one asset £0.313m).

### Capital Commitments

At 31 March 2022, the Council was committed to the following significant capital works contracts (£0.04m in 2021):

Capital scheme	£000
Horsham Skate Park	250
Rural car park – Storrington Mill Lane	189
<b>Total</b>	<b>439</b>

### Effects of Changes in Estimates

#### Revaluations

The Council 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	Total £000
Carried at historical cost		1,788	1,788
Valued at fair value as at			
31 March 2022	86,558		86,558
31 March 2021	4,664		4,664
31 March 2019	12,724		12,724
31 March 2018	5,863		5,863
	<b>109,809</b>	<b>1,788</b>	<b>111,597</b>

## 13 INVESTMENT PROPERTIES

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

	2020/21 £000	2021/22 £000
Income from investment property	(4,054)	(4,039)
Direct operating expenses arising from investment property	350	570
Net (gains)/losses from fair value adjustments	<u>(2,067)</u>	<u>(1,840)</u>
<b>Net (gain)/loss</b>	<b><u>(5,771)</u></b>	<b><u>(5,309)</u></b>

There are no restrictions to the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of the disposal. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use. All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see note 1 for explanation of fair value levels).

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

	2020/21 £000	2021/22 £000
<b>Balance at start of year</b>	54,466	57,996
Additions	1,463	131
Net gains/(losses) from fair value adjustments	2,067	1,844
Disposals	0	(225)
<b>Balance at end of the year</b>	<b><u>57,996</u></b>	<b><u>59,746</u></b>

## 14 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to financial instruments. Financial instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

### Financial assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset's contractual cash flows (e.g. just principal and interest or something more complicated).

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

Amortised cost category covers bank accounts, fixed term deposits, loans to local authorities, loans for service purposes, lease receivable and trade receivables.

Fair value through other comprehensive income comprises equity investments of £2m in the listed Fundamentum REIT and £0.23m in the equity of the Council's subsidiary Horsham District Homes. Both these investments are subject to an irrevocable election to present changes in the fair value of investments in equity instruments through other comprehensive income rather than through profit and loss. This is dependent on these investments being held for strategic rather than trading purposes.

Fair value through profit and loss comprises money market funds, mostly held for cash flow reasons and pooled bond, equity and property funds held for the longer term.

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Classification category	Subsequent measurement basis	Presentation of unrealised gains and losses
Amortised cost	Amortised cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprise trade payables for goods and services received.

### Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
Loans at amortised cost:				
- PWLB borrowing	0	0	0	0
<b>Total Borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost:				
- Trade payables	0	0	(17,940)	(10,708)
<b>Included in Creditors *</b>	<b>0</b>	<b>0</b>	<b>(17,940)</b>	<b>(10,708)</b>
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(17,940)</b>	<b>(10,708)</b>

\* The various liabilities lines on the Balance Sheet include **£18.0m** (2021: £9.7m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal incl accruals	0	2,500	4,001	27,010
<i>At fair value through profit &amp; loss:</i>				
- Fair value	22,977	23,865	9,413	13,269
<i>Fair value through other comp. income</i>				
- Fair value	2,186	2,286		
<b>Total Investments</b>	<b>25,162</b>	<b>28,651</b>	<b>13,414</b>	<b>40,278</b>
<i>At amortised cost:</i>				
- Principal incl accruals	0	0	2,982	4,446
<i>At fair value through profit &amp; loss:</i>				
- Fair value	0	0	17,999	10,499
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>20,981</b>	<b>14,945</b>
<i>At amortised cost:</i>				
- Receivables			3,993	3,821
- Loans made for service purposes	214	214		
- Loss allowance	(6)	(6)	(394)	(384)
<b>Included in Debtors **</b>	<b>208</b>	<b>208</b>	<b>3,599</b>	<b>3,437</b>
<b>Total Financial Assets</b>	<b>25,370</b>	<b>28,859</b>	<b>37,995</b>	<b>58,660</b>

\* The debtors lines on the Balance Sheet include **£3.3m** (2021: £3.5m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

## Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Assets			2021/22	2020/21
	Amortised Cost	Fair Value through OCI	Fair Value through Profit & Loss	Total	Total
	£000	£000	£000	£000	£000
Interest expense				0	0
Impairment Loss				0	0
Changes in fair value				0	0
<b>Interest payable and similar charges</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	(30)			(30)	(28)
Dividend income		(46)	(865)	(911)	(831)
Gains from changes in fair value			(890)	(890)	(2,339)
Impairment loss reversals	(11)			(11)	(23)
<b>Interest and investment income</b>	<b>(41)</b>	<b>(46)</b>	<b>(1,755)</b>	<b>(1,842)</b>	<b>(3,220)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>(41)</b>	<b>(46)</b>	<b>(1,755)</b>	<b>(1,842)</b>	<b>(3,220)</b>
Gains on revaluation				0	(100)
Losses on revaluation				0	0
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100)</b>
<b>Net (Gain)/Loss for Year</b>	<b>(41)</b>	<b>(46)</b>	<b>(1,755)</b>	<b>(1,842)</b>	<b>(3,320)</b>

## Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

## Financial Liabilities

The fair value of short-term financial liabilities held at amortised cost, including short term borrowing and trade payables, is assumed to approximate to the carrying amount. The valuations are deemed as level 2 in the fair value hierarchy.

## Financial assets

For financial assets the balance sheet figure is equivalent to the fair value. In the fair value hierarchy the levels for the instruments which are subject to a valuation technique (this excludes short term trade payables and receivables) are

shown below. The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Category	IFRS9	Fair value level	31.03.2021	31.03.2022
Bond & Equity funds	FVPL	1	18,081	18,281
Property Fund	FVPL	1	4,750	5,584
REIT	FVOCI	2	2,060	2,060
Money market funds	FVPL	1	27,413	23,769

The Council holds £0.23m equity in its Housing subsidiary with the value of the price paid for equity as the amount is not material. Should the value become material a recognised valuation process would be followed.

#### (E) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the DLUHC Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m. The Council also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating.

Credit Rating	31.03.21	31.03.21	31.03.22	31.03.22
	Long-term £000	Short Term £000	Long-term £000	Short Term £000
AA-	0	0	0	18,000
A	0	3,590	0	4,106
Unrated local authorities	0	4,000	2,500	9,000
<b>Total</b>	<b>0</b>	<b>7,590</b>	<b>2,500</b>	<b>31,106</b>

Loss allowances on treasury investments would be calculated by reference to historic default data published by credit rating agencies, adjusted for any extraordinary economic conditions. There is no material loss allowance applicable to treasury investments.

#### Credit Risk: Trade and Lease Receivables

The Council has both trade and lease receivables. The Council's credit risk on lease receivables is to some extent mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.03.2021 Receivables	31.03.2022 Receivables
	£000	£000
Neither past due nor impaired	1,530	2,943
Past due < 3 months	310	565
Past due 3-6 months	396	107
Past due 6-12 months	320	245
Past due 12+ months	357	533
<b>TOTAL RECEIVABLES</b>	<b>2,913</b>	<b>4,393</b>

Loss allowances on trade receivables, which includes property lease income, have been calculated by reference to the Council's historic experience of default with reference to debtor type and past due status.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are deemed effectively irrecoverable, but steps are still taken to collect sums owing when the Council has reasonable evidence that the affected counterparty's financial position has changed.

### Credit Risk: Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Henfield Leisure centre.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Borrower	Exposure type	Balance Sheet	Risk exposure	Balance Sheet	Risk exposure
		31.03.2021 £000	31.03.2021 £000	31.03.2022 £000	31.03.2022 £000
Henfield leisure centre	Loans at market rates	208	208	208	208

The Council manages the credit risk inherent in its loans for service purposes, in line with its published Investment Strategy.

Loss allowances on loans for service purposes have been assessed with reference to expected failures of comparable organisations. They are determined to have suffered a significant increase in credit risk where there is significant increased risk that the business model of the organisation may not be able to sustain interest payments and they are determined to be credit-impaired where there is deemed probable the organisation's business model is not sustainable. Loans are written off to the Surplus or Deficit on the Provision of Services when they are deemed irrecoverable, but steps are still taken to collect sums owing when it is judged that the borrower still has the potential to repay. Although the Council has granted an extension to the Henfield Leisure Centre loan repayment it judges that this is a short term issue caused by the pandemic which does not materially affect the long term business model.

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments

### Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. To gauge the sensitivity of the Council to interest rate changes if all interest rates had been 1% higher (with all other variables held constant) the financial results would be:

	31.03.2021	31.03.2022
	£000	£000
Increase in interest receivable on variable rate investments	(234)	(319)
Decrease in fair value of investments held at FVPL	390	413
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>157</b>	<b>94</b>
Decrease in fair value of investments held at FVOCI	0	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>157</b>	<b>94</b>
Decrease in fair value of loans and investments at amortised cost *	38	178
Decrease in fair value of fixed rate borrowing *	0	0

\*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in pooled funds including property is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property fund pooled fund investments and REITs of £7m and £5m respectively. A 5% fall in commercial property prices at 31 March 2022 would result in a £0.29m (2021: £0.25m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account and a £0.1m (2021: £0.1m) charge to Other Comprehensive Income and Expenditure.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to pooled funds that include equity investments of £18m. A 5% fall in share prices at 31 March 2022 would result in a £0.40m (2021: £0.35m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

## 15 CASH AND CASH EQUIVALENTS

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

	31.03.2021	31.03.2022
	£000	£000
Cash held by Council	1	2
Money market Funds	17,999	10,499
Short-term deposits	2,735	4,106
Cash in transit	<u>247</u>	<u>340</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>20,981</u></b>	<b><u>14,945</u></b>

## 16 SHORT-TERM DEBTORS

	31.03.2021	31.03.2022
	£000	£000
Sundry Debtors	4,002	3,908
Central government bodies	70	362
Payments in advance	537	419
Council Tax debtors	569	396
WSCC NNDR Debtor	673	0
NNDR Debtors	941	800
Housing benefit overpayments	<u>2,567</u>	<u>2,236</u>
Sub-total	9,359	8,121
Allowance for doubtful debts	<u>(3,497)</u>	<u>(3,088)</u>
<b>Total debtors after allowance for doubtful debts</b>	<b><u>5,862</u></b>	<b><u>5,033</u></b>



## 17 SHORT-TERM CREDITORS

	31.03.2021	31.03.2022
	£000	£000
Sundry Creditors	(11,734)	(8,080)
Prepayment of NNDR	(502)	(460)
Prepayment of Council Tax	(362)	(380)
WSCC Council Tax creditors	(1,163)	(2,473)
SPA Council Tax creditors	(167)	(356)
Central Government	(5,503)	(18,762)
WSCC NNDR Creditors	0	(1,129)
<b>Total</b>	<b>(19,431)</b>	<b>(31,640)</b>

Included within Central Government is £5.6m funding for the 2022/23 council tax energy rebate scheme and £3.1m for NNDR Covid Additional Relief Fund.

## 18 PROVISIONS AND OTHER LONG-TERM LIABILITIES

	Provision for NNDR appeals	Provision for Accumulated Absences	Total
	£000	£000	£000
<b>Balance at 1 April 2020</b>	(1,121)	(158)	(1,278)
Additional provisions made in 2020/21	(144)	(236)	(380)
Amounts used in 2020/21	382	0	382
Change in collection fund share	(1,121)	0	(1,121)
<b>Balance at 31 March 2021</b>	<b>(2,004)</b>	<b>(394)</b>	<b>(2,397)</b>
Additional provisions made in 2021/22	(109)	0	(109)
Amounts used in 2021/22	495	175	670
<b>Balance at 31 March 2022</b>	<b>(1,617)</b>	<b>(219)</b>	<b>(1,836)</b>

### Provision for NNDR Appeals

Estimate of rates potentially overcharged to businesses repayable on appeal.

### Provision for Accumulated Absences

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

### Other long term liabilities:

**S106 Contributions** are developer contributions that are expected to be paid to other agencies.

**Capital Grants & Receipts in Advance** are developer contributions that are expected to be used by the Council but still have conditions that mean they are potentially refundable.

The movements in both are show below:

	S106 Contributions		Capital Grants Rec'd in Advance	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
<b>Opening balance</b>	(12,106)	(13,837)	(12,785)	(12,122)
Grants/Contributions in	(1,948)	(2,936)	(634)	(802)
Grants/Contributions out	217	7,172	1,297	1,577
<b>Closing balance</b>	<b>(13,837)</b>	<b>(9,601)</b>	<b>(12,122)</b>	<b>(11,347)</b>

## 19 USABLE 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 2021/2022

Useable Revenue Reserves	Balance at 31.03.20 £000	Income / Expenditure 2020/21 £000	Transfer to / from other reserves 2020/21 £000	Balance at 31.03.21 £000	Income / Expenditure 2021/22 £000	Transfer to / from other reserves 2021/22 £000	Balance at 31.03.22 £000
<b>General Fund Balance</b>	<b>(15,662)</b>	<b>(18,433)</b>	<b>9,199</b>	<b>(24,896)</b>	<b>(3,614)</b>	<b>5,277</b>	<b>(23,233)</b>
New Homes Reserve	(4,671)	0	(4,831)	(9,502)	0	(3,083)	(12,585)
Health and Wellbeing	(308)	0	0	(308)	0	(27)	(335)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	11	(268)	0	0	(268)
s106 Reserves	(802)	26	0	(776)	(142)	0	(918)
NNDR Provision	(1,435)	0	0	(1,435)	0	(2,796)	(4,231)
Homelessness Prevention	(77)	0	(64)	(142)	0	(95)	(237)
Revenues & Benefits	(318)	0	(300)	(618)	0	(302)	(920)
Covid-19 Discretionary fund	(36)		(2,779)	(2,815)	356	1,699	(760)
Transformation fund	(377)	0	(12)	(389)	0	(4)	(393)
HDC Green Reserve	0	0	(695)	(695)	0	129	(566)
Leisure Reserve	0	0	(212)	(212)	0	212	0
Journey to Work	(211)	0	(78)	(289)	0	(75)	(364)
Covid 19 Outbreak Management Fund	0	0	0	0	0	(446)	(446)
IT Security	0	0	0	0	0	(100)	(100)
Community Fund	0	0	0	0	0	(250)	(250)
Other	(721)	105	(240)	(856)	0	(139)	(995)
<b>Other Earmarked Reserves</b>	<b>(9,528)</b>	<b>131</b>	<b>(9,199)</b>	<b>(18,596)</b>	<b>214</b>	<b>(6,269)</b>	<b>(23,659)</b>
<b>Sub-total</b>	<b>(25,190)</b>			<b>(43,492)</b>			<b>(46,892)</b>
<b>Useable Capital Reserves</b>							
<b>Capital Receipts Reserve</b>	<b>(2,088)</b>	<b>366</b>		<b>(1,722)</b>	<b>89</b>		<b>(1,633)</b>
<b>Capital Grants unapplied</b>	<b>(10,646)</b>	<b>(2,519)</b>		<b>(13,165)</b>	<b>(5,255)</b>		<b>(18,420)</b>
<b>Total Useable Revenue Reserves</b>	<b>(37,924)</b>			<b>(58,379)</b>			<b>(66,944)</b>

The government continued to grant business rate relief to retail, hospitality and leisure services during 2021/22, and compensate Councils for these reliefs with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account, while the grant income must be shown within the Council's General Fund. In 2021/22, £7.95m has been transferred from the Collection Fund Adjustment Account to the General Fund, this was funded from the Section 31 grant held in the General Fund in 2020/21.

## 20 UNUSABLE RESERVES

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are;

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation,
- 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.

	31.03.2021	31.03.2022
	£000	£000
<b>Balance at 1 April</b>	(35,832)	(34,194)
Adjustment to Capital Adjustment Account *		2,921
(Upward)/downward revaluation of assets	(5,787)	(7,638)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	6,567	1,679
Difference between fair value depreciation and historical cost depreciation	562	491
Amount written off to the Capital Adjustment Account	296	315
<b>Balance at 31 March</b>	<b>(34,194)</b>	<b>(36,426)</b>

\* The 2.9m adjustment between revaluation reserve and capital adjustment account is a technical adjustment that does not affect the asset values but reflects a change in the historic recognition of a set of assets that had not formerly held a value. These assets were originally recognised with the contra credit being the revaluation reserve whereas after a review of the accounting treatment the contra credit is now to the capital adjustment account.

### 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (as the benefits are earned by employees accruing years of service), updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The credit on the Pensions Reserve therefore shows a substantial surplus in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid

	2020/21	2021/22
	£000	£000
<b>Balance at 1 April</b>	(25,335)	(31,006)
Actuarial gains or losses on pensions assets and liabilities	(6,705)	(8,151)
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	3,850	5,760
Employers pensions contributions and direct payments to pensioners payable in the year	(2,816)	(2,481)
<b>Balance at 31 March</b>	<b>(31,006)</b>	<b>(35,878)</b>

### 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 Council 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.

	2020/21	2021/22
<b>Balance at 1 April</b>	(98,354)	(98,336)
Adjustment relating to Revaluation Reserve		(2,921)
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	2,692	2,384
Depreciation of intangible assets	11	8
Revaluation gains / losses on Property, Plant and Equipment	1,996	(1,269)
Revenue expenditure funded from capital under statute	2,521	3,043
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	202	254
Movements in the market value of Investment Property	(2,067)	(1,844)
Adjusting amounts through revaluation reserve	(562)	(491)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,119)	(1,343)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,360)	(2,264)
Grants from the Capital Grants Unapplied Account	(212)	(1,047)
Use of earmarked revenue reserves for the financing of capital investment	(204)	(51)
Statutory provision for the financing of capital investment charged against the General Fund	(880)	(918)
<b>Balance at 31 March</b>	(98,336)	(104,795)

#### 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.

	2020/21	2021/22
	£000	£000
<b>Balance at 1 April - Council Tax</b>	(85)	72
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	157	(144)
<b>Balance at 31 March</b>	<u>72</u>	<u>(72)</u>
<b>Balance at 1 April – NNDR</b>	873	7,802
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	6,929	(5,154)
<b>Balance at 31 March</b>	<u>7,802</u>	<u>2,648</u>
<b>Total</b>	<u>7,874</u>	<u>2,576</u>

## 21 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

	2020/21 £000	2021/22 £000
Depreciation and Impairments	(2,703)	(2,392)
Impairments	70	3,113
Pensions Liability	(1,034)	(3,279)
(Increase)/decrease in debtors	2,580	(2,541)
(Increase)/decrease in creditors	(3,314)	8,738
Movement in provisions	(7,026)	5,399
(Increase)/decrease in inventories	3	68
Other non-cash adjustments	(2,306)	(889)
<b>Total</b>	<b>(13,730)</b>	<b>8,217</b>

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

	2020/21 £000	2021/22 £000
Capital grants credited to the surplus or deficit on the provision of services	5,121	8,532
Proceeds from the sale of non-current assets	263	684
Council Tax and NDR adjustment	182	183
<b>Total</b>	<b>5,566</b>	<b>9,399</b>

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

	2020/21 £000	2021/22 £000
Interest received	(867)	(1,216)
<b>Total</b>	<b>(867)</b>	<b>(1,216)</b>

## 22 EXTERNAL AUDIT COSTS

	2020/21 £000	2021/22 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	39	39
Fees payable for the certification of grant claims and returns	43	49
Fees payable in respect of other services or relating to previous years	5	(18)
<b>Total</b>	<b>88</b>	<b>70</b>

The cost for the main audit is based on the indicative scale fee. It does not include any fee variation for additional audit work that may be required to complete the audit until the amounts have been approved by the Public Section Audit Appointments (PSAA).

Fees payable for the certification of grant claims and returns are effectively those of the previous year's audit. The £49k spent in 2021/22 is for the 2019/20 Housing Benefit audit, that was certified in February 2021, as well a further payment relating to the 2020/21 Housing Benefits audit.

Fees payable in respect of other services relate to additional work on the 2019/20 and 2020/21 main audits that were accrued but the actual spend was less than the amount accrued.

## 23 MEMBERS ALLOWANCES

The Council paid the following amounts to the 48 Members of the Council during the year:

	2020/21 £000	2021/22 £000
Allowances	346	359
Expenses	11	11
<b>Total</b>	<b>349</b>	<b>370</b>

NB: Officer travel costs dropped significantly as a result of the Pandemic during 2020-21, whilst there was an increase during 2021-22 this is still below pre-pandemic costs of £16k in 2019-20

## 24 LEASES

### Operating Leases

#### Council as a Lessee

The Council leases its main office and a small number of cars for £0.25m

#### Council as Lessor

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

#### Future minimum lease payments

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

	Receivable as Lessor		Payable as Lessee	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
Not later than one year	3,260	3,311	230	247
Later than one year and not later than five years	8,391	8,737	728	551
Later than five years	8,126	7,195		
	<b>19,777</b>	<b>19,243</b>	<b>958</b>	<b>798</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. The Council received contingent rent of £256,000 in 2021/22 (£29,000 in 20/21).

**Finance Leases** - The Council has no material investment in finance leases as lessee or lessor.

## 25 SENIOR OFFICER'S REMUNERATION

Corporate Post Holder Title	Total Remuneration excluding pension	Employer Pension Contributions	Total Remuneration including pension
<b>2021/22</b>	£	£	£
Chief Executive	129,362	25,179	154,541
Director of Community Services	102,611	19,241	121,852
Director of Corporate Resources (Section 151 Officer)	106,181	19,241	125,422
Director of Place	102,715	19,241	121,956
Head of Legal and Democratic Services (Monitoring Officer)	83,806	15,228	99,034
<b>2020/21</b>	£	£	£
Chief Executive	121,024	24,053	145,077
Director of Community Services	100,533	19,955	120,488
Director of Corporate Resources (Section 151 Officer)	100,865	19,955	120,820
Director of Place	100,533	19,955	120,488
Head of Legal and Democratic Services (Monitoring Officer)	78,769	15,754	94,523

The Strategic Leadership Team is 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 increase on costs from the previous year is due to the inclusion of payments relating to the Police & Crime Commissioner & Local By-elections held in May 2021.

**The number of employees, including senior officers, whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 were;**

Remuneration Band	Number of	Number of
	Employees	Employees
	2020/21	2021/22
£50,000 - £54,999	13	15
£55,000 - £59,999	4	1
£60,000 - £64,999	6	7
£65,000 - £69,999	0	0
£70,000 - £74,999	1	2
£75,000 - £79,999	1	0
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	2
£100,000 - £104,999	4	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £124,999	1	0
£125,000 - £129,999	0	1
<b>Total number</b>	<b>33</b>	<b>30</b>

## 26 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		Total number of exit packages by exit band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
£0 - £20,000	16	3	4	6	20	9	111	60
£20,001 - £40,000	4	2	0	0	4	2	104	50
£40,001 - £60,000	2	0	0	0	2	0	102	0
£60,001 - £80,000	3	0	0	0	3	0	217	0
£80,001 - £100,000	1	0	0	0	1	0	87	0
£100,001 - £150,000	2	0	0	0	2	0	244	0
<b>Total</b>	<b>28</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>32</b>	<b>11</b>	<b>864</b>	<b>110</b>
Provision	0	0	0	0	0	0	0	0
<b>Total</b>	<b>28</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>32</b>	<b>11</b>	<b>864</b>	<b>110</b>

## 27 TERMINATION BENEFITS

During 2021/22 the Council terminated 11 posts at a total cost of £110k which was made up of redundancy payments of £49k, other termination costs of £32k and pension strain costs of £29k.

## 28 RELATED PARTIES

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

**Central Government** - has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2022 are shown in note 10 (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 2021/22 is shown in note 23.

**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 Council, in particular those involving the expenditure of money. Details of senior officer remuneration are shown in note 25. There were no related party disclosures by senior officers in 2021/22.

### Building Control

Horsham District Council provides the Building Control service for Crawley Borough Council. Crawley B.C. 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 B.C. for 2021/22 amounted to £294k (£311k in 2020/21) and £87k (£70k in 2020/21) was outstanding as at 31 March 2022.

### Wholly owned entities

On 21 March 2019, Cabinet approved the creation of two companies for the purpose of providing affordable rental housing in the District. The companies were incorporated in 2019, the Council is the sole shareholder. The transactions with the housing companies during 2021/22 are summarised in the table below.

	Horsham District Homes	Horsham District Homes (Holdings)	Disclosed within Note
	£000	£000	
Equity paid	100		Note 14
Grant income paid		447	
Rental income collected		(9)	
Services provided	12	22	Note 16

The Council has not prepared group accounts for 2021/22 as the value of transactions are considered immaterial. The accounts for the companies are audited by independent auditors and filed with Companies House.

## 29 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.



	2020/21	2021/22
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>33,862</b>	<b>34,568</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	1,371	1,431
Investment Properties	1,464	131
Equity in subsidiary	125	100
Revenue Expenditure Funded from Capital Under Statute	2,521	3,044
<b>Sources of finance</b>		
Capital receipts	(1,119)	(1,343)
Government grants and other contributions	(2,572)	(3,276)
Revenue contributions	(204)	(86)
Minimum Revenue Provision	(880)	(918)
Closing Capital Financing Requirement	<u>34,568</u>	<u>33,650</u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing	1,586	0
Minimum Revenue Provision	(880)	(918)
Increase / (decrease) in Capital Financing Requirement	<u>706</u>	<u>(918)</u>

### 30 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 career average 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 2021/22 these amounted to £93k (£94k 2020/21) representing 1% of pensionable pay (1% in 2020/21).

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movements in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b><u>Comprehensive Income and Expenditure Statement</u></b>	2020/21	2021/22
	£000	£000
<u>Cost of Services</u>		
- current service cost	(4,211)	(6,328)
- past service costs	(221)	(26)
<b>Total Service Cost</b>	<b>(4,432)</b>	<b>(6,354)</b>
<u>Financing and Investment Income and Expenditure</u>		
Interest income on planned assets	3,945	4,314
Interest cost on defined benefit obligation	(3,363)	(3,720)
<b>Total Net Interest</b>	<b>582</b>	<b>594</b>
<b>Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services</b>	<b><u>(3,850)</u></b>	<b><u>(5,760)</u></b>

#### Re-measurements of the Net Defined Liability

Actuarial gains arising from changes in demographic assumptions	(260)	8,012
Actuarial gains / (losses) arising from changes in financial assumptions	(36,306)	8,107
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,562	(2,908)
Return on assets excluding amounts included in net interest	<u>41,709</u>	<u>(4,230)</u>
<b>Total re-measurements recognised in other comprehensive income</b>	<b><u>6,705</u></b>	<b><u>8,981</u></b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b><u>2,855</u></b>	<b><u>3,221</u></b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance	(3,850)	(5,760)
<b>Actual amounts charged to the General fund balance for pensions in the year</b>		
Employers contributions payable to the scheme	2,816	2,481

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

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Present value of liabilities - Funded	(183,566)	(176,421)
Present value of liabilities - Un funded	(1,362)	(1,216)
Fair value of plan assets	<u>215,934</u>	<u>214,345</u>
Net asset (liability arising from defined benefit obligation)	<u>31,006</u>	<u>36,708</u>

The surplus on the balance sheet position increased in 2021/22 by £5.7m. In simple terms, this is a result of the decrease in liabilities being greater than the increase in assets. During the accounting period investment returns have been fallen slightly, resulting in a reduction of the return on assets whilst the decrease in liabilities has been caused by changes in financial assumptions of inflation, salaries and discounts.

#### **Funded Liabilities - LGPS**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of present value of the scheme liabilities:</b>		
Balance at 1 April	(146,043)	(184,928)
Current service cost	(4,211)	(6,328)
Interest cost	(3,363)	(3,720)
Contributions by scheme participants	(874)	(873)
Actuarial gains and losses	(35,004)	13,390
Benefits paid	4,788	4,848
Past service costs	(221)	(26)
<b>Balance at 31 March</b>	<b><u>(184,928)</u></b>	<b><u>(177,637)</u></b>
<b>Reconciliation of fair value of the scheme assets:</b>		
Balance at 1 April	171,378	215,934
Interest income on planned assets	3,945	4,314
Return on planned assets (excluding amounts in net interest)	41,709	(4,409)
Employer contributions	2,816	2,481
Contributions by scheme participants	874	873
Benefits paid	(4,788)	(4,848)
<b>Balance at 31 March</b>	<b><u>215,934</u></b>	<b><u>214,345</u></b>

LGPS Assets comprised:

	2021		2022	
	£000	% of assets	£000	% of assets
<b>Equity Securities:</b>				
Consumer	22,432.7	10.4%	0.0	0.0%
Manufacturing	12,605.5	5.8%	0.0	0.0%
Energy & Utilities	3307.6	1.5%	0.0	0.0%
Financial Institutions	19,563.7	9.1%	0.0	0.0%
Health & Care	14,440.6	6.7%	0.0	0.0%
Information Technology	29,967.4	13.9%	0.0	0.0%
Other	7,155.8	3.3%	0.0	0.0%
<b>Debt Securities:</b>				
UK Government	2,742.2	1.3%	0.0	0.0%
<b>Private Equity:</b>				
All	3,440.3	1.6%	4,379.8	2.0%
<b>Real Estate:</b>				
UK Property	14,652.8	6.8%	20,918.0	9.8%
<b>Investment Funds &amp; Unit Trusts:</b>				
Equities	0.0	0.0%	100,298.7	46.8%
Bonds	72,664.9	33.7%	74,089.6	34.6%
Infrastructure	0.0	0.0%	9,214.0	2.1%
Other	3,387.1	1.6%	4,671.5	4.3%
<b>Cash &amp; cash Equivalents: All</b>	9,573.5	4.4%	773.3	0.4%
	<b>215,934</b>	<b>100%</b>	<b>214,345</b>	<b>100%</b>

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

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The current position is a surplus of £36.2m (£31.0m surplus at 31 March 2021) which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £243.5m.

Statutory arrangements for funding mean that the financial position remains healthy as contributions continue to be made over the working life of current employees. The total contributions expected by Hymans Robertson LLP, the scheme's actuaries, that are to be made to the Local Government Pension scheme by the Council in the year to 31 March 2023 is £2.21m (£2.33m at 31 March 2022).

#### 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 dependent 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 2022.

The principal assumptions used by the actuary have been:

		<u>2020/21</u>	<u>2021/22</u>
Long term expected rate of return on assets in the scheme: Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	22.1	22.3
	Women	24.4	24.7
Longevity at 65 for future pensioners:	Men	23.1	23.2
	Women	26.1	26.5

Rate of inflation / pension	2.9%	3.2%
Rate of increase in salaries	3.4%	4.7%
Rate of discounting scheme liabilities	2.0%	2.7%

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 sensitivity analyses in Note 3 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.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. The potential impact of the judgement has been included in the actuary's estimated calculations.

### 31 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 Council.

During the building of Pirie's Place car park in 2019, the adjacent building was affected through the closure of the fire exits that led out through the car park. There is a potential litigation action in relation to sums being claimed as compensation.

A former employee has redirected a claim for personal injury submitted to the Council earlier in the year, to his subsequent employer. Legal advice is that the matter does not appear to be our responsibility, but we are reviewing documentation to confirm this.

### 32 GOING CONCERN

**Underlying principle:** These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

**Current & historical financial position:** The Council made a £2.1m operational surplus in the period ending 31 March 2022, partly because it took early action in November 2020 with a sizable restructure that reduced expenditure by around £1.4m.

**Impact of Covid:** The 2021/22 budget was set in February 2021 in lockdown and thankfully was more cautious than events panned out. The pandemic though may have changed some areas of income generation permanently, such as the reduction in from car parking season tickets, currently £0.6m lower than pre-pandemic due to the change to hybrid working. There have been other reductions in income across some of the commercial property, leisure, planning and building control. There has also been significant additional expenditure supporting our leisure service contracts in 2021/22 as there was in 2020/21, although a return to management fee income is expected in 2022/23.

All service areas reviewed their budgets during the setting of the 2022/23 budget and identified areas where they could carefully manage expenditure in the year, and also reflected the anticipated semi-permanency of some reductions in income. Therefore, another prudent budget was set, and one that is likely to be stretched by inflation that continues

to rise far beyond the levels anticipated in January 2022. From the £2.1m outturn surplus in 2021/22, £1m has been set aside in an earmarked reserve to be used to mitigate inflation in salaries and also general price rises in goods and services that the Council uses in 2022/23. The overspend is in the context of £23.3m currently in the General Fund reserve. Although not desirable, this reserve could be used to smooth out any overspend in the short term, although this is clearly not sustainable indefinitely. The size of the challenge in the medium-term is highly uncertain, due to the unknown timing, scale and impact of any Fair Funding Review, changes to business rates or the introduction of mandatory food waste collection. Should all three collide at once in 2024/25, it creates an estimated budget gap of £1.7m a year from 2025/26.

**Cash position:** The Council had a cash balance of £10.8m at the end of May 2022, and £13.4m in money market funds available in two to three days, and a further £17m in longer term non-property investments, also available within a few days. Whilst uncertainty on income remains, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. This is based on our review of the cashflow forecast which covers a period twelve months beyond the signing of the accounts. For this, we have used the statutory accounts deadline of 30 November. The Council is of course also able to borrow short term for revenue purposes if ever needed and in that time-period, a further £29.5m that is locked away with different end dates to try to maximise the interest return would also become free from the fixed investment periods.

In a 'stressed' case scenario whereby income is constrained further in the event of a new Covid-19 variant, and income recovering only slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash.

The Council has set a modest £12.0m capital programme in 2022/23, that will further protect the levels of cash and useable reserves. The programme focuses on projects that produce a positive financial revenue return as well as those with health and safety requirements.

**Conclusion:**

The Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will continue as a going concern, based on the review of the forecasted reserve and cash position 12 months from the signing of the accounts.

**COLLECTION FUND**

<b>2021-22</b>		
Business Rates £	Council Tax £	Total £
	(124,239)	(124,239)
(36,062)		(36,062)
0	0	0
0	0	0
	(434)	(434)
	(1)	(1)
90		90
(35,972)	(124,675)	(160,647)
(7,897)	13	(7,884)
(2,505)	82	(2,423)
0	11	11
(9,868)	0	(9,868)
(20,270)	106	(20,164)
17,478	14,191	31,669
4,370	95,339	99,709
0	13,564	13,564
21,848		21,848
43,695	123,094	166,790
0	250	250
(175)	(13)	(188)
(966)		(966)
184		184
91	0	91
(868)	237	(631)
22,557	123,437	145,995
(13,415)	(1,237)	(14,652)
20,409	613	21,021
<b>6,994</b>	<b>(625)</b>	<b>6,370</b>

<b>INCOME</b>		
Council Tax Receivable	(116,391)	(116,391)
Business Rates Receivable	(23,990)	(23,990)
0	0	0
0	0	0
<b>Transfers from General Fund</b>		
Council Tax Benefits	(563)	(563)
Transitional Relief	(14)	(14)
Transitional Protection	(467)	(467)
<b>Total Income</b>	<b>(24,457)</b>	<b>(141,425)</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Surplus/(deficit)</b>		
Horsham District Council	(662)	(608)
West Sussex County Council	885	1,233
Sussex Police Authority	0	48
Central Government	(827)	(827)
	(604)	(154)
<b>Precepts, Demands and Shares</b>		
Horsham District Council	17,455	13,788
West Sussex County Council	4,364	90,682
Sussex Police Authority	0	12,600
Central Government	21,818	21,818
	43,637	117,070
	117,070	160,607
<b>Charges to Collection Fund</b>		
Write offs of uncollectable amounts	360	499
Increase/(Decrease) in Bad Debt Provision	487	1,103
Increase/(Decrease) in Provision for Appeals	(955)	(955)
Cost of Collection	181	181
Disregarded Amounts	91	91
	163	756
	756	919
<b>Total Expenditure</b>	<b>43,196</b>	<b>161,472</b>
(Surplus) / Deficit arising during the Year	18,740	20,046
(Surplus) / Deficit brought forward 1st April	1,669	975
<b>(Surplus) / Deficit carried forward 31st March</b>	<b>20,409</b>	<b>21,021</b>

<b>2020-21</b>		
Business Rates £	Council Tax £	Total £
	(116,391)	(116,391)
(23,990)		(23,990)
0	0	0
0	0	0
	(563)	(563)
	(14)	(14)
(467)		(467)
(24,457)	(116,969)	(141,425)
(662)	53	(608)
885	348	1,233
0	48	48
(827)	0	(827)
(604)	449	(154)
17,455	13,788	31,243
4,364	90,682	95,046
0	12,600	12,600
21,818		21,818
43,637	117,070	160,607
360	139	499
487	616	1,103
(955)		(955)
181		181
91	0	91
163	756	919
43,196	118,275	161,472
18,740	1,307	20,046
1,669	(694)	975
<b>20,409</b>	<b>613</b>	<b>21,021</b>

## NOTES TO THE COLLECTION FUND

The Collection Fund is an agent's 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 1 April 1991. Property values are grouped within a range of value bands, as shown below. In order to calculate the Council Tax base, the number of properties within each band is shown as a "Band D equivalent" by expressing each band as a proportion of Band D as indicated in the table below.

BAND	VALUE RANGE £	PROPORTION OF BAND "D"	BAND "D" EQUIVALENT NO.OF PROPERTIES
Reduced A	up to 40,000	5/9	1
A	up to 40,000	6/9	978
B	40,001-52,000	7/9	3,189
C	52,001-68,000	8/9	9,567
D	68,001-88,000	1	12,075
E	88,001-120,000	11/9	12,462
F	120,001-160,000	13/9	11,162
G	160,001-320,000	15/9	12,183
H	over 320,000	2	<u>1,517</u>
<b>COUNCIL TAX BASE</b>			<u><u>63,134</u></u>

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

### 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 March 2022 was £114.917m and the standard National Non-Domestic Rate multiplier for the year was £0.512

### 3 COUNCIL TAX AND BUSINESS RATES 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 2022			
£000			
Accumulated (Surplus) / deficit at 31			
			6,370
March 2022			
Apportionment based on 2021/22 precepts and demands:			
Deficit / (surplus)			
	<u>Business</u>	<u>Council</u>	
	<u>Rates</u>	<u>Tax</u>	Total
	£000	£000	£000
Horsham District Council	2,797	(72)	2,725
West Sussex County Council	700	(484)	216
Sussex Police Authority	-	(68)	(68)
Central Government	3,497	-	3,497
	<u>6,994</u>	<u>625</u>	<u>6,370</u>

## GLOSSARY

<b>BALANCES</b>	The amounts remaining at the year-end on the various funds of the Council
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition of assets either directly by the Local Authority or indirectly in the form of grants to other persons or bodies that will give benefit for a number of years.
<b>CAPITAL RECEIPTS</b>	Receipts from the sale of property, plant and equipment e.g. land, building etc.
<b>CENTRAL SUPPORT SERVICES</b>	The expenditure on the central administration of the Council, including the cost of accommodation
<b>COLLECTION FUND</b>	A statutory fund maintained by the billing authority that is used to record local taxes and non-domestic rates collected by the Council, payments to precepting authorities, central government and its own general fund
<b>CIL (COMMUNITY INFRASTRUCTURE LEVY)</b>	Contribution paid by developers to Local Planning Authorities to help deliver infrastructure to support the development of the area.
<b>COUNCIL TAX</b>	A locally determined charge based on property values and levied by a local authority to enable it to provide services
<b>CREDITORS</b>	Individuals and organisations to which the Council owe money.
<b>DEBTORS</b>	Individuals and organisations who owe money to the Council
<b>DEPRECIATION</b>	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset
<b>EARMARKED RESERVES</b>	Amounts set aside for specific purposes falling out the definition of provisions
<b>FAIR VALUE</b>	Amount for which an asset could be sold or liability transferred in an orderly transaction between market participants at the measurement date. In most cases, this is the actual price paid.
<b>FINANCIAL ASSET</b>	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
<b>FINANCIAL INSTRUMENT</b>	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments
<b>FINANCIAL LIABILITY</b>	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability
<b>FINANCIAL REPORTING STANDARDS</b>	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
<b>NON-CURRENT ASSET</b>	A tangible asset that yields benefit to a Council and the services it provides for a period of more than one year
<b>GENERAL FUND</b>	The main revenue fund of a billing authority from which day to day spending on services (other than the provision of Council housing services) is met
<b>IAS</b>	International Accounting Standard
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The minimum amount that must be charged to the Council's revenue account to be set aside to pay back debt
<b>NATIONAL NON-DOMESTIC RATES (NDR)</b>	The charge payable on all business premises, calculated by multiplying the rateable value of the property by the nationally set multiplier
<b>PRECEPT</b>	An amount charged to the collection fund to finance services provided by another authority e.g. County and Parish Councils
<b>PRECEPTING AUTHORITIES</b>	The authorities which are able to raise a precept
<b>PROVISION</b>	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain
<b>SECTION 106 (S106)</b>	Contribution paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development under section 106 of the Town and Country Planning Act 1990.
<b>SECTION 31 GRANT</b>	Grants paid to the Council by Central Government under Section 31 of the Local Government Finance Act 2003



Date : TBC

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Horsham District Council (“the Council”) for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Horsham District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the valuations used in our accounts are provided by our professional expert valuer, Wilks, Head and Eve. The valuations are obtained in a timely manner to ensure they are available to us to meet the draft publication deadline. The opinion from Wilks, Head and Eve was that the valuations were still reasonable at 31 March 2022.

## **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - 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.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
  3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held through the year to the most recent meeting on the following date: 12 July 2023.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are 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.
  5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
  6. We 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.
  7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### **D. Liabilities and Contingencies**

1. 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.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 31 to the financial statements all guarantees that we have given to third parties.

#### **E. Going Concern**

1. Note 32 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **F. Subsequent Events**

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of the Narrative Statement
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension and have adequately considered the qualifications of the specialists 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 specialists 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 specialists.

#### **J. Estimates**

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, and in generating the IAS19 pension ("the accounting estimates") have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

**K. Retirement benefits**

1. 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.

*Yours faithfully,*

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Dominic Bradley - Director of Corporate Resources

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Mike Wood - Chairman of the Audit Committee

Communication schedule for uncorrected misstatements

Entity: Horsham District Council

Period Ended: 31-Mar-2022

Currency: GBP

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the prior period		
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
<b>Judgmental misstatements:</b>												
1		Difference in WHE valuations and our recalculations due to location factory changing from 1.08 in December 2021 to 1.11 in March 2022.		1,055,000								
		PPE								X		
		CIES / Revaluation Reserve						(1,055,000)		X		
<b>Factual misstatements:</b>												
2		Updated valuation obtained from WHE for Swan Walk and supplied to EYRE but no adjustment made for the new valuation in the financial statements		98,400								
		PPE								X		
		CIES / Revaluation Reserve						(98,400)		X		
<b>Total of uncorrected misstatements before income tax</b>			0	1,153,400	0	0	0	(1,153,400)	0		0	
<b>Total of uncorrected misstatements</b>			0	1,153,400	0	0	0	(1,153,400)	0		0	
<b>Financial statement amounts</b>			61,896,000	236,961,000	29,801,000	25,275,000	243,780,000		29,589,000		19,586,000	
<b>Effect of uncorrected misstatements on F/S amounts</b>			0.0%	0.5%	0.0%	0.0%	0.0%		0.0%		0.0%	
<b>Memo: Total of non-taxable items (marked 'X' above)</b>									0		0	
<b>Uncorrected misstatements before income tax</b>								0.0%	0		0	
<b>Less: Tax effect of misstatements at current year marginal rate</b>								0%	0		0	
<b>Uncorrected misstatements in income tax</b>									0		0	
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>								0.0%	0		0	
<b>Turnaround effect of prior period uncorrected misstatements</b>												
<b>All factual and projected misstatements:</b>									0		0	
<b>Judgmental misstatements:</b>									0		0	
<b>Cumulative effect of uncorrected misstatements, after turnaround effect</b>								0.0%	0		0	
<b>Current year income before tax</b>									29,589,000			
<b>Current year income after tax</b>									29,589,000			

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## Report to Audit Committee

12<sup>th</sup> July 2023

By the Chief Internal Auditor



**Horsham  
District  
Council**

## INFORMATION REPORT

Not Exempt

### Internal Audit – Annual Report and Opinion 2022/23

#### Executive Summary

This report has been compiled to:

- Provide an overall annual opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.
- Summarise performance against key indicators.

No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor is able to provide 'reasonable' assurance that Horsham District Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

#### Recommendations

- To note the annual opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems (Annexe A).
- To note the performance of Orbis Internal Audit against performance targets.

#### Reasons for Recommendations

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

**Background Papers:** Internal Audit Reports and Quality Assurance Self-Assessment.  
**Consultation:** N/A  
**Wards affected:** All  
**Contact:** Paul Miller, Chief Internal Auditor, 07885-381446

## **Background Information**

### **1. Introduction and Background**

#### 1.1 Annual Report and Opinion

The 2022/23 internal audit plan was approved by this committee in March 2022. All reviews have been completed, and our Annual Report and Opinion for the year is attached as Annexe A.

#### 1.2 Quarter 4 Update

The Audit Committee receives periodic reports on the work carried out by the Internal Audit service as part of the Council's governance arrangements. Please see Annexe B for the summary of work undertaken by Internal Audit during Quarter 4 (1<sup>st</sup> January to 31<sup>st</sup> March 2023).

#### 1.3 Staffing

The Horsham internal audit plan has been delivered by the Orbis Internal Audit Partnership in accordance with professional standards (see below). All auditors have the requisite skills and experience to effectively fulfil their responsibilities, and all auditors who have managed work for Horsham D.C during 2022/23 are professionally qualified. All work is overseen by the Chief Internal Auditor who is CMIIA qualified.

## **2 Relevant Policy / Professional Standards**

#### 2.1 Statutory Background

The Accounts and Audit (England) Regulations 2015 state that: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." This responsibility is discharged through the Orbis Internal Audit team.

#### 2.2 Relevant Professional Standards

Internal Audit follows the standards set out in the Public Sector Internal Audit Standards (last revised in 2017).

The Chief Internal Auditor is required to report 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.



### 2.3 Relevant Council Policy

The Council's Constitution supports the statutory requirements outlined above. Financial Procedure Rule 4e 27 states that: "The Chief Finance Officer ensures the Council has appropriate arrangements in place to maintain an adequate and effective internal audit. The terms of reference for Internal Audit are detailed in the Council's Internal Audit Charter which is approved and reviewed annually by the Audit Committee".

## 3. Service Quality and Performance

3.1 As explained above, the Council's Internal Audit service is operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013 (amended in 2017). The standards require that an external quality assessment is undertaken every five years by a qualified, independent assessor or assessment team from outside the organisation. The Internal Audit service at Horsham, which is provided by the Orbis Internal Audit Partnership, was externally reviewed by the Chartered Institute of Internal Auditors in the autumn of 2022. The overall conclusion was that the service had achieved the highest level of conformance and is fully complying with the professional standards. As well as self-assessing against the standards every year, performance of the service is also monitored through a range of performance indicators, the results of which are contained within Appendix A of the annual report.

3.2 The Internal Audit service has maintained its independence throughout 2022/23 in accordance with the Audit Charter.

## 4. Next Steps

Not applicable.

## 5. Outcome of Consultations

Heads of Service / Service managers are consulted during each audit. At the end of each review, audit findings and draft reports are discussed with the Heads of Service at a final meeting, and actions are agreed. An action plan is incorporated into the final report including details of responsible officers and agreed implementation dates. There are occasions when a director may also be consulted, particularly for audits which span a number of departments.

## 6. Other Courses of Action Considered but Rejected

Not applicable.

## **7. Resource Consequences**

This report includes a summary of information about the work undertaken by Orbis Internal Audit on behalf of Horsham District Council, and therefore there are no direct financial or HR consequences.

## **8. Legal Considerations and implications**

There are no legal consequences. Where compliance issues are identified during audit fieldwork, the Head of Legal & Democratic Services (or relevant legal specialist) will be consulted.

## **9. Risk Assessment**

All internal audit work is undertaken using a risk-based approach.

## **10. Procurement implications**

There are no procurement implications arising from this report as this report is for noting.

## **11. Equalities and human rights implications / public sector equality Duty**

There are no implications under equalities and human rights nor the public sector equality duty as this report is for noting.

## **12. Environmental implications**

There are no environmental implications as this report is for noting.

## **13. Other Considerations**

There are no consequences arising from GDPR / Data Protection or crime and disorder as this report is for noting.

# INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/2023



## 1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed, and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

## 2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the corporate and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 We have been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way.

2.3 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit Committee as part of our periodic internal audit progress reports. We are pleased to report that all audits were completed during the 2022/23 year.

## 3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **reasonable<sup>1</sup> assurance** that Horsham District Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a few areas where the operation of internal controls has not been fully effective, as reflected by the three partial and one minimal assurances issued in the year.

3.3 Where improvements in controls are required as a result of our work, we have agreed appropriate remedial action with management.

## 4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2022/23, planned and unplanned;
- Follow up of actions from previous audits;
- Management responses to audit findings;

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<sup>1</sup> This opinion is based on the activities set out in paragraph 4 below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor at organisational meetings relating to risk, governance and internal control;
- Effects of significant changes in the Council’s systems;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service’s performance.

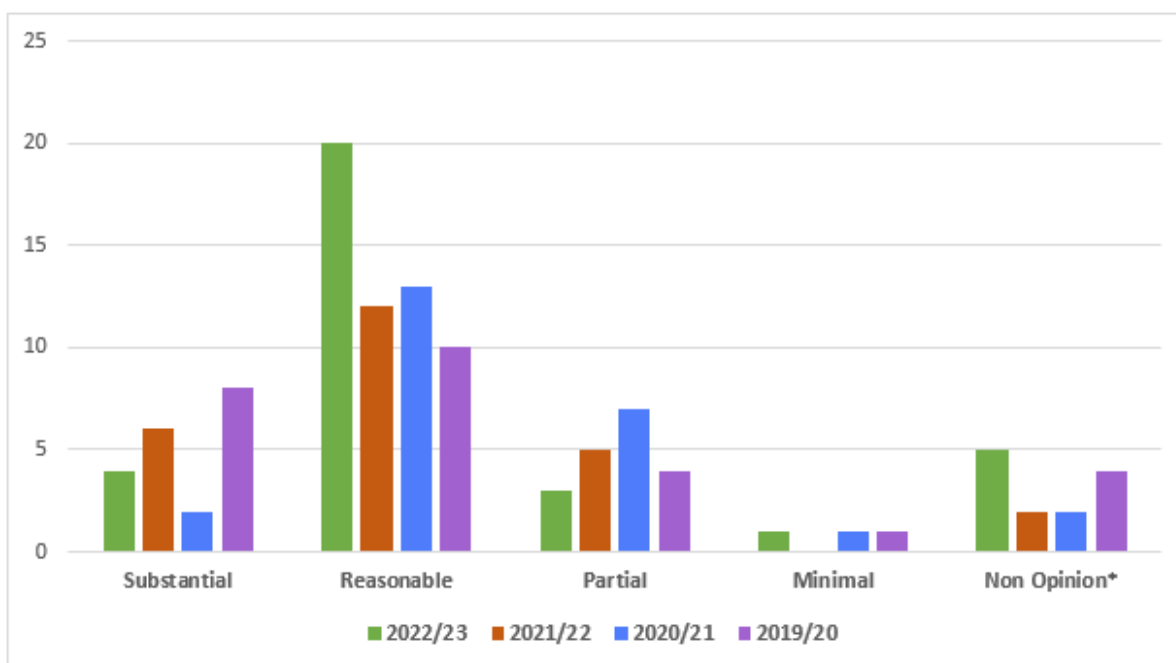
4.2 No limitations have been placed on the scope of Internal Audit during 2022/23. Additional work was also undertaken which included three central government grant certifications; bespoke risk management training to officers; compilation of declaration of interest reports for each head of service; and audit advice relating to the payroll function following a change in officer roles and responsibilities. The additional work has been reported to the Senior Leadership Team and Audit Committee as part of our quarterly progress reports.

## 5. Key Internal Audit Issues for 2022/23

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council’s Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions; direct support for projects and new system initiatives; investigations; and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past four years:

### Audit Opinions



\*Non Opinion: Includes grant certifications and audit reports where we did not give a specific audit opinion.

5.3 A full listing of all completed audits and opinions for the year is included in Appendix B, along with an explanation of each of the assurance levels.

5.4 A total of four audits received a partial or minimal assurance opinion within the year, as follows:

- Parking Income (Partial Assurance)
- Fleet Management (Partial Assurance)
- Land Charges (Partial Assurance)
- Capitol Bar & Catering Facility (Minimal Assurance)

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, it is important that management continue to take prompt action to secure the necessary improvements in internal control.

### Key Financial Systems

5.6 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems. Of those completed during 2022/23, all have resulted in either a substantial or reasonable assurance opinion being provided over the control environment, with the exception of Parking Income which will be formally followed up in 2023/24.

### Other Internal Audit Activity

5.7 During the year, internal audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. This includes participation in the following groups:

- Officer Corporate Governance Group
- Officer Risk Management Group
- Heads of Service Meetings
- Managers' Conferences and Managers' Forums

5.8 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

### Anti-Fraud and Corruption – Summary of Activity

5.9 Horsham DC has in place a Counter Fraud Strategy that sets out its commitment to preventing, detecting and deterring fraud.

5.10 Internal Audit coordinated the submission of Council datasets for the biennial NFI exercise. The results from the data matching were provided to the Council in January 2023 and Internal Audit will be liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. This work is underway.

5.11 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat to the Council has been considered and appropriate mitigating actions identified.

5.12 During 2022/23, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services, which included a Cyber Fraud Awareness training session to the Horsham Managers' Conference in December 2022.

5.13 Any internal control weaknesses identified during our investigation work are reported to management, and actions for improvement are agreed. This work is also used to inform future Internal Audit activity.

5.14 Whilst it is our opinion that the control environment in relation to fraud and corruption is satisfactory, and the incidence of fraud is considered low for an organisation of this size and diversity, we continue to be alert to the risk of fraud. This includes working with local

fraud hubs, the aim of which is to deliver a strong and co-ordinated approach to preventing, detecting and responding to fraud. Internal Audit continues to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff.

### **Amendments to the Audit Plan**

5.15 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Additional work was undertaken, which included three central government grant certifications.

5.16 In order to allow this additional work to take place, a full audit of the new Private Sector Leasing Scheme (PSL) was deferred. This change was made as a result of later than expected implementation of the new system, and the absence of data to test. Instead, we examined the PSL process, providing advice where appropriate, and we will undertake a full review in 2023/24.

## **6. Internal Audit Performance**

6.1 The Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our second independent PSIAS assessment; an update on our Quality Assurance and Improvement Programme; and the year end results against our agreed targets.

### **PSIAS**

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during the Autumn 2022 review undertaken by the Chartered Institute of Internal Auditors.

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.3 The results of the Chartered Institute of Internal Auditors review concluded that Orbis Internal Audit is achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising.

### **Key Service Targets**

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year, and annual consultation meetings with senior officers.

6.5 There was only one report still in draft at the year end, which has now been finalised and issued.

6.6 Significantly, we have completed 100% of the 2022/23 audit plan, exceeding our target of 90%.

6.7 Internal audit will continue to liaise with the Council's external auditors (Ernst & Young) to ensure that the Council obtains maximum value from the combined audit resources available.

6.8 In addition to this annual summary, the Senior Leadership Team (SLT) and the Audit Committee will continue to receive performance information on internal audit throughout the year as part of our quarterly progress reports.



## Internal Audit Performance Indicators 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	2023/24 Internal Audit Strategy and Annual Audit Plan formally approved by the Audit Committee 29 <sup>th</sup> March 2023.
	Annual Audit Report and Opinion	By end July	<b>G</b>	2021/22 report presented to the Audit Committee on 29th June 2022.
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>G</b>	100%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit was assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising.</p> <p>In summary the service was assessed as:</p> <ul style="list-style-type: none"> <li>• <b>Excellent</b> in: <ul style="list-style-type: none"> <li>- Reflection of the Standards</li> <li>- Focus on performance, risk, and adding value</li> </ul> </li> <li>• <b>Good</b> in: <ul style="list-style-type: none"> <li>- Operating with efficiency</li> <li>- Quality Assurance and Improvement Programme</li> </ul> </li> <li>• <b>Satisfactory</b> in: <ul style="list-style-type: none"> <li>- Coordinating and maximising assurance</li> </ul> </li> </ul>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>G</b>	100%
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	93% <sup>2</sup>

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<sup>2</sup> Includes part-qualified staff

## Summary of Opinions for Internal Audit Reports issued during 2022/23

**Substantial Assurance:***(Explanation of assurance levels provided at the bottom of this document)*

<b>Audit Title</b>	<b>Department</b>
Payroll	Finance & Performance
Corporate Compliance (Housing)	Housing & Community
Corporate Compliance - Community Safety, Health & Wellbeing - Follow-up	Housing & Community
Parks & Countryside (Corporate Compliance) - Follow up	Leisure & Culture

**Reasonable Assurance:**

<b>Audit Title</b>	<b>Department</b>
Accounts Payable	Finance & Performance
Accounts Receivable	Finance & Performance
Treasury Management	Finance & Performance
Purchase Cards - Follow up	Finance & Performance
Email Communication (Personal and Sensitive Encryption)	Customer & Digital Services
IT Strategic & Operational Risk Management Arrangements	Customer & Digital Services
ANPR Computer Application	Environmental Health & Licensing
Strategic Planning (Corporate Compliance)	Strategic Planning
Contract Management	Resources
Food Inspections	Environmental Health & Licensing
Electoral Registration, including Canvassing	Legal & Democratic Services
Land & Property Acquisition & Disposal	Property & Facilities
Surveillance Cameras - Follow-up	Housing & Community
Emergency Planning - Follow-up	HR & OD
Business Waste - Follow up	Recycling & Waste
Capitol (Cultural Compliance) - Follow up	Leisure & Culture
Hop Oast Depot (Corporate Compliance) - Follow up	Recycling & Waste
Council Tax	Revenues & Benefits (Milton Keynes)
Business Rates	Revenues & Benefits (Milton Keynes)
Housing & Council Tax Benefits	Revenues & Benefits (Milton Keynes)

**Partial Assurance:**

<b>Audit Title</b>	<b>Department</b>
Parking Income	Parking Services
Land Charges	Development & Building Control
Fleet Management	Recycling & Waste

**Minimal Assurance:**

<b>Audit Title</b>	<b>Department</b>
Capitol - Bar & Catering Facility	Leisure & Culture

**Other Audit Activity undertaken during 2022/23 (including direct support for projects, new system initiatives and grant certifications):**

<b>Audit Title</b>	<b>Department</b>
PRS (Project Governance)	Resources
Private Sector Leasing Scheme	Housing & Community
COMF Grant Certification	Environmental Health & Licensing
Protect & Vaccinate Grant Certification	Housing & Community
Biodiversity Net Gain Grant Certification	Strategic Planning

**Audit Opinions and Definitions**

<b>Opinion</b>	<b>Definition</b>
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Summary of Key Audit Findings for Quarter 4 2022/23

### The Capitol - Bar and Catering

- 1.1 The Capitol is an arts and cultural venue in Horsham town centre, owned and operated by the Council. The bar and catering function within the venue was previously outsourced and has recently been brought back in-house.
- 1.2 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- All income due is received and banked appropriately.
  - Assets are appropriately safeguarded.
  - Secure arrangements are in place to manage cash handing processes.
- 1.3 Overall, we provided an opinion of **Minimal Assurance** over the control environment.
- 1.4 A total of two high and five medium risk priority actions were identified, and the following improvements have been agreed with management:
- All invoices for purchases will be subject to second approval from the Venue Manager.
  - An independent permanent member of management will carry out regular stock takes which will be recorded. In addition, a monthly stock take report will be checked and signed off by the Venue Manager.
  - Reasons for wastage have now been created on the Electronic Point of Sale system. Administration errors and discrepancy reasons within a stock will be recorded within the monthly stock report. Trends and patterns to mitigate loss will be recorded within the monthly stock report.
  - Surplus and/or deficit on the cash float will be recorded on the reconciliation sheet with an explanation. Any surplus float will be banked.
  - Any refunds issued by staff will be limited to £50, and a refund report will be run on a weekly basis to reconcile refunds made by bar staff.
  - Training for bar staff, with manual handling and slips trips and falls, will be implemented.
- 1.5 There is considerable reliance upon temporary staff to run this relatively small operation, and there is also limited management capacity available to manage the establishment. It is acknowledged, therefore, that it would be impractical to implement the same levels of control that would be expected for a larger multi-purpose arts venue. With value for money in mind, a proportionate approach has been taken when agreeing actions with the responsible Head of Service, and after careful consideration, the control actions have been fully endorsed by the Senior Leadership Team.
- 1.6 We will undertake a follow-up audit during 2023/24 to ensure that the actions agreed with management have been implemented.

## Summary of Key Audit Findings for Quarter 4 2022/23

### Parking Income

- 1.7 Car parking revenue is an important income stream for the Council. In 2021/22, this amounted to approximately £4.5m (excluding grants) for on and off-street parking, parking permits, and penalty charge notices (PCN's).
- 1.8 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- There are secure and effective cash banking processes in place for all parking income.
  - Regular reconciliations are undertaken to ensure that all parking income is collected and banked, and any discrepancies are promptly investigated.
  - There is effective monitoring of income trends to help identify theft, machine breakdown or other anomalies.
  - External contractors involved with the collection of car parking income are performing in accordance with contract and service requirements.
  - Payment machines are properly maintained.
- 1.9 Overall, we were only able to provide an overall opinion of **Partial Assurance** over the control environment.
- 1.10 The following improvements to controls have been agreed with management as a result:
- All cash discrepancies above £5 will be investigated by the Parking Services team.
  - The service will ensure that they hold copies of all five contracts covering the cash collection of parking income. Regular monitoring of performance and review meetings will then be implemented.
  - Weekly monitoring of the payments made to the Council, from the cash collection services, will be carried out to ensure the balance owed to the Council is paid over within the agreed timeframe.
  - Improvements to the recording and monitoring of machine faults will be made to assist management in monitoring repairs.
  - A service level agreement will be incorporated into the new maintenance contract to ensure that a service engineer attends all multi storey car park machine faults, within a reasonable timeframe.
- 1.11 We will undertake a follow-up audit during 2023/24 to ensure that the actions agreed with management have been fully implemented.

## Summary of Key Audit Findings for Quarter 4 2022/23

### Fleet Management

- 1.12 Fleet management is the organisation and coordination of business vehicles. It refers to all the actions that need to take place to keep a fleet running efficiently, on time, and within budget. It is the processes used to monitor fleet activities and make decisions about asset management, dispatch and routing, and vehicle acquisition and compliance.
- 1.13 Horsham District Council currently has a fleet of 61 vehicles. This includes: 7 cars, 24 light commercial vehicles (LCVs) and pickups, 23 refuse collection vehicles (RCVs) and 7 specialist vehicles, such as sweepers.
- 1.14 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- There is an overarching strategic fleet management plan in place, and this links in with the strategic objectives of the organisation.
  - Robust arrangements are in place, and working effectively, regarding the acquisition and disposal of fleet vehicles.
  - Policies and procedures on the management and use of the fleet vehicles are adequate, and these are followed at a departmental level.
  - There is compliance with the national legislative requirements concerning fleet management.
- 1.15 We were only able to provide an opinion of **Partial Assurance**, with the following improvements having been agreed with management:
- The service will produce a Fleet Management Strategy, which will include some key performance indicators which will help the Council to achieve its long-term objectives.
  - As part of the Fleet Management Strategy, the Service will include guidance in respect of the process for procuring and disposing of vehicles.
  - The Transport Manager will ensure that information provided to the Finance team to update the Fixed Asset Register is reviewed and includes all vehicles currently on site. Any changes to the fleet throughout the year, sales or acquisitions, will be notified to Finance once the transaction has been completed.
  - The Transport Manager has confirmed there is a process in place for undertaking vehicle checks and reporting defects. This process will be documented to help ensure consistency of approach.
- 1.16 We will undertake a follow-up audit during 2023/24 to ensure that the actions agreed with management have been implemented.

Summary of Key Audit Findings for Quarter 4 2022/23**Accounts Payable**

- 1.17 Accounts Payable (AP) is the system utilised by the Council to make payments to its creditors or suppliers.
- 1.18 The Accounts Payable Team is responsible for the processing of payments to suppliers using the Technology One (T1) system, which is the Council's main financial system.
- 1.19 Between 1 April 2022 and 15 December 2022, 6,827 invoices with a total value of approximately £110m had been paid, for goods received; services rendered and precepts on behalf of Parishes; West Sussex County Council; and the Police. The amount paid in precepts was approximately £81.6m.
- 1.20 The primary purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- Orders are only raised for goods, works and services that are needed by the Council.
  - Invoices are only paid for goods, works and services that are needed by the Council.
  - All payments are made to the correct vendors, for the correct amounts, at the right time and only for goods, works or services ordered and received satisfactorily by the Council.
  - Only vendors that meet the needs of the Council, and that do not already exist in the accounting system, are set up and their details are maintained accurately.
  - Transactions in the Accounts Payable System are completely and accurately transferred to, and reflected in, the General Ledger.
- 1.21 Based on the work carried out, we have been able to provide an opinion of **Reasonable Assurance**, with a small number of improvements having been agreed with management in the following areas:
- The Finance department is working on updating the guidance and promoting the use of purchase orders.
  - Finance will continue to monitor the KPI for *invoices paid on time* and, where necessary, provide additional training to departments.
  - A third-party supplier will be engaged to undertake a check for duplicate payments during 2023/24.

**Accounts Receivable**

- 1.22 Accounts Receivable is the system used for ensuring that all income due to the Council is collected effectively and efficiently, banked promptly, and is correctly accounted for.
- 1.23 Between 1 April 2022 and 31 December 2022, 25,635 invoices were raised to a value of £15.75m, offset by 436 credit notes, with a total value of £1.75m.
- 1.24 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- All income generating activities are identified and accurately raised to customers.



## Summary of Key Audit Findings for Quarter 4 2022/23

- A customer account maintenance process is in place and operating effectively.
- Amendments to invoices are correct and authorised.
- Collection and debt recovery is managed efficiently and effectively and resources are focused on areas of priority debt.
- Writes-offs are processed accurately and correctly authorised.
- Payments are received and recorded against the correct debtor account in a timely manner.
- Reconciliations between the Accounts Receivable system and the General Ledger are undertaken on a regular basis.

1.25 Overall, we have been able to provide an opinion of **Reasonable Assurance** over the controls operating within the area under review. There was one notable improvement agreed with management, which related to the prompt recovery of Community Infrastructure Levy (CIL) monies. It was agreed that regular meetings will take place between the Finance Team and Planning Team to discuss overdue debts and the action being taken to recover them.

### **Land Acquisition and Disposal**

- 1.26 Land and property are a major resource for the Council. The efficient and effective use of these resources is vital in achieving the Council's strategic aims and objectives. Property and land owned by the Council are the responsibility of the Property & Facilities Team.
- 1.27 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- A robust and comprehensive procedure is in place for identifying land and/or property to acquire and dispose of.
  - An established framework, policy and procedures are in place for property and land acquisitions and disposals to ensure compliance with all relevant legislation, regulations and the Council's Constitution.
  - Adequate financial monitoring and reporting is in place to ensure all committed expenditure is accounted for.
- 1.28 We have been able to provide an opinion of **Reasonable Assurance** over the controls operating within the area under review.
- 1.29 Roles and responsibilities for the approval of property and land acquisitions, and disposals, are clearly documented in the Council's Constitution.
- 1.30 There is a process in place for the identification of land and/or property for acquisition or disposal with collaboration and input between the Property & Facilities Team, Legal Team, Finance Team, and external surveyors to ensure these meet corporate objectives and due diligence is undertaken.

Summary of Key Audit Findings for Quarter 4 2022/23

- 1.31 Legal requirements for land and property acquisitions and disposals are known, understood and complied with. All transactions are recorded on the case file/management system; have their own unique reference; documentation and correspondence is saved against each case/transaction; and cases are closed as soon as reasonably practicable following completion of the transaction.
- 1.32 Financial monitoring and reporting is in place to ensure capital assets are accurately recorded, revalued, and depreciated as required to feed into the capital programme. In addition, insurance cover is adequate and annual reassessments ensure changes to the property portfolio are included.
- 1.33 There was one medium priority finding, and it was agreed that a Land and Property Acquisitions and Disposals procedure will be produced. This will contain the necessary detail to enable an officer to follow the correct processes and complete these transactions in line with the Council's Constitution.

**Hop Oast Depot Cultural Compliance Follow-up**

- 1.34 An opinion of minimal assurance was previously provided in respect of the 2019/20 audit of the Hop Oast Depot. As part of our planned work for 2022/23 we agreed with management to undertake a follow up review of this audit.
- 1.35 The control objectives from the original review were:
- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness.
  - To ensure that there is an adequate budget setting and monitoring process in place and that appropriate measures are taken in a timely manner to address budget pressures.
  - To ensure that expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.
  - To ensure that where chargeable services are delivered, appropriate prices are set and regularly reviewed and that all income attributable to the work undertaken by the service is invoiced correctly.
  - To ensure there is effective staff supervision and performance management including administration of staff development and well-being in accordance with the Council's procedures.
  - To ensure that assets purchased for the Council are held securely and are appropriately managed.
- 1.36 Overall, we found that the department complied with the majority of corporate policies and procedures we reviewed. Therefore, we have been able to provide a revised opinion of **Reasonable Assurance** over the controls operating within the service as:
- Out of 17 agreed actions from the 2019/20 report, 15 have been implemented.

## Summary of Key Audit Findings for Quarter 4 2022/23

- One new finding was identified around budget monitoring and forecasting and consequently the service will make arrangements to work more closely with the Finance Team. This will assist with financial management.
- Where it is not possible to raise a purchase order in advance, all manual workshop orders for £2k and above will now be approved (and evidenced) in advance of the order being placed.
- An area for improvement was identified concerning stock checks. The Transport Manager will carry out a physical stock check at a different time to the check undertaken by the external company. An end of year stock certificate for consumables will be completed.

### **Business Waste Follow-up**

- 1.37 Business waste (now referred to as 'commercial' waste) is any waste that comes from commercial activity. The Council offers a commercial waste service, and service costs include the provision of appropriate containers, removal and disposal of commercial waste, and advice on the legal responsibilities of the business.
- 1.38 The purpose of this audit was to follow-up the agreed actions from the 2020/21 audit, in which we gave an opinion of partial assurance. Testing did not cover those controls which were found to be satisfactory during the previous review. The previous control objectives for the original audit were:
- There are effective and comprehensive policies and procedures, and an approved business strategy is in place that reflects relevant legislation.
  - There are appropriate monitoring and reporting mechanisms in place to manage performance.
  - Formal contracts or agreements are in place with all customers.
  - There are appropriate financial controls in place which ensure that the service generates a surplus or breaks even.
- 1.39 Overall, of the nine actions from the previous review, only one has been fully implemented; one is no longer applicable; and seven have been partially implemented. A number of the actions that were agreed with management were dependent upon the implementation of a customer portal system, which during the course of this audit had been delayed by the supplier, and therefore, the actions had not been fully implemented. However, overall, we are able to provide a revised opinion of **Reasonable Assurance** over the controls operating within the area under review as short-term compensatory controls have been implemented. The following actions are outstanding:
- A new module is due to be implemented which will enable the Bartec system to generate annual Waste Transfer Notes (WTNs) and contracts to customers, and automatically suspend the accounts if these documents are not received within 30 days of being sent out. This will also enable greater accuracy in reporting.
  - In 2023/24 performance indicators will be introduced, which will be reported to the Commercial Waste Board: Percentage of Waste Transfer Notes (WTNs) received; and customer satisfaction.

## Summary of Key Audit Findings for Quarter 4 2022/23

### Business Premises Food Inspections

- 1.40 There are currently around 1,400 business premises registered, that statutorily require a periodic inspection. During 2021/22 there were 486 premises inspected by a team of five officers.
- 1.41 The Environmental Health Service at Horsham DC was the first to implement the Agile software system in the country. The software was purchased in the full knowledge that it hadn't been tested or fully adapted for food inspections within a council.
- 1.42 The purpose of the audit was to provide assurance that a control framework and key processes are in place and working as expected to meet the following objectives:
- Ensure that there is a process in place for scheduling regular but random inspections of premises, which are carried out in accordance with a planned inspection programme.
  - Ensure that the Food Hygiene Rating System is operating effectively & in accordance with government guidelines.
  - Ensure that appropriate records and databases are maintained for the management and control of food and premises inspections which are compliant with data protection legislation.
  - Ensure that up to date policies and procedures are in place, which detail processes to be followed and ensure that Foods Standards Agency requirements are covered.
  - Ensure that processes and procedures in place to monitor the quality of inspections and performance of officers carrying out inspections.
- 1.43 As a result of our work, we were able to provide an opinion of **Reasonable Assurance** in this area. We found that although inspections had fallen behind, due to the Covid-19 pandemic, the service is predicting that they should be back up to date by October 2023. This is due to regular and random inspections of all food establishments being carried out in accordance with a planned inspection programme. Our testing found that the Food Hygiene Rating System is operating effectively and in accordance with the current government guidelines. Furthermore, an independent quality review of all ratings is routinely undertaken by the service.
- 1.44 Some areas were identified to help further improve the overall controls in place, which included measures to:
- Carry out a thorough review of all premises transferred, via data migration, onto the new system. This will ensure all premises within the Horsham area can be identified for food safety inspections.
  - Ensure GDPR and Data Protection regulations are not breached by securing all paper records pending the implementation of handheld tablets for inspections.
  - Update documented policies and procedures for the team, which will be saved on the team's shared drive.
  - Put into place a contingency report, to enable the completion of the Food Standard Agency's statutory annual return.

## Summary of Key Audit Findings for Quarter 4 2022/23

### Surveillance Cameras Follow-up

- 1.45 The Protection of Freedoms Act 2012 (PoFA) introduced the regulation of public space surveillance cameras in England and Wales. As a result, a surveillance camera code of practice was issued by the Secretary of State through the Surveillance Camera Commissioner to ensure that the use of cameras in public places is regulated and only used in pursuit of a specified purpose.
- 1.46 A Surveillance Cameras audit was completed in 2021/22 and we provided an audit opinion of partial assurance. As part of our planned work for 2022/23 we had agreed with management to undertake a follow up review of this audit.
- 1.47 The primary purpose of this audit was to follow-up the agreed actions, this was completed with regard to the control objectives from the original audit:
- Deployment of surveillance camera systems in public spaces is effective, proportionate, and transparent.
  - The use of new and existing surveillance camera systems complies with the Surveillance Camera Commissioner's code of practice.
  - Personal information captured from surveillance camera systems are managed in accordance with the requirements of GDPR and the Data Protection Act.
- 1.48 Overall, we have been able to provide a revised opinion of **Reasonable Assurance**. From the original audit report, we followed up eight agreed actions, and were provided with the necessary evidence to confirm that five of those actions have been fully implemented and are operating in compliance with the Surveillance Camera Code of Practice. Two of the actions from the original audit have been partially implemented, and one low priority action has not yet been implemented. It has been agreed that the following improvements will be actioned by the end of June 2023:
- The Information Governance Officer will progress those Data Protection Impact Assessments that are incomplete, some of which were in draft stage at the time of our follow up review, ensuring that these are completed by collaborating with the responsible officers.
  - Signage/Privacy Notices will be improved at the Capitol venue.
  - CCTV users will be reminded of their operational responsibilities in terms of equipment functionality.

### ANPR (Automatic Number Plate Recognition) Computer Application

- 1.49 The Automatic Number Plate Recognition (ANPR) car park system is in place to allow for card and contactless payments, it also allows users to manage day permits and season tickets. An additional key benefit of the system is that it reduces entrance and exit queues to car parks.
- 1.50 The system includes pay stations, cameras, barriers, back-office support, and various payment options for four Council car parks. Remote management was a key benefit of the new system as was an improved customer experience.
- 1.51 Circa £3.2 million has been collected through the system in the period April 2022 to February 2023, of which £2.8 million was through card transactions.

## Summary of Key Audit Findings for Quarter 4 2022/23

- 1.52 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- System access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions.
  - Data processed through interfaces is authorised, accurate, complete, securely processed and written to the appropriate file.
  - Outputs produced by the system are complete, accurate, reliable, distributed on time and with confidentiality where appropriate.
  - System updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation.
  - Appropriate support arrangements are in place to manage changes within the system.
- 1.53 Based on the testing undertaken, we have been able to provide an opinion of **Reasonable Assurance** over the controls operating within the area under review because:
- The system is managed by an accountable person who takes on the role of the system owner. They are the point of contact with the system provider and take on the role of system administrator when setting up new users and completing requests for additional information and reports.
  - Since the audit began, regular meetings with the system provider are now in place. This has provided additional support and knowledge to the system administrator which has helped to make improvements to the system.
  - The system provider has recently started to notify the Council of any system changes and improvements via a 'portal'. This will allow the system administrator to review and evaluate these and communicate any changes to key users prior to the change being applied.
- 1.54 A few medium priority findings were raised, and the following improvements have been agreed with management:
- The system supplier will be contacted to request that the system is configured to enforce regular password changes and change of password on initial log-on.
  - The system supplier will be contacted to request that the number of unsuccessful log-in attempts are restricted. Will also check the feasibility of whether a report of unsuccessful log-in activity is available, which could then be regularly reviewed to identify any suspicious activity.
  - The system permissions will be reviewed with the system provider to ensure all users have the minimum permission levels required to undertake their duties.

### **Parks and Countryside (Corporate Compliance) Follow-up**

- 1.55 An opinion of partial assurance was provided in respect of the 2020/21 audit of the Parks and Countryside service. As part of our planned work for 2022/23 we agreed with management to undertake a follow up review of this audit. This follow up review did not cover controls which were found to be satisfactory during the previous review.

### Summary of Key Audit Findings for Quarter 4 2022/23

- 1.56 The control objectives from the original review were:
- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness.
  - All key activities undertaken by the team are conducted in accordance with the Council's policies and procedures and comply with basic internal controls.
  - Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision.
  - Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.
- 1.57 We were able to provide an opinion of **Substantial Assurance** with all previously agreed actions now implemented.
- 1.58 There were just a few areas where the control environment could be improved which related to reviewing the departmental risk register to ensure it captures new and emerging risks that relate specifically to the Parks and Countryside service. Also, reminders will be sent, as appropriate, to new members of staff to complete declarations of interest forms when they join the Council.

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## Report to Audit Committee

12 July 2023

By the Director of Resources

### INFORMATION REPORT



**Horsham  
District  
Council**

Not Exempt

## Internal Audit reviews of Revenues and Benefits 2022/23

### Executive Summary

This report tells Councillors the outcome of the internal audit reports of Revenues and Benefits completed by Milton Keynes' internal audit as part of the agreement in which Milton Keynes Council provides Horsham District Council's Revenues and Benefits service. The audits were completed at the end of 2022/23.

- Council tax and Benefits achieved good assurance for control environment and compliance.
- Business Rates achieved satisfactory assurance for control environment and compliance.
- In all cases the organisational impact of findings were minor because the weaknesses identified during the review have left the Council open to low risk.

### Recommendations

The Committee is recommended to:

- i) Note the report and consider any further action required in response to the issues raised.

### Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's systems of internal control.

**Background Papers** None

**Wards affected:** All

**Contact:** Dominic Bradley, Director of Resources, 01403 215300

## Background Information

### 1 Introduction and background

- 1.1 Milton Keynes, through the local authority partnership, now provides Horsham District Council's Revenues and Benefits service. This service includes the internal audit of these services.
- 1.2 Milton Keynes internal audit completed the audits of Council Tax, Housing Benefits and Business Rates during the fourth quarter of 2022/23.
- 1.3 Milton Keynes' internal audit gave their opinion of the adequacy of the system and the compliance of the service with the system.

### 2 Relevant Council policy

- 2.1 Strong internal control supports Corporate Plan key success criteria 5.3 "The Council continues to provide the quality, value for money services that people need throughout the 2020s."

### 3 Details

- 3.1 Milton Keynes' internal audit finalised all three of the Revenues and Benefit audits at the end of 2022/23.

Audited Area	Control Environment	Compliance	Impact
Council tax	Good	Good	Minor
Business Rates	Satisfactory	Satisfactory	Minor
Benefits	Good	Good	Minor

- 3.2 Key audit findings from the final reports are summarised in Appendix A.

### 4 Next steps

- 4.1 The Council's operational manager for Revenues and Benefits will implement the agreed actions arising from the audits within the timescale set.

### 5 Outcome of consultations

- 5.1 Milton Keynes' Internal Audit consulted Horsham District Council's Head of Revenues and Benefits, the Operations Manager and specialist officers at the start and throughout the review, including discussion and agreement of recommendations. The Director of Resources agreed the outline, draft and final reports.

### 6 Other courses of action considered but rejected

- 6.1 None.

### 7 Resource Consequences

- 7.1 Horsham District Council pays for these audits as part of its fee to Milton Keynes for the Revenues and Benefits service. There are no resource consequences arising from this report.

## **8 Legal considerations and implications**

- 8.1 There are no legal consequences arising from this report because it is for information.

## **9 Risk assessment**

- 9.1 Milton Keynes' internal audit use a risk-based approach when carrying out their audits and in evaluating the importance of their findings and recommendations.

## **10 Procurement implications**

- 10.1 There are no procurement implications arising from this report because it is for information.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

- 11.1 There are no human rights or equality implications arising from this report because it is for information.

## **12 Environmental Implications**

- 12.1 There are no environmental implications arising from this audit because it is for information.

## **13 Other Considerations**

- 13.1 There are no other considerations or implications, especially in relation to GDPR/Data Protection; Crime & Disorder from this audit, because it is for information.

## **Summary of the main findings from the audits completed by Milton Keynes' internal Audit**

### **Council Tax audit**

Based on the completion of their fieldwork, Milton Keynes' internal audit gave good assurance for the control environment covering Council Tax and good assurance for compliance.

The auditor recommended four areas of improvement:

- further work could be undertaken by the Team Leader to carry out checks of lists maintained by the Inspector ensuring that reporting to the Valuation Office is complete.
- consider using the system access and job roles functionality in Academy to further restrict system access to job roles.
- include processes that allow for more refund transactions to be checked.
- progress recovery action with those cases that are with the new Enforcement Agency.

### **Business Rates audit**

Based on the completion of their fieldwork, Milton Keynes' internal audit gave satisfactory assurance for the control environment covering business rates and for compliance.

The auditors recommended four areas of improvement:

- ensure the Quality Assurance performance framework is completed and agreed / implemented.
- any future decision to suspend debt recovery should be formally documented.
- ensure the suspense account on Academy is cleared of outstanding transactions.
- ensure that a data analytics & business intelligence solution is implemented to ensure Small Business Rate Reliefs are reviewed on a regular basis.

### **Benefits audit**

Based on the completion of their fieldwork, Milton Keynes' internal audit gave a good assurance opinion for the control environment covering the management of Benefits and good assurance for compliance.

The auditors recommended improvements to recording the quality assurance processes that have been undertaken, with more detailed supporting notes of what has actually been checked which may help future scrutiny and error identification.

Work has commenced to implement all the actions listed above with a target date of 30 September 2023.

## Report to Audit Committee

12 July 2023

By the Director of Resources

### INFORMATION REPORT

Not exempt



## Annual Governance Statement 2022/2023

### 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 2022/2023. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement is correct as well as a review of the Council's Governance framework against the best practice framework devised by CIPFA/SOLACE.

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

### Recommendations

That the Committee is recommended:

- i) To approve the Annual Governance Statement for 2022/2023.

### Reasons for Recommendations

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

**Background papers:** Supporting evidence, Head of Service Assurance Statements, and the Annual Internal Audit Report.

**Consultation:** The Senior Leadership Team, Monitoring Officer, Heads of Service and the Chief Internal Auditor.

**Wards affected:** All

**Contact:** Dominic Bradley, Director of Resources.

**Attachments:** Appendix A: Annual Governance Statement 2022/2023  
Appendix B: Local Code of Corporate Governance  
Appendix C: Governance Assurance Framework  
Appendix D: AGS Action Plan 2022/2023  
Appendix E: AGS Action Plan 2023/2024

## **Background Information**

### **1 Introduction and background**

- 1.1 The Accounts and Audit (England) Regulations 2015 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.

### **2 Relevant Council policy**

The Audit Committee is responsible for approving the Annual Governance Statement in accordance with the Committee's terms of reference.

### **3 Details**

- 3.1 The Annual Governance Statement for 2022/2023 is attached in Appendix A. There are no significant issues or concerns.

### **4 Next steps**

- 4.1 The Audit Committee is asked to approve the final version of the Annual Governance Statement at the June meeting.

### **5 Outcome of consultations**

- 5.1 Key officers have been consulted when compiling the Annual Governance Statement, including the Senior Leadership Team; Monitoring Officer; Heads of Service; and the Chief Internal Auditor. In addition, Heads of Service have completed and signed Annual Assurance Statements covering their areas of responsibility.

### **6 Other courses of action considered but rejected**

- 6.1 None.

### **7 Resource consequences**

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

### **8 Legal consequences**

- 8.1 Regulation 6 of The Accounts and Audit (England) Regulations 2015 requires that:-

**6.—(1)** A relevant authority must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)—

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—

(i) a committee; or

(ii) members of the authority meeting as a whole.

8.2 In 2016 CIPFA/SOLACE published a revised framework for Corporate Governance: "Delivering Good Governance in Local Government Framework". This framework provides a useful and practical update and follows seven core principles of good governance. The Framework urges local authorities to review and report on the effectiveness of the governance arrangements.

## **9 Risk assessment**

9.1 There are no risks associated with this report.

## **10 Procurement implications**

10.1 There are no procurement implications from this report.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

11.1 This report has no effect on equalities and Human Rights.

## **12 Environmental implications**

12.1 This report has no effect on the environment.

## **13 Other considerations**

13.1 This report has no effect on **GDPR/Data Protection**, or **Crime & Disorder**.

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## **Horsham District Council Annual Governance Statement 2022 - 2023**

### **1. SCOPE OF RESPONSIBILITY**

Horsham District Council conducts its business in accordance with the law, regulations and proper standards and it protects public money from waste, extravagance, or misappropriation. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way it provides its services, focusing on economy, efficiency, and effectiveness.

Horsham District Council approved and adopted a Local Code of Corporate Governance on 22 March 2017. This 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. Residents and businesses can find a copy of the Local Code on our website. This statement explains how Horsham District Council complied with the Code during 2022/23 and how it meets the requirements of regulation 6(1)(b), the Accounts and Audit (England) regulations 2015 that require all relevant bodies to prepare an Annual Governance Statement.

### **2. THE GOVERNANCE ASSURANCE FRAMEWORK**

Horsham District Council has a Governance Assurance Framework in place for the year ended 31 March 2023 and up to the date of the approval of the Annual Report and Statement of Accounts for the 2022/23 financial year.

The Council's Governance Framework explains how the Council controls and manages its services and strategies to deliver the Council's aims and objectives.

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

A: Integrity; Ethical Values; the Rule of Law.

B: Openness; engaging with institutional stakeholders; engaging with individual citizens and service users.

C: Defining Outcomes including sustainable, economic, social, and environmental benefits.

D: Determining and planning interventions; to ensure delivery of intended outcomes.

E: Developing the capacity through leadership and other individuals.

F: Managing data, risks, and performance; robust internal control; strong public financial management.

G: Delivering accountability through good practice in transparency, reporting and audit.

### **3. CORPORATE GOVERNANCE, VISION AND OBJECTIVES**

The Council's Corporate Plan outlines the Council's vision, aims and objectives and aligns these with its Governance Assurance Framework. The Council approved its Corporate Plan on 12 February 2020 and covers the period 2019 - 2023.

- The Council aims to deliver high quality services that meet the needs of the local community. This is set out in the Council's Corporate Plan for Horsham which is the core of the Council's purpose and vision and defines the Council's key priorities and strategic aims.

- The Corporate 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 which support the delivery of the Corporate Plan, by identifying how each department contributes to the delivery of the overall aims and objectives of the Council.
- The Council's Performance Management Framework includes key performance indicators associated with the Corporate Plan. Performance on a basket of key corporate indicators is reported to the Senior Leadership Team, the Cabinet Leads and to the Overview and Scrutiny Committee.
- Every report submitted to the Cabinet or regulatory committees outlines how the recommended action helps to achieve one or more of the Corporate Plan priorities.

#### 4. MEMBERS AND OFFICERS WORKING TOGETHER

The Council's Constitution gives guidance on the roles and responsibilities of Members, the Chief Executive and Chief Officers. The Governance Committee leads on changes to the Constitution including the scheme of delegation.

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 review of governance arrangements at the Council was reported to Full Council on 27 April 2016. The Governance Review focused on ensuring Horsham District Council has the most suitable and effective governance arrangements. The Council continues to operate the Cabinet Executive Model supported by a number of Policy Development Advisory Groups. The Governance Committee completed a further review of the Constitution during 2018/19 with a particular focus on the effectiveness of planning and decision making. This was reported to Council in April 2019. During 2020/21 the Governance Committee completed a review of the role of the Policy Development Advisory Groups. In addition, the operation of the Constitution is under constant review by the Monitoring Officer in consultation with the Governance Committee to ensure that its aims and principles are given full effect.

During 2022/23 the Overview and Scrutiny Committee carried out its work through the whole Committee with up to three Task and Finish Groups and no standing sub-committees.

The Council participates in a number of partnerships with other local authorities. In particular Revenues and Benefits, Building Control, Internal Audit and Procurement. The future of the Revenues and Benefits partnership and the Internal Audit partnership were reviewed during 2020/21. In November 2021 Cabinet agreed to enter into a revised partnership arrangement with Milton Keynes Council for the Revenues and Benefits partnership. In January 2022 Cabinet agreed to extend the Orbis Internal Audit arrangement for another five years from 1 April 2022.

## 5. VALUES AND HIGH STANDARDS OF BEHAVIOUR

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. All office-based officers are required to submit an annual declaration as well as all officers making declarations when needed. The extension of the officer requirement to all office-based officers was introduced in January 2020 and officers refreshed their declarations in January 2023. Office based officers have now also declared second jobs and family relationships with other officers and Members of the Council.

Members' Registers are available on the Council's website. Members review their registers annually. Members ensure that if there are changes to their interests that the Monitoring Officer for the Council is notified of these changes. 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 appointed two Independent People in accordance with the Localism Act 2011. The Council has two Parish Representatives who attend the Standards Committee.

As part of an ongoing Organisational Development Programme to ensure we have employees with the right skills, behaviours and attitudes, the organisation has developed core values of 'customer focus', 'achieving excellence' and 'our people'. The performance management process for staff changed in March 2020 from an annual appraisal to a minimum of four recorded performance and development discussions each year. A staff survey was completed in December 2021 that has formed the basis of updating the organisational development programme during 2022 and 2023.

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.

- Counter Fraud Strategy and Framework
- Anti-Money Laundering Policy
- Whistleblowing Policy
- HR Disciplinary Policies
- Council's Equality Scheme
- Information Security Policy

The Council's IT Security Officer updated the Council's Information Security Policy during 2020/21. In February 2022, the Council obtained a significant Government grant for enhancing its cyber security measures in the light of increased risk levels following COVID-19 and the invasion of the Ukraine. We have spent some of the money to implement an improved backup solution for the Council's IT Systems.

## 6. TAKING INFORMED AND TRANSPARENT DECISIONS AND MANAGING RISK

The Council's Risk Management arrangements are reviewed for effectiveness by the Audit Committee to ensure the process is embedded in the culture of the authority.

All Heads of Service 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. Each Directorate Management Team reviews their service risks each quarter and each Project Team their Project Risks no less than once a quarter. An officer-led Risk Management Group reviews the corporate risk register quarterly before it proceeds to the Senior Leadership Team and the Audit Committee for review.

The Chief Internal Auditor provides an annual opinion on the Council's governance arrangements, risk management systems and the overall control environment in his end of year report to the Audit Committee.

## 7. CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS

Training programmes for Council employees are identified from their recorded "conversation" with their manager. All new recruits have a series of basic courses in key areas such as health and safety, data protection, IT security and GDPR which they must complete before they pass their induction, and all staff complete an annual refresher in these core subject areas. A new mandatory Governance course was developed for all staff during 2021/22.

New Members to the Council receive induction training in key areas including the Constitution, ethical governance, decision-making processes, and the Council's Code of Members' Conduct. The induction also includes an introduction to the Council's services. All new Members are allocated a 'buddy' who is a senior Council officer tasked with helping the new Members to settle into the Council. There is an ongoing training programme of Member briefings on important areas of the Council's work. There is also ongoing training covering specific issues in a variety of areas.

## 8. ENGAGEMENT WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS

The Council works hard to communicate its aims for the District. It conducts a wide range of service specific surveys to ascertain the views and needs of its residents. The Council consults with Parish Councils and the Rural Towns Forum (i.e. a consortium of parish level Community Partnerships). It is a leading partner within Community Safety and Health and Wellbeing Partnerships, linking statutory and non-statutory agencies to provide a coordinated approach to delivery of the programme across the District. The Council works with voluntary and community sector partners to ensure effective provision of community engagement activities across the district. These partnerships share feedback from their own stakeholder consultations.

These groups help the Council to assess the priorities of different sections of the community that have different needs, particularly surrounding grants and funding, Parish Councils and areas that need targeted service delivery. Compliments and feedback received are monitored and reported to the Overview and Scrutiny Committee as part of the quarterly performance management report.

## 9. DETAILS OF KEY GOVERNANCE MECHANISMS

Sources of assurance received for each of the core principles are set out in the Horsham District Council's Local Code of Corporate Governance. (See Appendix B).

## 10. WHOLLY OWNED BODIES

The Council owns 100% of a housing company, Horsham District Homes Limited, which owns 100% shares of a holding company, Horsham District Homes (Holdings) Limited.

The Council's Director of Communities, Head of Property and Facilities and the Head of Finance and Performance are directors of Horsham District Homes Ltd. This company builds domestic dwellings.

The Council's Director of Communities, the Head of Property and Facilities, the Head of Housing and Community Services, and the Head of Finance and Performance are directors of Horsham District Homes (Holdings) Ltd. This company lets and operates owned or leased real estate.

The Cabinet and Full Council make decisions relating to these subsidiaries. Full Council approves funds for the companies to operate. These are loans and equity within the development company. Full Council considers any land disposals to the development company that trigger Secretary of State sign-off requirement. The Cabinet reviews each individual development business case and approves the allocation of S106 commuted sums funding to enable the property holding company to acquire the built units from the development company.

## 11. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council's governance framework includes decision-making processes set out in the Council's Constitution, together with rules and procedures. The Council operates the Cabinet Executive Model.

Mechanisms for maintaining and reviewing the effectiveness of the Council's governance arrangements throughout the year include:

- The Council comprises 48 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 Corporate Plan and other decisions that are reserved in law to be taken only by the Council.
- The Overview and Scrutiny Committee is able to scrutinise the decisions of the Cabinet and maintains an overview of Council activities which includes monitoring performance management.
- The Cabinet is ultimately responsible for considering overall financial and 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 Governance Committee meets quarterly and reviews governance with regard to the reviewing and revising of the Council's Constitution.
- The Audit Committee meets quarterly to review the Council's risk management and control arrangements. 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 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. This post also fulfils the statutory roles of Money Laundering Reporting Officer and Senior Information Risk Owner.
- The Head of Legal and Democratic Services (as Monitoring Officer) has a duty to ensure that operations are carried out lawfully. This post also carries out the statutory Data Protection Officer role.
  - An annual internal 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 Orbis Partnership Internal Audit team to respond to changing risks and priorities of the organisation.

## 12. IMPROVEMENTS DURING THE YEAR

The 2021/22 Annual Governance Statement included an action plan for 2022/23. Progress against the risks identified is reported in Appendix D. The following improvements to the Governance Framework were recognised during 2022/23:

- Mandatory Governance training was carried out via e-learning
- Chief Finance Officer and Monitoring Officer sign off of reports was introduced in Modern.gov
- The action plan for improving governance arrangements at the Horsham Museum was implemented.
- Policies and training on anti-bullying and harassment were updated and completed.
- Procurement coaching support was provided to services.

## 13. MINOR GOVERNANCE ISSUES DURING THE YEAR

The minor issues identified during 2022/23 included:

- Rooms were hired out in property and leisure services prior to Council approval of prices.
- A procurement exemption was approved retrospectively after a temporary worker was brought in at short notice to replace a sick officer.
- A transport consultant made changes of their own volition to improve the specification of the set work without prior agreement from officers, which then required a further procurement exemption.
- Starting the procurement process for the vehicle refurbishments without future capital budgets being approved, albeit the budget was approved before the award.
- A discretionary discount on a parking season ticket was awarded to a charitable organisation without it being properly approved.
- A minor data breach of a small number of Revenues and Benefits customers occurred following a printing error when sent to printing.

Once found, Management investigated these issues in the normal way and took remedial action where needed. Further procurement training, in addition to the enhanced governance training agreed in last year's action plan, has taken place.

The number of partial or minimal internal audit assurances is back at a normal (low) level. All audits are reported to the Audit Committee who review the actions proposed to resolve high priority issues.

14. SIGNIFICANT GOVERNANCE ISSUES

This year there were no significant issues that needed immediate reporting to the Audit Committee.

15. IMPACT OF COVID-19 ON OPERATIONS

The Council is operating in a post-COVID-19 office world. Office based officers are working flexibly and in a hybrid home / office work pattern.

Some Policy Development Advisory Groups remained online during the year. Some Councillors, especially those living further away from Horsham or with caring responsibilities, have welcomed this.

**Certification**

It is our opinion that Corporate Governance, along with supporting controls and procedures, remains strong for the Council and the level of non-compliance is beginning to return to normal. We have put in place an action plan to increase officer awareness and reduce the frequency of this type of issue.

**Signed**

Signature redacted

Signature redacted

.....

.....

**Leader of the Council**

**Chief Executive**

On behalf of the Members and senior officers of the Council

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## Appendix B - HDC Code of Corporate Governance

### **HORSHAM DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE**

Corporate Governance comprises the systems, processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

The Council's behaviours and actions that demonstrate good governance are set out in response to the CIPFA core principles.

#### **A: Integrity; Ethical Values: the Rule of Law**

- Member and Officer Codes of Conduct are included in the Constitution setting out the values and behaviours that the Council requires Members and officers to adopt.
- Rules of Procedure govern the expected conduct at meetings of the Council and its committees.
- The Counter-Fraud Strategy & Framework is designed to encourage and promote the prevention and detection of fraud.
- Member and Officer Registers of Interests, Gifts and Hospitality safeguard both Members and officers against conflicts of interest.
- The Whistleblowing Policy ensures anyone with a concern can have confidence that it will be dealt with appropriately.
- All officers have a regular logged conversation with their manager at which behaviours and matters of integrity can be addressed informally.
- The Council's disciplinary process addresses officer breaches of good conduct.
- The Standards Committee considers complaints or allegations made against Councillors, as required by the Localism Act 2011.
- In accordance with 'Working Together to Safeguard Children 2015' and 'The Care Act 2014', we recognise the need to ensure the welfare of all individuals when they come into contact with services provided by the Council.



#### **B: Openness; engaging with institutional stakeholders; engaging with individual citizens and service users.**

- The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.
- The Overview and Scrutiny Committee reviews the Council's decision making processes and monitors the internal and external delivery of services.
- The Audit Committee is independent of Cabinet and Scrutiny functions. It receives reports on the work of External and Internal Audit and Risk Management and reviews serious Governance breaches.
- The Governance Committee reviews and updates the Council's Constitution.
- The Council supports local communities that 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. The Forward Plan, Agendas, papers and minutes are published on the Council's website.
- The Council recognises that supporting and engaging communities is a shared agenda with many partners including West Sussex County Council, the Police, the Health Service and the community and voluntary sector. Working together we are all committed to ensuring Horsham District remains a great area to live and work.
- Senior management communicates with staff by means of regular cascade meetings organised by the Senior Leadership Team: Director's meetings; Team meetings; Chief Executive Talks; the "Council Matters" publication and weekly Leadership Team feedback.
- Consultation takes place with Parish Councils and other Voluntary and Community groups throughout the District to ensure effective provision of community engagement activities.

**C: Defining Outcomes; sustainable, economic, social and environmental benefits.**

- The Corporate Plan for the period 2019-23 is published on the Council's website identifies key priorities.
- Departmental Service Plans and worklists break down and monitor the objectives of the Corporate Plan with quarterly reports to Overview & Scrutiny Committee.
- The Council ensures objectives are deliverable by producing a Medium Term Financial Strategy and detailed financial budget plans.
- Progress against the Council's aims and objectives is monitored through its performance management framework and reported to management and Overview & Scrutiny Committee.
- The Council identifies and manages any corporate and departmental risks to achieving its objectives through its risk management process and issues regular reports to senior management and Audit Committee.
- Value for money is driven through the Council's Corporate Procurement Code.
- Information relating to Council plans and initiatives is published via its website, email updates, social media and the Horsham District news magazine.

**D: Determining and planning interventions; optimising achievement of intended outcomes.**

- The Medium Term Financial Strategy is updated at least twice a year and takes into account changes in the financial outlook. It is used as a basis for the annual budget setting process in which all Heads of Service reconsider their departmental budgets. The Annual Budget and Council Tax rate are approved by full Council before the start of each financial year.
- Progress against the budget and key performance indicators are reviewed and reported quarterly to Overview & Scrutiny.
- The Council continually investigates alternative models of service delivery to improve efficiency whilst meeting the needs of customers.
- The Council is working with Community and Voluntary sector partners to develop projects and deliver efficient and effective services.
- The Council's Technology Strategy was updated during 2019/20 and the Digital Strategy introduced ensure service delivery is supported efficiently and flexibly.
- Benchmarking against others provides information that assists the Council to design services that are fit for purpose by looking at options to improve delivery.

**F: Managing risks; managing performance; robust internal control; managing data; strong public financial management.**

- Decision making protocols are set out in the Council's Constitution.
- Agendas and minutes of Council/Committee meetings are published on the Council's website and include details of decisions taken.
- The Overview and Scrutiny Committee reviews the Council's decision making processes and monitors the internal and external delivery of services.
- Budget monitoring processes are in place and a summary of the Council's financial position is reported to senior management monthly and to Members quarterly.
- The Council has an established Risk Management Strategy and embedded Risk Management processes. Corporate and Departmental risks are formally reviewed quarterly.
- The Horsham Chief Internal Auditor reports to the Audit Committee. Audit work is planned to ensure there are robust systems of internal control in place to mitigate risks and provide assurance to senior management and Members.
- The Audit Committee meets four times a year to review the effectiveness of the control environment and risk management framework.
- An officer Corporate Governance Group oversees the Council's Governance arrangements.
- A complaints procedure is published on the Council's website. Quarterly monitoring reports are submitted to senior management and Members.
- The Council has a suite of policies covering information and data security and guidance is available for all staff on the Council's Intranet.

**E: Developing the capacity of the entity through its leadership and other individuals.**

- The Constitution sets out how the Council operates; how decisions are made and which Codes of Conduct are followed. The roles of Members are clearly set out and a Member/Officer protocol is included.
- A Scheme of Delegation in the Constitution determines the levels at which decisions are taken.
- Detailed regulations in the Constitution (for example Financial Procedure Rules and Contract Procedure Rules) require officer compliance.
- Managers monitor officer performance and development through regular recorded conversations that support workforce planning. The process also identifies an individual's training needs. The Disciplinary and Capability Policies outline the formal processes for managing officer non-compliance.
- The Standards Committee deals with issues relating to Member performance.
- Partnership agreements are in place for each of the Council's strategic partnerships and managers hold regular meetings to monitor the agreements.
- An employee assistance programme is available to all employees.
- An induction training programme is in place for both Members and employees.
- Regular Senior Managers' Forums and all Managers' Conferences enable managers to meet to consider current issues affecting the Council and to work together to identify solutions.

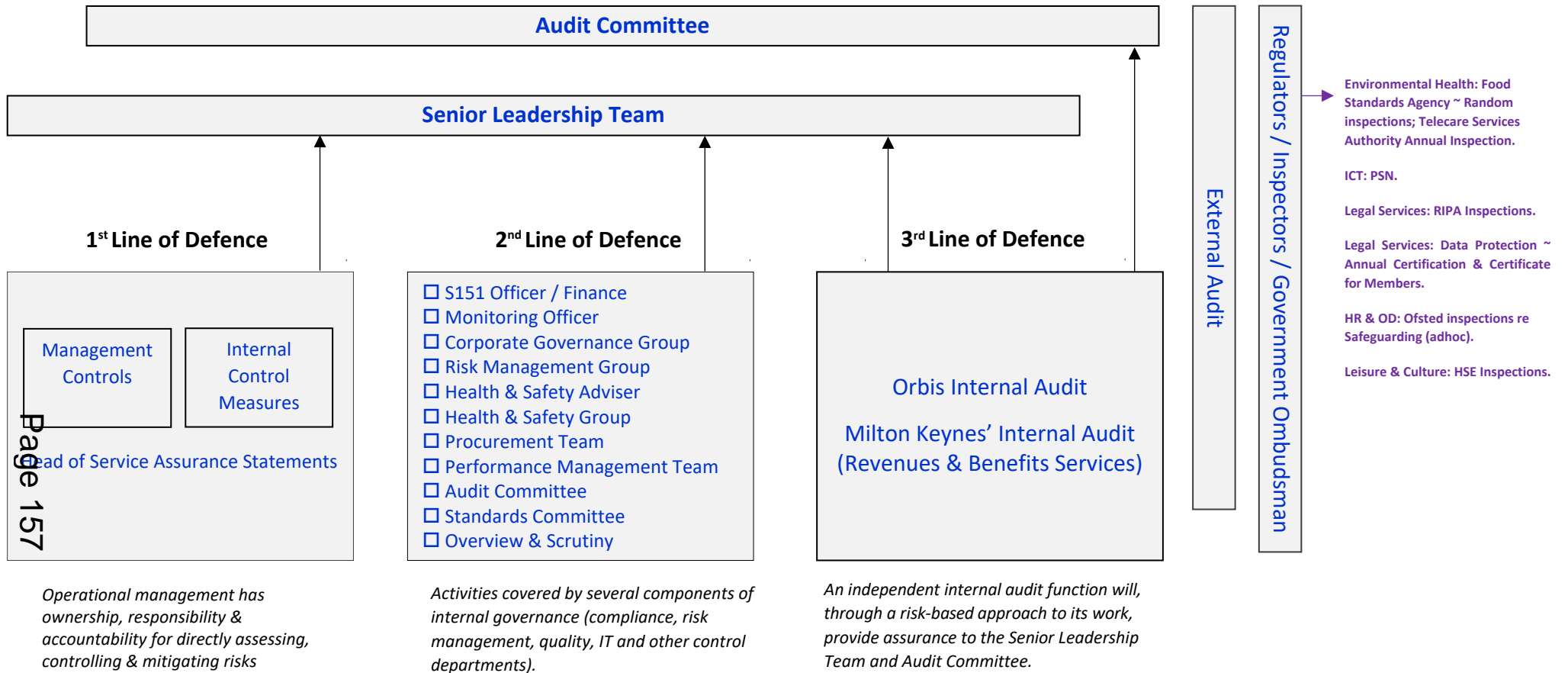
**G: Good practice in transparency, reporting and audit to deliver effective accountability.**

- All committee agendas, papers and minutes are available to the public on the Council's website.
- The Council publishes its Audited Annual Accounts and Annual Governance Statement including an action plan for improvement for any areas of concern.
- All external audit reports are published and corrective action is taken to address any issues highlighted as necessary.
- The Council has an effective Internal Audit service which reports to the Audit Committee. Progress to implement agreed actions for improvement in control processes is monitored and reported to Members.
- Delegated partnership arrangements are effectively monitored by senior managers through monthly meetings and Partnership Boards where the Council is a full partner.



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# GOVERNANCE ASSURANCE FRAMEWORK



## Assurance Framework Documentation

- Constitution
- Code of Conduct
- Complaints Procedure
- Equalities Scheme
- Head of Service Assurance Statements
- Media Protocol
- Financial Policies & Procedures
- Risk Management Strategy & Toolkit
- Risk Registers
- Performance Framework

- Employee Policies
- Pay Policy
- Counter-Fraud Strategy & Framework
- Whistleblowing Policy
- Annual Internal Audit Report & Opinion
- Statement of Accounts
- Annual Audit Letter from External Audit
- Annual Complaints Report
- Report of Local Government Ombudsman
- Results of External Inspections

- Corporate Plan & Service Plans
- MTFS & Budget
- Money Laundering Policy
- Partnership Agreements / SLAs
- Treasury Management & Investment Strategy
- Procurement Code
- Values & Behaviours
- Information Security Policy

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**ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN 2022/23**

<b>No.</b>	<b>Area for Improvement</b>	<b>Actions</b>	<b>Responsible Officer(s)</b>	<b>Target Date</b>	<b>Status Update</b>
1	Officer governance understanding	Roll out of the e-learning course to all staff with regular access to a computer.	All Heads of Service	30/09/2022	Completed.
2	S151 and Monitoring Officer sign off for Cabinet decision reports on Modern.gov (carried forward from 2021/22).	Roll out of tracking and sign off through Modern.gov operates effectively.	Head of Legal & Democratic Services	30/06/2022	Completed later than target. Not yet fully embedded.
3	Governance arrangements at Horsham Museum	Implementation of the actions in the review of the Museum report.	Head of Culture and Leisure	31/03/2023	The action plan has been implemented.
4	The Council's management of bullying and harassment	<ul style="list-style-type: none"> <li>• Development of an anti-bullying and harassment policy.</li> <li>• Working group to lead the implementation of this, led by three heads of service.</li> <li>• Manager's training on EDI (Equality, Diversity and Inclusion).</li> </ul>	Head of HR & OD  Head of Strategic Planning; Head of Leisure & Culture; and the Head of Economic Development.  Head of HR & OD	31/12/2022	Relevant policies updated.  Training & awareness took place at the Manager's Conference in December 2022.  EDI workshops, aimed at Heads of Service took place in November 2022 and February 2023. A session for Cllrs was also held.
5	Procurement understanding in Environmental Health and Licensing	Coaching support from the Procurement Manager.	Procurement Manager	31/03/2023	Completed.

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**APPENDIX E:  
ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN 2023/24**

No.	Area for Improvement	Actions	Responsible Officer	Target Date
1	Constitution involving approval of charity / not for profit reductions and discounts, as well as all decision thresholds.	Review of the Council's Constitution via Governance Committee and full Council.	Head of Legal and Democratic Services	31/12/2023
2	Earlier engagement with procurement across the Council, to improve the process and reduce the number of procurement exemptions.	Further training and Procurement advice.  Formal procurement sign-off built into the online exemption process.	Head of Procurement  Digital Communications Manager	30/09/2023  30/06/2023
3	New Procurement Regulations.	Review and revise framework as appropriate and provide training to officers.	Procurement Manager / Head of Legal and Democratic Services	31/03/2024
4	Roll out of tracking and sign-off of Cabinet decision reports through Modern.gov.	The new Modern.gov process will be embedded so that it operates effectively.	Head of Legal and Democratic Services	30/09/2023
5	The Council's management of bullying and harassment.	Dignity at Work will be embedded into the culture of the organisation.	Head of HR & OD; Head of Strategic Planning; Head of Leisure & Culture; and the Head of Economic Development	31/12/2023

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## Report to Audit Committee

Wednesday 12 July 2023

By the Director of Resources

### INFORMATION REPORT



Horsham  
District  
Council

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 Members understand the key risks facing the Council.

### Background Papers

Corporate Risk Register

**Wards affected:** All.

**Contact:** Dominic Bradley, Director of Resources, 01403 215300.

## Background Information

### 1 Introduction and Background

- 1.1 The Audit 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 Section 3 below).

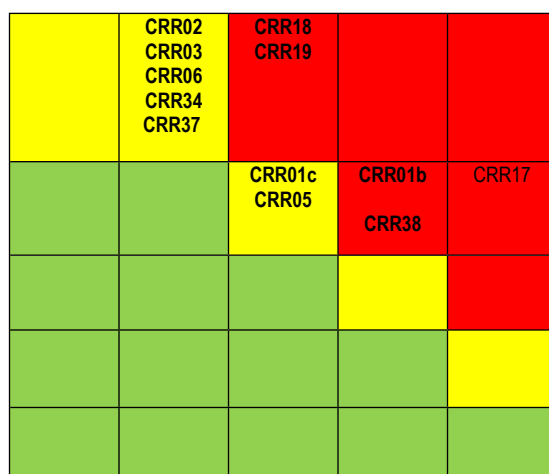
### 2 Relevant Council Policy

2.1 The Council's Risk Management Policy is detailed in the Council's Risk Management Toolkit. The Council's Risk Management Strategy is a component part of the Policy, and this document sets out to achieve the following objectives:

- Fully integrate risk management into the culture of the Council and its strategic and service planning processes.
- Ensure that the risk management framework is understood and that ownership and accountability for managing risks is clearly assigned.
- Ensure the benefits of risk management are realised through maximising opportunities and minimising threats.
- Ensure consistency throughout the Council in the management of risk.

### 3 Details

- 3.1 The Senior Leadership Team has reviewed the Corporate Risk Register and comments have been updated to reflect the current position for each risk (see Appendix 1).
- 3.2 The Corporate risk profile is shown in the following heat map which shows the total number of risks in each segment. The red / amber / green zones are in accordance with the Council's risk appetite.



- 3.3 There are five risks which are currently considered to be high and seven medium. The high-risk areas relate to the following:

CRR01b	Funding from Government is less generous than assumed in the Medium-Term Financial Strategy (MTFS) from 2025.
CRR17	The Housing Benefit Subsidy claim may be qualified and/or financial losses.
CRR38	Inability to recruit and retain officers in key service areas, especially Legal, Building Control, Tech, but across the Council, leading to failure to achieve agreed business objectives.
CRR18	A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems. IT not working due to environmental and economic problems: fire, flood, power cut and issues with the supply chain preventing new infrastructure arriving in a timely manner.
CRR19	Rapidly rising costs from inflation together with ongoing lower levels of income from fees in some areas, and other cost pressures such as increased homelessness; and increased housing benefit claims.

- 3.4 The risk register in Appendix 1 provides full details of all risks on the "live" register together with details of the control actions and responsible officers.
- 3.5 There have been one change in the risk register. The high risk for CRR37 on the requirement to adopt an up-to-date Local Plan by end 2023 in accordance with government requirements has moved to medium risk.
- 3.5 All 19 Departmental risk registers have been reviewed and updated.

## **4 Outcome of consultations**

- 4.1 Officers who are responsible for control actions and the Senior Leadership Team have been consulted in updating the Corporate Risk Register.

## **5 Other courses of action considered but rejected**

- 5.1 Not applicable.

## **6 Resource consequences**

- 6.1 There are no financial or staffing consequences as this report is for noting.

## **7 Legal considerations and implications**

- 7.1 There are no legal consequences as this report is for noting.

## **8 Risk assessment**

- 8.1 The report provides an update on the Council's corporate risks and how these are being managed by the Senior Leadership Team. See Appendix 1 for the latest version of the Council's Corporate Risk Register.

## **9 Procurement implications**

- 9.1 There are no procurement implications arising from this report as this report is for noting.

## **10. Equalities and human rights implications / public sector equality duty**

- 10.1 There are no implications under equalities and human rights nor the public sector equality duty as this report is for noting.

## **11 Environmental implications**

- 11.1 There are no environmental implications as this report is for noting.



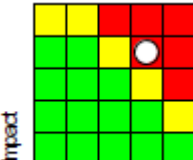
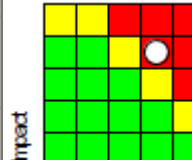
## **12 Other considerations**

- 12.1 There are no consequences arising from GDPR / Data Protection or crime and disorder as this report is for noting.
- 12.2 CRR03 could be added to Pentana so that it features as an ongoing control action in future iterations of the CRR

# Appendix 1 Corporate Risk Report July 2023

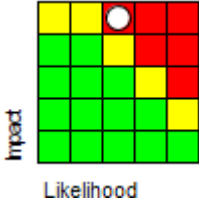
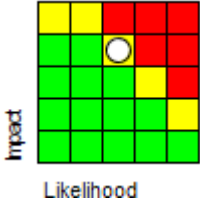
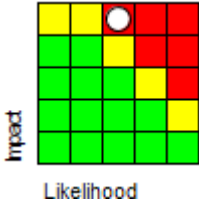
## Risks ordered by RAG not numerically

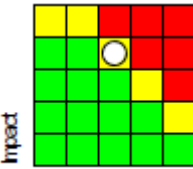
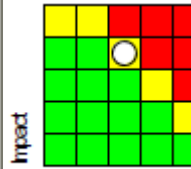
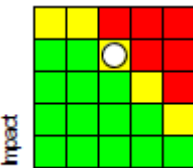

Generated on: 23 May 2023

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
<p>CRR17</p> <p><u>Cause:</u> The External Auditors audit the HDC Benefits Grant Subsidy return to the Department for Work and Pensions (DWP) on an annual basis to identify errors.</p> <p><u>Risk:</u> The Benefit Subsidy claim may be qualified and/or financial losses. HDC has a case load with a particularly high number of working people with many changes of circumstances.</p>	<p>Financial Service Delivery Compliance with regulations Reputation</p>	<p>Dominic Bradley; Beccy Salmon</p>	 <p>Likelihood</p>	<p>CRR.17.1 Continuously monitor the level of quality control checking, staff development, training programmes, reducing temporary staff and other actions to mitigate reduction in quality.</p>	<p>Beccy Salmon</p>	 <p>Likelihood</p>	<p>Pressure has been building in the service since the outbreak of Covid-19. In 2021/22, the HB subsidy loss breached the lower (but not upper) threshold at a cost of £65,416.</p> <p>In 2022/23, a 0.58% Local Authority error rate has breached the upper threshold of 0.54%. This means that the pre-audit position is at a cost of £122,925.</p> <p>As part of a commitment to continued service improvement, including staff development, 2022/23 has seen an increased amount of quality assurance measures in year. These increased measures have also been a result of the issues identified in the 2021/22 audit.</p> <p>This has resulted in the increased identification of error at the pre-audit stage. Around 60% of the LA error identified in 2022/23 was legacy error carried forward from the CenSus partnership.</p> <p>The risk for 2022/23 is that errors and extrapolations identified in the audit will increase the loss of subsidy further.</p>
				<p>CRR.17.2 An earmarked reserve for subsidy provision is now in place that would cover the loss of subsidy in the event that the upper threshold in the subsidy claim is breached.</p>	<p>Beccy Salmon</p>		
<p>CRR01b</p> <p>Financial</p> <p><u>Cause:</u> The Council is reliant on Central Controlled Government funding (e.g. Business Rates).</p> <p><u>Risk:</u> (ii) Funding from Government is less generous than assumed in the MTFS from 2025</p>	<p>Reductions in funding</p> <p>Adverse effect on morale</p> <p>Financial</p> <p>Failure to</p>	<p>Dominic Bradley</p>	 <p>Likelihood</p>	<p>CRR.01b.1 Continue to keep a watching brief</p>	<p>Samanth a Wilson</p>	 <p>Likelihood</p>	<p>Government have finalised a two-year settlement for 2023/24 and 2024/25, which has reduced the risk of changes to business rates and revenue funding through the Fair Funding Review for the short term, albeit temporarily.</p> <p>For 2023/24, Council tax rises, higher investment income from the rise in the Bank of England base rate and some inflationary rises to fees have balanced</p>
				<p>CRR.01b.2 Revisit the MTFS and if necessary 2023/24 budget in year.</p>	<p>Samanth a Wilson</p>		
				<p>CRR.01b.3 Evaluate and discuss with Members possible future actions to mitigate loss of income. e.g.</p>	<p>Dominic Bradley</p>		


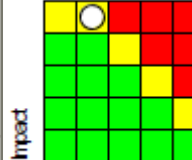

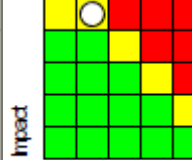
Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
	achieve agreed objectives			Corporate Restructure, investment and infrastructure projects that generate income.			the budget. Proposals also include allocating £1.6m to an earmarked reserve for food waste implementation costs. Despite this, a £2m to £3m budget deficit is forecast at the end of the MTFS, if inflation continues at high levels and we implement food waste in Autumn 2024. The gap will only get larger if the funding cuts are sharper than anticipated.
<p>CRR38 - NEW RISK</p> <p><b>Cause:</b> Linked to national shortage of labour in some sectors as well as experienced professionals leaving the public sector for retirement or better pay in the private sector. Capacity problems increase turnover and absence and adversely affect wellbeing and productivity levels.</p> <p><b>Risk:</b> Inability to recruit and retain officers in key service areas, especially Legal, Building Control, Tech. Failure to have resilience in the staff structure, and so lacking the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.</p>	<p>Adverse effect on morale</p> <p>Financial</p> <p>Failure to achieve agreed business objectives</p> <p>Compliance with regulations</p> <p>Complaints / claims / litigation</p> <p>Stress and absenteeism</p>	Jane Eaton		CRR.38.1 workforce planning, training, and development, growing your own, leadership and management programmes, apprenticeships, coaching, supporting skills and qualifications.	Robert Laban		<p><b>New Risk.</b></p> <p>Recruitment and retention in key services such as Legal, Building Control and Technology Services has resulted in locums and vacancies, resulting in delays in delivering workloads.</p> <p>Some service priorities are not being delivered as quickly as the Council would like. Capacity issues slow down delivery of the capital programme.</p>
				CRR.38.2 Efficient and effective recruitment processes, enhancing the employer brand, recruitment benefits, such as relocation package, flexible and hybrid working, market supplements and review of pay point spinal column.	Robert Laban		
				CRR.38.3 Regular staff survey to be undertaken and action plans progressed	Robert Laban		
				CRR.38.4 Review options for alternative solutions, e.g., investigating Horsham weighting allowance, increasing efficiencies in process and transformation through automation.	Dominic Bradley		



Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
<p>CRR18 Technological Cause: Council services are increasingly reliant on IT systems at a time when there are greater opportunities for malicious attackers to exploit security weaknesses.</p> <p><u>Risk 1:</u> A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems.</p> <p><u>Risk 2:</u> IT not working due to environmental and economic problems: fire, flood, power cut and issues with the supply chain preventing new infrastructure arriving in a timely manner.</p>	<p>Loss of key systems-disruption to Council services. Cost of investigation and recovery of systems. Fraud/theft. Loss of the integrity of Council Records. Penalties from the ICO. Adverse media coverage.</p>	Dominic Bradley		CRR.18.1 Staff and Member Training	Claire Ward / Robert Laban		<p>CRR.18.1 Ongoing, as part of induction for new staff/ Members, and as required.</p> <p>CRR18.2 We are following government advice re heightened Cyber Security Threats.</p> <p>CRR.18.5 PSN Accreditation has been gained for the year.</p> <p>CRR.18.7 Backups have been reviewed and improved, though currently the programme to replace infrastructure is being affected by issues with the supply chain.</p>
				CRR.18.2 Awareness of current threats	Andrea Curson		
				CRR.18.3 An effective ICT Service delivery team	Andrea Curson		
				CRR.18.4 Effective patching and updates to mitigate known vulnerabilities	Andrea Curson		
				CRR.18.5 Compliance with expected security standards. (PSN, PCI-DSS)	Andrea Curson		
				CRR.18.6 Effective policies in place which outline security requirements for users of ICT	Andrea Curson		
				CRR.18.7 Effective back-up and recovery processes in place for Council ICT systems.	Andrea Curson		
				CRR.18.8 Transferring the risks to the cloud provider	Andrea Curson		
				CRR.18.9 Plan developed, approved internally, and being carried out.	Andrea Curson		
<p>CRR19 Cause: Uncertainty in the UK and World economy. Higher levels of salary and non-salary costs from inflation. Impact on the financial markets and the pound in the wake of Covid-19 and the energy crisis. Likelihood of a recession and slowdown in the property and financial markets. The Government has spoken about a reduction in local government funding. Risk: Rapidly rising costs from inflation. 6% inflation equates to a £1m increase in costs per year, making balancing the budget more difficult. Lower levels of income in</p>	<p>Financial Service Delivery Compliance with Regulations</p>	Dominic Bradley		CRR.19.2 Monitor the external environment	Samantha Wilson		<p>The 2022/23 operational outturn is a £0.26m surplus for the year after carry-forwards.</p> <p>Rising inflation rates have driven up utility and maintenance costs HVO fuel and vehicle parts as well as increased staffing costs and increased housing demands. These overspends were offset by additional income from our investment activities and town centre parking.</p> <p>Budget shortfalls of around £3m a year are forecast by the end of the medium-term financial period; the other significant cost being £1.3m p.a. for a 1,2,3 food waste collection, although the timing of this is uncertain.</p>
				CRR.19.3 Monitor internal indicators, particularly costs from inflation, income generation and respond appropriately to adverse trends	Samantha Wilson		

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
planning fees; reduced car parking income; property income and Government funding. Increased costs from higher levels of homelessness and housing benefit claims.							Pressure is building on homelessness and benefits cases. Cumulative pressure on businesses since 2020 may also increase the risk on their ability to pay all rents.
CRR01c Financial <u>Cause:</u> The Council is reliant on Central Controlled Government funding (e.g., Business Rates). <u>Risk:</u> Decrease in Rateable Value due to appeals and businesses going under. This may cause the Council to fall below the business rates baseline, resulting in loss of funding.	Reductions in funding Financial	Dominic Bradley		CRR.01c.1 Continue to keep a watching brief	Samantha Wilson		<p>Total RV is stable at present, but uncertainty remains in the aftermath of Covid-19 and pending any business rate reform.</p> <p>Any re-baselining is now more likely to be from April 2026.</p> <p>Appeals to the Valuation Office remain high, which could trigger backdated refunds. The appeals provision is approximately £2.3m, albeit the Council's share is only 40% of this.</p>
				CRR.01c.2 Evaluate and discuss with Members possible actions to mitigate loss of income. e.g., investment and infrastructure projects that generate income.	Samantha Wilson		
CRR05 Governance <u>Cause:</u> Managers are responsible for ensuring that controls to mitigate risks are consistently applied. <u>Risk:</u> Officers are either unaware of expected controls or do not comply with control procedures.	Failure of business objectives	Dominic Bradley		CRR.05.1 Officer training	Dominic Bradley		<p>The Annual Governance Statement actions in the 2022/23 action plan were implemented.</p> <p>Training and roll out of tracking and report sign off through Modern.gov is underway, but not yet embedded. Likewise, the Council's management of bullying and harassment is well underway, with training and workshops held, and policies updated, but the awareness and learning are not yet fully embedded.</p> <p>Majority of internal audit opinions in 2022-23 were either substantial or reasonable.</p>
	Health & Safety			CRR.05.3 All Service Managers required to sign an Assurance Statement. (By 30th June Annually) (Cyclical)	Dominic Bradley		
	Financial			CRR.05.4 "Cultural compliance" Internal Audits identify service-based issues and help managers to resolve these.	Dominic Bradley		
	Service Delivery			CRR.05.5 Programme of training and information to ensure all managers understand their roles.	Dominic Bradley		
	Compliance with Regulations				Dominic Bradley		
	Personal Privacy Infringement			CRR.05.6 Governance review of the Horsham Museum	Dominic Bradley		
Reputation damage							

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
<p>CRR02 Managerial / Professional <u>Cause:</u> The Council has a legal obligation to protect personal data. The Information Commissioners powers are much more far reaching when they change in May 2018.</p> <p><u>Risk 1:</u> Major data breach or leak of sensitive information to a third party. <u>Risk 2:</u> Risk of significant ICO fine for non-compliance with new General Data Protection Regulations (GDPR).</p>	<p>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 Fines from regulators Adverse publicity Reputation damage</p>	Dominic Bradley		CRR.02.1 Develop appropriate processes & procedures which underpin the IT Security Policy	Andrea Curson / Lauren Kelly		<p>CRR02.3 An induction programme is established, and new staff are completing IS training as part of probation, where relevant. There will be regular updates and additional training provided where necessary, as and when topical issues emerge, in a fast-moving environment that poses IS threats.</p> <p>CRR02.4 PSN Accreditation 2023 awarded.</p> <p>CRR.02.05 Due to recent data breaches, a new training presentation has been written and was delivered through service team meetings. Member training completed during Summer 2022.</p>
				CRR.02.3 Provide a programme of Induction and at least annual training on Information Security to all staff.	Robert Laban		
				CRR.02.4 Annual PSN Accreditation	Andrea Curson		
				CRR.02.5 Representatives from each department meet to maintain compliance, updates and training	Lauren Kelly		
<p>CRR03 Legal <u>Cause:</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.</p> <p><u>Risk:</u> The Council is found to have failed to fulfil its obligations under the Act in the event of a civil emergency.</p>	<p>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</p>	Dominic Bradley		CRR.03.1 Update corporate business continuity plan and regular review.	Robert Laban		<p>CRR.03.1 Plan is up to date. All Neighbourhood Wardens have been trained as Rest Centre Managers and are earmarked for Incident Liaison Officer training later in the year to provide a tactical response at bronze level. Consideration is given to establish a process/ rota for senior managers to manage emergencies.</p> <p>CRR.03.2 All BC plans have been updated in 2021, Q3; a sample was tested in Q4 with the service heads.</p> <p>CRR.03.5 Hybrid bitesize workshops are starting again from April for: Response, BC, Recovery, Rest Centre ops.</p> <p>Review of incidents for lessons learnt.</p>
				CRR.03.2 Update departmental business continuity plans and regular review.	Robert Laban		
				CRR.03.5 Bitesize workshops to address new procedures and processes.	Robert Laban		

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
<p>CRR06 Physical Cause: The Council is responsible for the health &amp; safety of its clients, staff, and other stakeholders, owns and maintains significant assets, and also has responsibility for H&amp;S in some partner organisations where it does not have operational control.</p> <p>Risk: A health &amp; safety failure occurs.</p>	<p>People come to harm Complaints/claims/ litigation Financial losses Censure by audit / inspection Reputation damage Adverse effect on morale Stress and absenteeism</p>	Jane Eaton	 <p>Likelihood</p>	CRR.06.2 H&S Management Forum reviews corporate inspection strategy quarterly.	Robert Laban / Health & Safety Officer	 <p>Likelihood</p>	Risk assessments being undertaken, reviewed, and updated.
				CRR.06.3 Training programme includes annual refreshers on a rolling programme. All mandatory training must be completed as part of probation	Robert Laban		
				CRR.06.01 Risk assessments undertaken	Robert Laban / Health & Safety Officer		
				CRR.06.04 H&S Officer regularly reviews high risk areas	Robert Laban		
<p>CRR34 Cause: Uncertainty in the UK and World economy. Instability and high-profile failures. Risk: Key contractor failure</p>	Financial	Dominic Bradley	 <p>Likelihood</p>	CRR.34.1 Regularly check accounts of key suppliers	Heads of Service	 <p>Likelihood</p>	<p>The impact of the world shortage of building supplies remains uncertain.</p> <p>Risk of inflation, interest rate rise, and recession are being monitored. Some suppliers are starting to come forward to increase prices outside of the contract, which is being resisted.</p> <p>Key contracts are reviewed as part of the ongoing contact management arrangements and officers have been reminded to check the financial health of key suppliers and be ready for Plan B.</p>
				CRR.34.2 Check public liability insurance of key suppliers	Heads of Service		
				CRR.34.3 Ask for key suppliers' business continuity plans	Heads of Service		
				CRR.34.4 Consider whether the failure of a key supplier needs to go in service business continuity plan	Heads of Service		

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Target Risk Matrix	Quarterly Update
CRR37 Source: Requirement to adopt an up-to-date Local Plan by end 2023 in accordance with government requirements Risk: Delay to plan preparation due to the requirement of the plan to demonstrate water neutrality, or as a result of significant / unexpected changes to government guidance.	Economic damage to district as a result of limits to development which can take place	Barbara Childs		CRR.37.1 Joint working with partners to develop water neutrality mitigation strategy	Catherin e Howe		A water mitigation strategy has been agreed (known as a Part C document) was agreed in November 2022. A water Neutrality project Manager is now in post and is developing the Sussex North Offsetting Water Neutrality Scheme (known as SNOWs). This work is ongoing. There are still significant resource implications to enable this scheme to become operational, but there is now sufficient evidence available to allow the Local Plan to progress to the Regulation 19 stage of consultation.
				CRR.37.2 Keep watching brief on government messaging on planning reforms	Catherin e Howe		

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## Report to Audit Committee

12 July 2023  
By the Director of Resources  
**INFORMATION REPORT**

Not exempt



## Treasury Management Activity and Prudential Indicators 2022/23

### Executive Summary

This report covers treasury activity and prudential indicators for 2022/23. At 31 March 2023, the Council's investments totalled £75.0m (£83.3m 2021/22) with no external debt.

During 2022/23, the Council's cash balances were invested in accordance with the Council's treasury management strategy and its associated indicators apart from one indicator where the actual interest rate sensitivity exceeded the estimate and two instances where the Council's operational bank account exceeded the single bank limit. These instances have previously been reported to this Committee.

Interest of £2.285m (£0.942m in 2021/22) was earned on investments, an average return of 2.6% (1.2% in 2021/22). This was £1.320m over the budget of £0.965m. Investment property income was £3.74m (£3.47m 2021/22), in line with the estimate in the strategy.

Investment income from treasury operations has been stronger than expected as interest rates climbed throughout the year. Income from investment properties has largely recovered from the pandemic lows.

### Recommendations

The Committee is recommended to:

- i) Note the Treasury Management stewardship report for 2022/23.
- ii) Note the actual prudential indicators for 2022/23.

### 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 2022/23 in accordance with the requirements of the relevant CIPFA Codes of Practice.

### Background Papers

"Capital Strategy 2022/23 incorporating Investment and Treasury Management Strategy" - Audit Committee 1 December 2021

"Budget for 2022/23" - Cabinet 27 January 2022; Council 9 February 2022

"Treasury Management and Prudential Indicators mid-year report 2022/23" Audit Committee 7 December 2022

**Consultation:** Arlingclose Ltd – the Council's Treasury Management advisers

**Wards affected:** All

**Contact:** Julian Olszowka, Group Accountant (Technical), 01403 215310

## Background Information

### 1 Introduction

- 1.1 This report covers treasury management activity and prudential indicators for 2022/23. It meets the requirements of 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 Codes, 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 management decisions are taken in accordance with good professional practices. This report compares the approved indicators with the outturn position for 2022/23. Actual figures have been taken from or prepared on a basis consistent with the Council's Statement of Accounts. It should be noted that those statements are not yet signed off by the auditor.
- 1.3 The original prudential indicators for 2022/23, together with a Capital Strategy and Treasury Management Strategy 2022/23, were agreed by Council on 9 February 2022 having been approved by this Committee on 1 December 2021.
- 1.4 These indicators were the first incorporating a revision to the Prudential Code for Capital Finance and Treasury Management Code published by CIPFA on 20 December 2021.

### 2 The Council's Capital Expenditure and Financing 2022/23

- 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 9 February 2022 as a part of the budget report.

2022/23	Actual £m	Estimate £m	Variance £m
Services capital expenditure*	4.7	5.5	(0.8)
Capital Investments*	0.5	0.6	(0.1)
Resourced by:			
External resources	2.7	2.4	0.3
Internal Resources	2.5	3.7	(1.2)
Debt (unfinanced capital spend)	0.0	0.0	0.0
<b>Total financing</b>	<b>5.2</b>	<b>6.1</b>	<b>(0.9)</b>

\*Capital expenditure here differs from capital outturn report by capitalised salaries

- 2.2 The services capital spend in 2022/23 was slightly under the budget as revised in the 2023/24 budget report. The capital investments, which covers the Housing Subsidiary loans and equity was slightly below 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.
- 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 2022/23 MRP Policy, as required by the Department for Levelling Up, Housing and Communities (DLUHC) Guidance, was approved on 9 February 2022 as a part of the 2022/23 Budget report.
- 3.3 The Council's CFR for the year is shown below, and represents a key prudential indicator because it is a measure of the Council's underlying indebtedness. As there was no additional unfinanced expenditure the only movement in the CFR is its reduction by the Minimum Revenue Provision.

<b>Capital Financing Requirement</b>	<b>Actual £m</b>	<b>Estimate £m</b>	<b>Variance £m</b>
Opening balance 1 April 2022	33.6	33.6	0.0
Debt/unfinanced capital expenditure	0.0	0.0	0.0
less Minimum Revenue Provision	(0.9)	(0.9)	0.0
<b>Closing balance 31 March 2023</b>	<b>32.7</b>	<b>32.7</b>	<b>0.0</b>

### 4 Treasury Position at 31 March 2023

- 4.1 Whilst the Council's gauge of its underlying need to borrow is the CFR, the Director of 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 it has no external debt.
- 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 2023 compared with the previous year is shown below. This is a snapshot of investments on the date and the rates will not necessarily be equal to the whole year average figures.

<b>Treasury position</b>	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>Principal £m</b>	<b>Average Rate</b>	<b>Principal £m</b>	<b>Average Rate</b>
Fixed Interest Rate Debt	-	-	-	-
Investments	75.0	3.4%	83.3	1.5%

- 4.3 Returns for shorter term cash has increased markedly as inflation surged and central banks reacted with rate rises. This has resulted in income greatly exceeding the budget.
- 4.4 The Council's cash levels were down on last year as some of the various unused Covid-19 related grants were repaid but still remained close to historically high levels.
- 4.5 The increasing rates meant the budget, which was set when interest rates had not started their rise, was exceeded by £1.3m.

## 5 Prudential Indicators

5.1 **Gross Debt and the Capital Financing Requirement 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 2022/23 plus the expected CFR movement over 2023/24 and 2024/25. As there is no external debt planned and the CFR is over £32m and in the budget plans of the Council it is not projected to decrease significantly over the relevant future period, the Council has complied with this prudential indicator.

5.2 The **Authorised Limit** is the "Affordable Borrowing Limit" required by section 3 of the Local Government Act 2003. The Council set the Authorised Limit at £15m for 2022/23. The table below demonstrates that during 2022/23 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 £0m. There was no gross borrowing in the year.

	2022/23
Authorised Limit	£15m
Operational Boundary	£0m
Maximum gross borrowing position in the year	£0m
Minimum gross borrowing position in the year	£0m

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) against the net revenue stream. This is a gauge of the affordability of capital spend and as the Council has no borrowing is purely the MRP charge. The actuals are in line with estimate.

	2022/23 actual	2022/23 forecast
Financing costs (£m)	0.9	0.9
Proportion of net revenue stream	7%	7%

5.5 **Interest rate exposure** – This indicator is set to control interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates are shown in the table below. The impact of change in interest rates is calculated on the assumption that maturing investment will be replaced at current rates.

	Actual	Limit
Limit one-year revenue impact of a 1% rise in interest rates	£0.175m	£0.250m
Limit one-year revenue impact of a 1% fall in interest rates	-£0.175m	-£0.250m

5.6 **Maturity structures of fixed borrowing** - These gross limits are set to reduce the Council's exposure to large fixed rate loans falling due for refinancing. Although the Council has no borrowing this indicator is required by the CIPFA code.

Maximum percentage of borrowing in each age category	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months to 2 years	100%	0%	0%
2 years to 5 years	100%	0%	0%
5 years to 10 years	100%	0%	0%
10 years and above	100%	0%	0%

- 5.7 **Total Principal Funds Invested over a year** – These limits cover the Council’s exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of investments. The limits and actuals on the long-term principal sums invested to final maturities beyond the period ends are below and the actual values were within the limits.

£m	2022/23	2023/24	2024/25
Actual principal invested beyond year-end	£13.4m	£13.4m	£11.4m
Limit on principal invested beyond year-end	£16m	£14m	£12m

### **Economic and treasury management context for 2022/23**

- 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 2022/23, is included as Appendix A to this report.

### **Debt management activity during 2022/23**

- 5.9 No new borrowing was undertaken and the Council continues to have no debt. As the CFR shown above is £32.7m 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 was judged to be the best way of funding capital expenditure. Current borrowing costs have risen markedly from their historic low levels (e.g. PWLB 50 year loan around 5% whereas last year was around 1.8%)

## **6 Investment activity in 2022/23**

- 6.1 In line with both the CIPFA Treasury management Code and government guidance the Council’s objectives are to give priority to the security and liquidity of its funds before seeking the best rate of return. The guidance also requires the Council to approve an investment strategy before the start of each financial year and regularly report progress against it.
- 6.2 The strategy follows the CIPFA and government guidance that require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.3 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 to cover its CFR which reduces the funds to be invested. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. As the resources available exceed the CFR the Council holds net investments as shown below.

<b>Balance Sheet Resources</b>	<b>31 March 2023 £m</b>
General fund CFR	-33
Less Usable reserves	96
Less working capital	12
<b>Total</b>	<b>75</b>

6.4 The breakdown of investments held at period end.

	<b>31.3.22 Balance £m</b>	<b>Movement £m</b>	<b>31.3.23 Balance £m</b>	<b>31.3.23 Rate %</b>
Call accounts	4.1	-3.3	0.8	1.0
Money Market Funds – call	10.5	-3.0	7.5	4.1
Money Market Funds – cash plus or short bonds	13.3	-0.2	13.1	1.7
Short-term deposits	29.5	-21.0	8.5	3.0
Short term Bonds	0	2.9	2.9	4.6
Long-term Bonds	0	13.4	13.4	4.5
Pooled Funds - Property	5.6	-0.9	4.7	3.6
Pooled Funds – Multi-Asset	6.9	1.5	8.4	3.9
Pooled Funds – Equity	5.6	3.0	8.6	3.5
Pooled Funds – Bonds	5.7	-0.4	5.3	3.4
REIT	2.1	-0.3	1.8	2.6
<b>Total Investments</b>	<b>83.3</b>	<b>-8.3</b>	<b>75</b>	<b>3.4</b>

- 6.5 **Yield** - The investment income budget for the year 2022/23 was £0.965m (£0.792m in 2021/22). The actual interest received was £2.285m (£0.942m in 2021/22). Cash balances were well above budget throughout the year with the year-end figure being £30m higher than the projections from late 2021 which were used for the budget as cash outflows were overestimated and inflows underestimated. Actual rates far exceeded the budgeted rates which were set in late 2021 when bank rate was 0.25% and although there was the awareness of rising inflation, at the time there was the belief that the increase in inflation would be relatively modest. Overall return was pushed up to 2.6% (1.2% in 2021/22) against a budgeted return of 1.6%.
- 6.6 **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 a minimum of A+ in the year which is one notch above the benchmark.
- 6.7 **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 sets a benchmark of the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing. For 2022/23 the benchmark amount was £3m. The actual funds available were in excess of the benchmark for the whole year; the lowest amount available overnight was £8m.
- 6.8 **Compliance with strategy** – The strategy was complied with throughout 2022/23 with the exception of two instances when the Council's current bank account balance exceeded £2.5m and the interest sensitivity indicator being exceeded at the

mid-year point. These instances were reported in the mid-year report to this Committee on 7 December 2022.

- 6.9 **Pooled funds** – The Council holds £26.9m in unrated pooled funds comprising equity, bonds and property. In 2022/23 they yielded £1.07m. These funds are a useful diversifier for the treasury portfolio but are subject to a variable capital value. The value of the investments at the year-end was £0.73m below the initial investment. At the end of last year the capital value was £1.5m above the original value so there is a degree of volatility.
- 6.10 Many of the pooled funds have a significant bond component and fixed income bond values were hit by rising interest rates. Bonds had their worst year of performance in several decades. Long-term government bonds had their worst year ever as central banks delivered larger interest rates hikes than initially expected and promised more rises to combat inflation. In the next year bond values should recover as interest rates reach their peak and their increased yields will increase dividends.
- 6.11 The equity element of Pooled funds also suffered as the outlook of sticky inflation, rapid policy rates tightening and an increasing risk of recession damaged confidence. The tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g., offices post-COVID, high street shops and shopping centres) saw commercial property values also fall during the year.
- 6.12 **Variable Net Asset Value Money Market Funds** – The Council uses Low Volatility Net Asset Value Money Market Funds for day-to-day liquidity. The low volatility refers to the fact that each unit of the fund costs £1 to buy and is redeemed at £1. To facilitate this, the investments within the funds are short term and liquid and so returns are close to Bank of England bank rate. As the Council has cash it can invest over the medium term it has £13.1m in money market funds which can invest in longer term instruments like short term bonds and consequently should have higher yields but where the value of a unit invested can change. At a time of rising rates these type of funds can lag behind the shorter duration money market funds as their overall average rates do not respond as quickly to the new rates. They also suffer a reduction in capital value as they have older bonds with lower rates which will take longer to mature so that the newer higher interest bonds can replace them. The value of these funds on 31 March 2023 was £232,000 lower than the purchase price.
- 6.13 Although the volatility of capital values is a concern, the Council has sufficient long term funds to avoid crystallising any capital losses. In the Council's accounts these unrealised capital gains or losses will not have an impact on the General Fund as the Council can defer them to a reserve account. The Government has agreed this will remain the case until 2025/26. There is no guarantee this will be extended so the Council will have to consider how to deal with a potential charge to its revenues from 2025/26.

- 6.14 **Social Housing REIT** – In 2019/20 the Council invested £2m in a REIT specialising in supported social housing. The pandemic had significantly delayed its development of sites so dividends have been lower than expected at 2.7%. The expectation is that the REIT will continue to develop its operations and grow its dividends. There was a small capital loss of £120,000 at the year-end. Any unrealised capital gains or losses will not have an impact on the General Fund as the Council can defer them to a reserve.
- 6.15 **Covered and Supranational Bonds** During the year a number of covered and supranational bonds were purchased. These are highly secure AAA rated bonds that are covered by collateral or recourse to national governments. They have a variety of maturities over the next 4 years at a fixed rate return.

### Non-Treasury investments

- 6.16 The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in DLUHC’s Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 6.17 At year end the Council held £58.0m of directly owned property and £0.18m loans to local bodies for service purposes. These investments generated £3.74m of investment income for the Council after taking account of direct costs and making provision for possible losses, representing a rate of return of 6.4%. Income was in line with the estimated income of £3.7m at a return 6.6% in the original 2022/23 strategy.
- 6.18 **Net income from commercial and service investments to net revenue stream:** This indicator is designed to show the proportion that commercial and service net income forms of the whole Council’s net revenue stream and so how far the council relies on the income.

	2022/23 actual	2022/23 forecast
Total net income from service and commercial investments	£3.7m	£3.7m
Proportion of net revenue stream	29%	28%

- 6.19 The income from these non-treasury investments provides an important contribution to financing of the Council’s overall service delivery. To ensure stable income flows the Council has a core of longer term leases. The Council’s properties have very high occupancy in the high 90% and so can place reasonable reliance on a stable flow of rents. That said, there is a significant retail element which will not be immune from the well-recognised risks to the sector.

6.20 Below is a breakdown of performance grouping assets by type.

Property by type £millions	31.3.2023 actual			2022/23	
	Purchase cost / 31 <sup>st</sup> March 2007 value	Gains or losses	Value in accounts	Capital Gain or loss in year	Income Return In year
Retail – legacy	2.7	1.9	4.6	-0.1	8.1%
Retail – Swan Walk	9.5	-7.5	2.0	0.1	11.1%
Light industrial - legacy	9.3	9.9	19.2	-0.5	6.8%
Healthcare – legacy	6.5	1.6	8.1	-0.3	6.2%
Office - legacy	1.3	0.6	1.9	-0.1	4.5%
Retail - recent	14.7	-6.1	8.6	-1.0	8.1%
Light industrial – recent	6.3	3.8	10.1	0.1	5.2%
Healthcare – recent	0.9	0.0	0.9	-0.3	5.8%
Education -recent	1.8	-0.1	1.7	-0.1	1.3%
Leisure - recent	1.5	-0.6	0.9	0.0	-4.9%
<b>Total properties</b>	<b>54.5</b>	<b>3.5</b>	<b>58</b>	<b>-2.2</b>	<b>6.4%</b>

- 6.21 The purchase cost figures above need to be viewed with care as no reliable purchase cost is available for the legacy categories and Swan Walk so the base valuation is the earliest full valuation we have, which is from 2007 when retail was probably at its peak value. Overall capital values are above notional “purchase cost” with the light industrials compensating for retail weakness. In terms of percentage return, care should be taken as the denominator is the valuation at the year-end which is subject to annual revaluation.
- 6.22 The return for Swan Walk is an estimate as the accounts for the year ending last October have not yet been supplied to the Council. Swan Walk was badly affected by the pandemic with many tenants seeking reductions in their rents and the leasehold was also sold by Aviva in 2021/22. Officers have been pursuing the managing agents for the accounts but the overhang from the pandemic and the transfer of ownership seems to have had a longer lasting effect than expected.
- 6.23 The category of recent education properties was affected by the departure of Bohunt School leaving the property empty for much of the year. The site requires some work but is currently under offer for a new long term tenant. The recent leisure properties (The Rec) income was impacted by Covid rent arrears being written off because the tenant went into liquidation. The property is now under offer on a new long lease at a significantly enhanced rent (subject to an extended rent free)

6.24 The 2022/23 strategy also set a series of performance indicators shown below.

<b>Indicator</b>	<b>2022/23 Actual</b>	<b>2022/23 Forecast</b>
Commercial investments: Property Overall value	<b>£58.0m</b>	<b>£57m</b>
Debt to net service expenditure ratio	0%	0%
Commercial income to net service expenditure ratio	34%	34%
Net income return target	6.4%	6.6%
Operating overheads of property section attributable to commercial property as a proportion of net property income	6.1%	6.0%
Average Vacancy levels	4%	3%
Tenant/s over 5% of overall income	5	4
Weighted Average Unexpired Lease Term (WAULT)	14yr 7m	14yr
Bad debts written off	£82,281	£200,000

6.25 The overall value of investment property slightly exceeded the estimate made in December 2021 due to valuations holding up more than projected.

6.26 The Weighted Average Unexpired Lease Term (WAULT) is in line with estimate,

6.27 Overheads as a percentage of income was slightly over estimate. This was because the budgeted income was marginally higher in the forecast.

6.28 Swan Walk income just edged above 5% in the year to make 5 tenants over 5% of overall income.

6.29 Bad debts written off in the year 2022/23 are due to some extent to ongoing effects of the pandemic and the cost of living crisis.

6.30 The valuation figures are based on the unaudited accounts. If there are significant changes for the final audited accounts, the changes in treasury management activity and prudential indicators will be reported to the committee.

## 7 **Resource consequences**

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

## 8 **Legal considerations and implications**

8.1 There are no legal consequences.

## 9 **Risk assessment**

9.1 The framework of indicators and reporting against them provides an effective system of risk control.

## 10 **Procurement implications**

10.1 There are no procurement implications.



11 **Equalities and Human Rights implications / Public Sector Equality Duty**

11.1 There are no impacts on any relevant groups and no Equalities Impact Assessment is required.

12 **Environmental implications**

12.1 There are no direct environmental impacts from this report.

13 **Other considerations**

13.1 There are no Data Protection implications or issues concerning Crime & Disorder.

## **Appendix A**                      **Arlingclose Commentary on 2022/23**

**Economic Background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

**Financial markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

**Credit review:** Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities

## Report to Audit Committee

12 July 2023

By the Directors of the Housing Companies'



Not Exempt

### Subsidiary Housing Company Accounts

#### Executive summary

In March 2019, Cabinet approved the creation of two companies for the purposes of providing affordable rental housing in the District. Horsham District Homes Ltd (HDH), the development company, and Horsham District Homes (Holdings) Ltd (HDHH) were both incorporated in 2019.

Company law requires the directors of the companies to prepare financial statements for each financial period.

The Council is not required to prepare consolidated group accounts for 2022/23 as the value of the transactions in the companies' accounts are considered immaterial. However, the accounts for the companies have been audited by an independent auditor and will be approved and signed by the boards at the companies' board meeting later in the year.

The audited annual report and financial statements for both companies are included within this report.

#### Recommendations

That the Committee is recommended to note:

- i) the statement of accounts for the subsidiary companies.
- ii) the update from the subsidiary companies provided within this report.

#### Reasons for recommendations

- i) Clause 8.1.2 of the shareholders agreement says the Company shall provide to the Council the annual accounts as soon as practicable.
- ii) In preparation for these accounts being material and potentially being consolidated with the Councils statement of accounts in future years.

**Background papers:** None

**Wards affected:** All

**Contact:** Samantha Wilson, Company Director, 01403 215309

## **Background Information**

### **1 Introduction and background**

- 1.1 The Council incorporated two housing subsidiary companies in 2019. Company law requires the directors of the companies to prepare financial statements for each financial period. This report provides background information to the financial statements.
- 1.2 The Council is not required to prepare group accounts for 2022/23 as the value of the transactions within the companies is considered immaterial. The Council will continue to assess whether group accounts are required, however, with decisions on developments paused due to the impact of water neutrality it is unlikely that group accounts will be required for 2023/24. The accounts for the companies have been audited, by an independent auditor, and will be approved and signed by the companies' boards of directors at the June board meetings.

### **2 Relevant Council policy**

- 2.1 The 2019 to 2023 Corporate Plan sets out the Council's strategic objectives and includes creating great places for people to live and work and creating a strong safe and healthy community. Paragraph 3.2.2 of the corporate plan states the objective of using the Council's affordable housing company to build affordable homes in areas of high demand.

### **3 Details**

#### **3.1 Horsham District Homes Limited (HDH)**

The accounts for the year ended 31 March 2023 are included within this report. During the year, the development of three homes in Roman Way, Billingshurst completed and the homes were transferred to HDH. The company continues to work on opportunities in Horsham Town for its next developments, plans are being discussed but due to water neutrality they have not yet been submitted to the planning department. A small surplus was made as a result of the Roman Way transfer, however, the general operational running costs incurred during in the year, resulted in a reported loss for the year.

#### **3.2 Horsham District Homes (Holdings) Limited (HDHH)**

The accounts for the year ended 31 March 2023 are included within this report. The company received s106 housing and enabling contributions from the Council to purchase three homes from the development company, HDH. The income from existing stock of five properties and the three additional properties have contributed to the net profit for the year.

- 3.3 The accounts for both companies have been prepared on a going concern basis due to anticipated small losses in the early years being supported by the Council. With the existing stock of eight units HDHH will continue to make a small profit each year which will enable the companies to cumulatively break even in 2025/26. If more units are added this will happen sooner.

### **4 Next steps**

- 4.1 The Council will continue to review the materiality of the transactions for the purposes of group accounts.

## **5 Outcome of consultations**

5.1 No consultations were required.

## **6 Other courses of action considered but rejected**

6.1 None

## **7 Resource consequences**

7.1 There are no direct Council resource consequences arising from this report.

## **8 Legal consequences**

8.1 For 2023/24, the Council is likely to be required to produce consolidated financial statements under the Accounts and Audit (England) Regulations 2015

## **9 Risk assessment**

9.1 There are no risks to the Council for 2022/23 due to the companies' accounts not being consolidated to form group accounts with the Council's Statement of Accounts.

9.2 There is no risk that the companies will miss the deadline for filing the statements with Companies House is September 2023.

## **10 Procurement implications**

10.1 There are no procurement implications associated with this report.

## **11 Equalities and Human Rights implications / Public Sector Equality Duty**

11.1 There are no equalities and human rights implications associated with this report.

## **12 Environmental implications**

12.1 There are no environmental implications from this report.

## **13 Other considerations**

13.1 There are no GDPR / Data Protection or Crime & Disorder implications arising from this report.

**HORSHAM DISTRICT HOMES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**



## HORSHAM DISTRICT HOMES LIMITED

### COMPANY INFORMATION

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<b>Directors</b>	S Wilson A Chalmers (resigned 22 June 2022) B Elliott R Jarvis (appointed 22 June 2022, resigned 13 December 2022) P Anderson (appointed 13 December 2022)
<b>Company number</b>	12173332
<b>Registered office</b>	Parkside Chart Way Horsham West Sussex RH12 1RL
<b>Auditor</b>	Richard Place Dobson Services Limited Ground Floor 1 - 7 Station Road Crawley West Sussex RH10 1HT

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**DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 MARCH 2023***

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The directors present their annual report and financial statements for the year ended 31 March 2023.

**Principal activities**

The principal activity of the company continued to be that of development of affordable housing for resale to its subsidiary company, Horsham District Homes (Holdings) Limited.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Wilson

A Chalmers (resigned 22 June 2022)

B Elliott

R Jarvis (appointed 22 June 2022, resigned 13 December 2022)

P Anderson (appointed 13 December 2022)

**Statement of Going Concern**

The company's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of exposure to liquidity and cash flows have been considered by the Directors who are confident the company remains a going concern and is expected to continue to be.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**Small companies exemption**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

.....

S Wilson

**Director**

Date: .....

## **HORSHAM DISTRICT HOMES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2023***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## HORSHAM DISTRICT HOMES LIMITED

### INDEPENDENT AUDITOR'S REPORT

#### TO THE MEMBERS OF HORSHAM DISTRICT HOMES LIMITED

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##### Opinion

We have audited the financial statements of Horsham District Homes Limited (the 'company') for the year ended 31 March 2023 which comprise the profit and loss account, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

##### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

## **HORSHAM DISTRICT HOMES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF HORSHAM DISTRICT HOMES LIMITED**

---

##### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud, the audit engagement team made enquiries of management, and those charged with governance, regarding the procedures relating to identifying, evaluating and complying with;

1. laws and regulations and whether they were aware of any instances of non-compliance;
2. detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
3. the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;

## **HORSHAM DISTRICT HOMES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF HORSHAM DISTRICT HOMES LIMITED**

---

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, General Data Protection Regulations, Companies Act 2006, NHBC, Employment and Taxes regulations. We performed audit procedures to detect non-compliance, which may have a material impact on the financial statements. These included reviewing financial statement disclosures and evaluating advice received from external advisors. There were no significant laws and regulations we deemed as having an indirect impact on the financial statements.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside of the normal course of business.

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

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Corduff ACA FCCA

**(Senior Statutory Auditor)**

**For and on behalf of Richard Place Dobson Services Limited**

**Chartered Accountants**

**Statutory Auditor**

Date: .....

Ground Floor  
1 - 7 Station Road  
Crawley  
West Sussex  
RH10 1HT

**HORSHAM DISTRICT HOMES LIMITED**

**PROFIT AND LOSS ACCOUNT**

***FOR THE YEAR ENDED 31 MARCH 2023***

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	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	735,000	-
Cost of sales	(721,990)	-
	<hr/>	<hr/>
<b>Gross profit</b>	13,010	-
Administrative expenses	(25,196)	(14,876)
	<hr/>	<hr/>
<b>Loss before taxation</b>	(12,186)	(14,876)
Tax on loss	-	-
	<hr/>	<hr/>
<b>Loss for the financial year</b>	<u>(12,186)</u>	<u>(14,876)</u>



**HORSHAM DISTRICT HOMES LIMITED****BALANCE SHEET***AS AT 31 MARCH 2023*

	Notes	2023 £	£	2022 £	£
<b>Fixed assets</b>					
Investments	4		1		1
<b>Current assets</b>					
Stocks	6	-		199,840	
Debtors	7	41,892		301,472	
Cash at bank and in hand		424,741		9,631	
		<u>466,633</u>		<u>510,943</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(34,525)</u>		<u>(66,649)</u>	
<b>Net current assets</b>			432,108		444,294
<b>Net assets</b>			<u>432,109</u>		<u>444,295</u>
<b>Capital and reserves</b>					
Called up share capital			500,000		500,000
Profit and loss reserves			(67,891)		(55,705)
<b>Total equity</b>			<u>432,109</u>		<u>444,295</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

.....

S Wilson

**Director**

**Company Registration No. 12173332**

# HORSHAM DISTRICT HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 MARCH 2023*

---

### 1 Accounting policies

#### Company information

Horsham District Homes Limited is a private company limited by shares incorporated in England and Wales. The registered office is Parkside, Chart Way, Horsham, West Sussex, RH12 1RL.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These accounts present the financial information about Horsham District Homes Limited and do not consolidate its results with its trading subsidiary. Exemption from preparing group accounts has been taken as the group qualifies as small.

#### 1.2 Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the company's parent undertaking.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 Stocks

Stocks comprises of land and work in progress, and is valued at the lower of actual cost and net realisable value.

Land Stocks is recognised at the time the liability is recognised which is generally after the exchange of contracts and once an unavoidable obligation arises and is virtually certain the contract will be completed.

## HORSHAM DISTRICT HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2023

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#### 1 Accounting policies

(Continued)

##### 1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### 1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### *Basic financial liabilities*

Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### 1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### 1.8 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**HORSHAM DISTRICT HOMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****1 Accounting policies (Continued)****1.9 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

**1.10 Investment in subsidiary**

Investment in subsidiary companies are recognised at cost less any provision for impairment in value.

**1.11 Overhead and Support Services**

Costs relating to finance and legal services, for example, are purchased as a supply and form part of the Company's administration costs.

**1.12 Taxation**

The tax expense represents the sum of the current tax payable and the deferred tax.

Current tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax.

Deferred tax liabilities are generally recognised for all the timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against future taxable profits.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**3 Employees**

The average monthly number of persons employed by the company during the year was 0,

Horsham District Homes Limited does not directly employ any staff. A service agreement is in place between Horsham District Homes Limited and Horsham District Council.

**4 Fixed asset investments**

	2023	2022
	£	£
Shares in group undertakings and participating interests	1	1
	<u>1</u>	<u>1</u>

**HORSHAM DISTRICT HOMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*****FOR THE YEAR ENDED 31 MARCH 2023*****5 Subsidiaries**

Horsham District Homes Limited holds the following investments in subsidiary companies:

Horsham District Homes Holdings Limited

Company Number: 12356985 (Registered in England)

Principal activity: Purchase of affordable housing to be rented to residents on the Horsham District Council waiting list

The aggregate capital and reserves of Horsham District Homes Holdings Limited at 31 March 2023 were

Share Capital; £1 (2022 - £1)

Reserves £(11,325) (2022 - £(36,619))

**6 Stocks**

	<b>2023</b>	<b>2022</b>
	£	£
Stocks	-	199,840
	<u>          </u>	<u>          </u>

**7 Debtors**

	<b>2023</b>	<b>2022</b>
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	1	-
Amounts owed by group undertakings	39,466	23,415
Other debtors	2,425	278,057
	<u>          </u>	<u>          </u>
	<u>41,892</u>	<u>301,472</u>

**8 Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	£	£
Amounts owed to group undertakings	14,827	11,876
Other creditors	19,698	54,773
	<u>          </u>	<u>          </u>
	<u>34,525</u>	<u>66,649</u>

## **HORSHAM DISTRICT HOMES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2023***

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#### **9 Capital Commitments**

Amounts contracted for but not provided in the financial statements:

At 31 March 2023 Horsham District Homes Limited was committed to the following significant capital contracts

Roman Way Billingshurst

Total Contract value - £659,067

Paid - £641,475

Contract value outstanding - £17,592

## **HORSHAM DISTRICT HOMES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2023***

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#### **10 Related party transactions**

##### **Parent Undertaking**

The parent undertaking and person with significant control of Horsham District Homes Limited is Horsham District Council, a local authority in England and Wales. The address of the Council's principal place of business is Parkside, Chart Way, Horsham, West Sussex, RH12 1RL.

A summary of the Company's transactions with Horsham District Council is outlined below:

- Under a services agreement, Horsham District Council provides support services to Horsham District Homes Limited, these are included in administration costs. Amounts owed to Horsham District Council in respect of these services are included in trade creditors.
- Horsham District Homes Limited is 100% owned by Horsham District Council. During the year to 31 March 2023 Horsham District Council had paid up 500,000 shares at £1 each.

##### **Group undertakings**

Horsham District Homes Limited wholly owns Horsham District Homes (Holdings) Limited. During the year ended 31 March 2022 Horsham District Homes Limited provided Horsham District Homes (Holdings) Limited with a loan to settle their support services costs with the parent company, Horsham District Council.

#### **11 Events after the reporting date**

[may need to add Brian Elliott resigning as Director – this had not happened at 2 May 2023 ??

#### **12 Going Concern**

The Directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of Company's parent undertaking.

**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**



# HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

## COMPANY INFORMATION

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**Directors** A Chalmers (resigned 22 June 2022)  
R Jarvis  
B Elliott  
S Wilson  
P Anderson (appointed 13 December 2022)

**Company number** 12356952

**Registered office** Parkside  
Chart Way  
Horsham  
West Sussex  
RH12 1RL

**Auditor** Richard Place Dobson Services Limited  
Ground Floor  
1 - 7 Station Road  
Crawley  
West Sussex  
RH10 1HT

# HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

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Independent auditor's report	3 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 13

# HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

## DIRECTORS' REPORT

*FOR THE YEAR ENDED 31 MARCH 2023*

---

The directors present their annual report and financial statements for the year ended 31 March 2023.

### Principal activities

The principal activity of the company is the purchase of affordable housing to be rented to residents on Horsham District Council waiting list.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Chalmers (resigned 22 June 2022)

R Jarvis

B Elliott

S Wilson

P Anderson (appointed 13 December 2022)

### Statement of Going Concern

The Company's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of exposure to liquidity and cash flows have been considered by the Directors who are confident the company remains a going concern and is expected to continue to be.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

.....

S Wilson

**Director**

Date: .....

## **HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2023***

---

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

---

#### Opinion

We have audited the financial statements of Horsham District Homes (Holdings) Limited (the 'company') for the period ended 31 March 2022 which comprise the profit and loss account, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

## **HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

---

##### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing for the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

---

##### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with the laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However it is the primary responsibility of management with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provision of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud, the audit engagement team made enquiries of management, and those charged with governance, regarding the procedures relating to identifying, evaluating and complying with;

1. laws and regulations and whether they were aware of any instances of non-compliance;
2. detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
3. the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statement are FRS 102, General Data Protection Regulations, Companies Act 2006, Employment and Taxes regulations. We performed audit procedures to detect non-compliance, which may have a material impact on the financial statements. These included reviewing financial statement disclosures and evaluating advice received from external advisors. There were no significant laws and regulations we deemed as having an indirect impact on the financial statements.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside of the normal course of business.

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

**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE MEMBERS OF HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Corduff ACA FCCA

**(Senior Statutory Auditor)**

**For and on behalf of Richard Place Dobson Services Limited**

**Chartered Accountants**

**Statutory Auditor**

Date: .....

Ground Floor  
1 - 7 Station Road  
Crawley  
West Sussex  
RH10 1HT



**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED**

**PROFIT AND LOSS ACCOUNT**

*FOR THE YEAR ENDED 31 MARCH 2023*

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	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	54,685	16,973
Administrative expenses	(48,519)	(29,639)
Other operating income	15,126	6,170
	<hr/>	<hr/>
<b>Profit/(loss) before taxation</b>	21,292	(6,496)
Tax on profit/(loss)	(4,045)	8,589
	<hr/>	<hr/>
<b>Profit for the financial year</b>	17,247	2,093
	<hr/> <hr/>	<hr/> <hr/>

**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED****BALANCE SHEET***AS AT 31 MARCH 2023*

	Notes	2023		2022	
		£	£	£	£
<b>Fixed assets</b>					
Investment property	4		1,491,290		756,290
<b>Current assets</b>					
Debtors	5	25,173		19,503	
Cash at bank and in hand		24,510		3,190	
			49,683		22,693
<b>Creditors: amounts falling due within one year</b>	6	(82,303)		(65,480)	
<b>Net current liabilities</b>			(32,620)		(42,787)
<b>Total assets less current liabilities</b>			1,458,670		713,503
<b>Creditors: amounts falling due after more than one year</b>	7		(1,469,995)		(750,122)
<b>Net liabilities</b>			(11,325)		(36,619)
<b>Capital and reserves</b>					
Called up share capital			1		1
Profit and loss reserves			(11,326)		(36,620)
<b>Total equity</b>			(11,325)		(36,619)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

.....

S Wilson

**Director**

**Company Registration No. 12356952**

# HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 MARCH 2023*

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### 1 Accounting policies

#### Company information

Horsham District Homes (Holdings) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Parkside, Chart Way, Horsham, West Sussex, RH12 1RL.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified for investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

At the 31 March 2023, the company net liabilities of £11,325. The Directors have considered the going concern assumptions used in preparing the accounts and believe the company to be a going concern on the basis that it is in the start-up phase. The company is reliant on the support of its parent company on not calling the debt due until there are sufficient funds available to repay the debt.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

#### 1.4 Tangible fixed assets

Assets in the course of construction are not depreciated.

#### 1.5 Investment properties

Valuation of investment properties - At each year end the directors will estimate the value of investment property. The valuation is a key figure in the accounts and is subject to judgement.

In the year of purchase the valuation is based on cost.

#### 1.6 Impairment of investment properties

At each reporting period end date, the company reviews the carrying amounts of its investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2023

---

#### 1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### *Basic financial liabilities*

Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2023

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#### 1 Accounting policies

(Continued)

##### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

###### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

###### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### 1.12 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

##### 1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

##### 1.14 Overhead and Support Services

Costs relating to finance and legal services, for example, are purchased as a supply and form part of the Company's administration costs.

**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****1 Accounting policies (Continued)****1.15 Taxation**

The tax expense represents the sum of the current tax payable and the deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year.

**Deferred tax**

Deferred tax liability are generally recognised for all timing differences and deferred tax assets are recognised to the extent that is probable that they will be recovered against future taxable profits.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Valuation of investment properties - At each year end the directors will estimate the value of investment property. The valuation is a key figure in the accounts and is subject to judgement.

**3 Employees**

The average monthly number of persons (including directors) employed by the company during the year was 0.

Horsham District Homes Holdings Limited does not directly employ any staff. A service agreement is in place between Horsham District Homes Holdings Limited and Horsham District Council.

**4 Investment property**

	<b>2023</b>	
	£	
At 1 April 2022	756,290	
Additions	735,000	
At 31 March 2023	1,491,290	

**5 Debtors**

	<b>2023</b>	<b>2022</b>
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	1	1
Other debtors	20,752	10,913
Deferred tax asset	4,420	8,589
	25,173	19,503

**HORSHAM DISTRICT HOMES (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****6 Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Amounts due to group undertakings	66,894	61,152
Other creditors	15,409	4,328
	<u>82,303</u>	<u>65,480</u>

**7 Creditors: amounts falling due after more than one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Housing and enabling grants received	1,469,995	750,122
	<u>1,469,995</u>	<u>750,122</u>

**8 Parent company****Parent Undertaking**

The parent undertaking and person with significant control of Horsham District Homes (Holdings) Limited is Horsham District Homes Limited. The ultimate parent undertaking is Horsham District Council, a local authority in England and Wales. The address of the Council's principal place of business is Parkside, Chart Way, Horsham, West Sussex, RH12 1RL.

**Related Party Transactions**

A summary of the Company's transactions with Horsham District Homes (Holdings) Limited is outlined below:

- Horsham District Homes (Holdings) Limited borrowed £16,052 from Horsham District Homes Limited to pay for the support services during the year ending 31 March 2022. This amount is within creditors (note 6).
- Horsham District Homes (Holdings) Limited is 100% owned by Horsham District Homes Limited. During the period to 31 March 2023 Horsham District Homes (Holdings) Limited had issued 1 share at £1 each, which remain unpaid.
- Horsham District Homes (Holdings) Limited received grant income from Horsham District Council. The grants are shown in long term creditors and will be classed as income once the grant conditions have been met.
- Under a services agreement, Horsham District Council provides support services to Horsham District Homes (Holdings) Limited, these are included in administration costs. Amounts owed to Horsham District Council in respect of these services are included in creditors (note 6).

**9 Additional Activities**

During the year the Company entered into a lease agreement with Kingdom Faith Church and Turning Tides (a rough sleeping charity) to provide supported accommodation for single homeless households. The Company leases a property from Kingdom Faith Church and has a management agreement in place with Turning Tides to support the residents. This agreement is in place until such time that Turning Tides become a registered provider and can transact directly with Kingdom Faith Church.

The Company does not generate any income or expense from this arrangement.

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