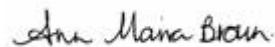


Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Room A - Town Hall**, on **Wednesday, 25 July 2018 at 6.30 pm**

Nightline Telephone No. 07881 500 227

A handwritten signature in black ink that reads "Anna Maria Brown".

Head of Legal and Democratic Services

Membership:
Councillors

K Sudan (Chair), C R Eade (Vice-Chair), R D Burrett, I T Irvine and
L Willcock

T G Belben

Please contact Democratic Services if you have any queries regarding this agenda.
democratic.services@crawley.gov.uk
Published 17 July 2018

Emergency procedure for meetings will be circulated to Councillors and visitors attending this meeting. Please familiarise yourself with these procedures and the location of fire exits.



Switchboard: 01293 438000
Main fax: 01293 511803
Minicom: 01293 405202 DX:
57139 Crawley 1
www.crawley.gov.uk

Town Hall
The Boulevard
Crawley
West Sussex
RH10 1UZ

The order of business may change at the Chair's discretion

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, Councillors of the Council are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	5 - 8
To approve as a correct record the minutes of the Audit Committee held on 6 March 2018.	
4. Fraud and Investigation Team Report	9 - 12
To consider report FIN/448 of the Operational Benefits and Corporate Fraud Manager.	
5. Progress Report: Internal Audit and Risk Management	13 - 32
To consider report FIN/447 of the Audit and Risk Manager.	
6. Audit and Risk Manager's Annual Report 2017/2018	33 - 38
To consider report FIN/450 of the Audit and Risk Manager.	
7. Update on the Appointment of External Auditor	39 - 42
To consider report FIN/444 of the Head of Finance, Revenues and Benefits.	
8. Annual Audit and Certification Fees 2018/2019	43 - 46
To consider Ernst and Young's Annual Audit and Certification Fees for 2018/2019.	
9. Audit Results Report for the year ended 31 March 2018	47 - 94
To consider Ernst and Young's Audit Results Report for the year ended 31 March 2018.	
10. Approval of the 2017/2018 Statement of Accounts	95 - 264
To consider report FIN/445 of the Head of Finance, Revenues and Benefits.	

11. Supplemental Agenda

Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.

This information is available in different formats and languages. If you or someone you know would like help with understanding this document please contact the Democratic Services Team on 01293 438549 or email:

democratic.services@crawley.gov.uk

This page is intentionally left blank

Crawley Borough Council

Minutes of Audit Committee

Tuesday, 6 March 2018 at 6.30 pm

Councillors Present:

K Sudan (Chair)

T G Belben and I T Irvine

Also in Attendance:

Councillor A C Skudder

P King	Director of Ernst and Young LLP
S Patel	Lead Auditor for Ernst and Young LLP
J Taylor	Audit Manager for Ernst and Young LLP

Officers Present:

Gillian Edwards	Audit and Risk Manager
Mez Matthews	Democratic Services Officer
Stuart Small	Investigations Officer

Apologies for Absence:

Councillor R D Burrett, C R Eade and R Sharma

Chris Corker	Operational Benefits and Corporate Fraud Manager
Karen Hayes	Head of Finance, Revenues and Benefits

5. Disclosures of Interest

No disclosures of interests were made.

6. Minutes

The minutes of the meeting of the Committee held on 28 November 2017 were approved as a correct record and signed by the Chair subject to the following wording being inserted under Minute 4 (Internal Audit Progress Report as at 31st October 2017 Incorporating Risk Management Update as at 31st October 2017):

“When discussing the strategic risk on affordable housing the Head of Finance, Revenues and Benefits explained that some 1-4-1 right to buy receipts had been repaid to the Government, this was included in the Cabinet report who were meeting the following day.

As was explained when the decision was taken to retain the 'right to buy receipts' (Cabinet report CH/95 13 June 2012) any of those receipts that were not spent within 3 years would have to be returned to the government with interest. Although this was a very tight timescale the Council had been very successful in spending those receipts and to date, £7,736,000 of 1-4-1 receipts had been used to partially fund the purchase of properties.

Unfortunately recently, there had been significant delays in the delivery of some housing schemes, where it was planned to spend 1-4-1 receipts. Those delays were outside the Council's control but had meant that £1,236,676 had to be repaid to the government, in addition to £190,370 in interest. The first scheme was an enabling scheme that was progressing well until it was 'pulled' by the Registered Social Landlord (RSL), as a result of the Grenfell Towers disaster. Others included the Forge Wood development, Kilnmead and Goffs Park which had been delayed owing to difficulties meeting planning requirements.

Mitigating actions were being put in place to stop this happening again, those were included in the report to Cabinet on 29 November 2017."

7. Fraud and Investigation Team Report

The Committee considered report FIN/440 of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 15 November 2017 to 19 February 2018. The Operational Benefits and Corporate Fraud Manager was unable to attend the Committee meeting and therefore the Investigations Officer presented the report in his absence.

The report indicated that the Team had continued to perform successfully. The Committee was advised that the total number of active cases identified in Paragraph 4 (Information and Analysis: Active Caseload) totalled 94 (not 83 as detailed in the report) and that the report should be amended accordingly. The Committee also noted that the sub heading of "New Claims Bonus" under Paragraph 4.4 should be amended to read "New Homes Bonus".

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the team's work generally. The Committee sought and received clarification on a number of points raised, including the calculation of the New Homes Bonus, and the notification and implications of empty properties.

RESOLVED

That the Fraud and Investigation Team Report be noted.

8. Progress Report: Internal Audit and Risk Management

The Committee considered report FIN/437 of the Audit and Risk Manager. The purpose of the report was primarily to update the Committee on the progress made towards the completion of the 2017/2018 Audit Plan, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted all the Audit Plan reviews in progress, along with other work as detailed in the report. The Audit and Risk Manager took the opportunity to brief the Committee on high priority findings and follow up audits. In relation to the procurement follow-up audit (paragraph 4.5 of the report refers), the Audit and Risk

Agenda Item 3

Audit Committee (3)
6 March 2018

Manager advised that a further update on the maintenance of the Contracts Register would be provided at the next Committee meeting. The Committee sought and received clarification on several points, including publication of the Contracts Register and Freedom of Information requests. The Committee was advised that more detailed information relating to risk management awareness and training would be provided at the next meeting of the Committee.

The Committee discussed the update provided on Risk Management. A query was raised regarding the composition of the Local Enterprise Partnership Board and, in light of the absence of the Head of Finance, Revenues and Benefits, the Audit and Risk Manager advised that a response would be provided directly to the Committee member. The Committee sought and received clarification on several other points, including the risk levels within the Town Hall Project Risk Register. A Committee member requested that the information contained within Town Hall Project Risk Register (risk 3a) be amended to make clear that Historic England were not at fault in the delay of the tendering process.

RESOLVED

That the progress to date, as at 31 January 2018 be received and noted.

9. Internal Audit Annual Plan 2018-2019

The Committee considered report FIN/438 of the Audit and Risk Manager. The Plan, which was attached as Appendix A to the report included, for each proposed audit area, an outline scope of work planned. The Committee sought and received clarification on a number of issues including the requirement for, and focus of the 'Ethics' audit.

RESOLVED

That the 2018/2019 Internal Audit Annual Plan attached as Appendix A to report FIN/438 be noted.

10. Internal Audit Charter - January 2018

The Committee considered report FIN/439 of the Audit and Risk Manager, and the Charter which was attached as Appendix A to the report. At the request of the Committee, the Audit and Risk Manager clarified a number of issues including how performance against the Charter would be reviewed, Councillor training, succession planning and peer review / external assessors. The Audit and Risk Manager also confirmed that a review of the effectiveness of internal audit would be undertaken on an annual basis. It was noted that reference to "Corporate Directors" in Paragraph 9 of the Charter should be replaced with "Corporate Management Team".

RESOLVED

That the Internal Audit Charter attached as Appendix A to report FIN/439 be approved.

11. Audit Planning Report: Year Ended 31 March 2018

The Committee considered the Audit Plan for the year ended 31 March 2018 from Ernst and Young LLP.

Agenda Item 3

Audit Committee (4)
6 March 2018

The Audit Plan detailed how Ernst and Young intended to carry out its responsibilities as auditor and provided the Committee with a basis to review Ernst and Young's approach and scope for the 2017-2018 audit in accordance with the requirements of the relevant auditing standards and professional requirements. The Plan also intended to ensure that the audit aligned with the Committee's service expectations.

The Director of Ernst and Young presented the report and, at the request of the Committee, further information was provided in relation to specific areas including value for money of the Town Hall Project and risk assessment. The Committee also noted that the "total other non-audit services planned fee for 2017/18" detailed in Appendix A to the report should be corrected to read "£11,386".

RESOLVED

That the Audit Plan for the year ended 31 March 2018 be noted.

12. Certification of Claims and Returns Annual Report 2016-17

The Committee considered the Certification of Claims and Returns Annual Report 2016-17 from Ernst and Young LLP. The report summarised the results of Ernst and Young's certification work on the Council's 2016-17 housing benefit claim.

The Director of Ernst and Young provided clarification on the detailed work carried out in relation to rent allowances (Section 1 of the report: Housing Benefits Subsidy Claim referred).

RESOLVED

That the Certification of Claims and Returns Annual Report 2016-17 be noted.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 7.35 pm

Chair

Agenda Item 4

Crawley Borough Council

Report to Audit Committee

25 July 2018

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - **FIN/448**

1. Purpose

- 1.1 The report describes the activity of the Corporate Fraud & Investigation Team for the period 20 February 2018 to 8 July 2018. All outcome figures are taken from closed cases. Also included are the results for the full year 2017/18.

2. Recommendations

- 2.1 That the Committee note the report.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to oversee the Council's anti fraud and corruption arrangements. A major part of those arrangements is the activity of the Corporate Fraud & Inspection Team in identifying, investigating and taking action against cases of fraud.

4. Information & Analysis

Active Caseload

The fraud team are currently investigating the following case types

Case Type	Number of Cases
Council Tax Liability Investigation	3
Council Tax Reduction Scheme	14
Housing Applications	8
Housing Investigations (General)	10
Housing non occupation	25
Housing Right to Buy	18
CT Single person Discount	3
Fly tipping	1
Enforcement Breach	1
Taxi Licencing	1
Non Domestic Rates	1
Total	85

The above cases are all at various stages in the investigation lifecycle and will be reported on when the cases are closed.

Agenda Item 4

4.1 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2017/18</u>
Properties recovered	4	9
Prevented allocation (inc homeless applications)	5	15
Properties recovered for our RSL partners	2	8
Stopped Right to Buy (actual discount value)	6 (£472,300)	16 (£1,247,600)
Notional value of savings	£670,300	£1,823,600

The previous Audit Commission through their 'Protecting the public purse' studies conservatively estimated, that for each property being misused and not available to the Local Authority it cost the Authority £18,000 per year per property. Housing vulnerable families in Bed & Breakfast on a temporary basis is very expensive and can cost in excess of £100 per night. The Audit Commission figure is therefore used for recovering properties and preventing false applications.

The Right to Buy figures are the actual discounts which would have awarded had the sale of the property gone through.

4.2 Single Person Discount (Council Tax Inspectors & Investigators)

A 25% discount in Council Tax liability is given to households where only 1 adult is resident.

The investigators and inspectors throughout the year will routinely look into referrals received from the public or other means suggesting there are 2 adults resident and therefore not eligible to the discount.

	<u>In period</u>	<u>2017/18</u>
Discounts removed	17	39
Loss being recovered	£9,399	£11,152

In addition to their normal work above the team have conducted an exercise matching Single Person Discounts awarded on the Council Tax database against the Electoral Register database. This exercise highlights anomalies between the two.

This exercise has resulted in the further removal of 130 Single Person Discounts to which the resident was not entitled to. The value of the removed discounts is £49,048 and new bills have been issued.

4.3 Council Tax and Business Rates

The team continue to investigate and inspect Council Tax and Business rates.

New billable CT or Rates – Inspectors are constantly looking for properties or businesses that are not on the valuation list and therefore not being billed. Legislation does not require occupiers to report new properties.

Agenda Item 4

	Council Tax		Non Domestic Rates	
	In period	2017/18	In period	2017/18
New billable CT or Rates	£194,531	£577,496	£1,410,330	£4,934,613

5 Implications

There are no implications from the report.

6 Background Papers

6.1 None

Report author and contact officer: Chris Corker, Operational Benefits & Corporate Fraud Manager (telephone 01293 438598)

ENDS

This page is intentionally left blank

Crawley Borough Council

Report to the Audit Committee

25th July 2018

Progress Report: Internal Audit and Risk Management

Report of the Audit and Risk Manager – *FIN/447*

1. Purpose

- 1.1 The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1 The Committee is requested to receive this report and note progress to date, as at 12th July 2018.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to ensure that action has been taken by relevant Managers on risk based issues identified by Internal Audit.

4. Background

Work Completed

- 4.1 Since the last report, as at 31st January 2018, the following reviews have been completed.

Audit Title	Audit Opinion
Budgetary Control	Substantial Assurance
NNDR	Substantial Assurance
Cash and Bank	Satisfactory Assurance
Risk Management Awareness and Training	Not Applicable
Creditors	Substantial Assurance
FMS	Substantial Assurance
Treasury Management	Substantial Assurance
Sundry Debtors	Substantial Assurance
DWP CIS Compliance	Substantial Assurance
Payroll	Substantial Assurance
Data Centre Migration Project 2018-2019	Limited Assurance

Work in Progress

- 4.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

Agenda Item 5

4.3 High priority findings in this period

We have identified the following 23 high priority findings in this period which were as follows:

Risk Management Awareness and Training 2017-2018 - 2 high priority findings

The Council's Risk Management Strategy, last revised in June 2015, states that Managers are expected to actively consider the risks associated with operations, projects and services for which they are responsible and that they should be able to articulate those risks along with actions taken to mitigate those risks.

Where a risk is significant, it is also expected that this can be evidenced and one way to show this is by maintaining a risk register, although this is only one option.

In order to assess how operational risks were managed, we devised a short questionnaire and sent to all Service Managers for completion. Once these had been returned, the Senior Auditor met with a number of these Managers to explore further the responses they had provided.

Our assessment is that whilst it is clear that some managers are aware of and confident about managing their operational risks, in other areas Managers were less able to identify their operational risks.

I have therefore raised two findings, and action has been agreed to address the weaknesses identified.

Risk Management Awareness

As noted above, the awareness of operational risks varied greatly across the Council. It has therefore been agreed that the Audit and Risk section will undertake training on risk in general and operational risk in particular. Timing will be dependent on availability of staff across the Council.

Fraud Awareness Training

Only a small number of Service Managers identified the risk of fraud in their service although it is accepted that some areas are more susceptible to this than others. It has been agreed that the Fraud and Inspections Manager will assess, with the Audit and Risk Manager, whether further fraud awareness training would be beneficial and if so, arrange to undertake this.

Data Centre Migration Project 2018-2019 - 21 high priority findings

Following a fire at South Oxfordshire District Council in January 2015, which completely destroyed their Council offices, Crawley Borough Council took a decision to seek more resilient hosting of its IT systems. A report was presented to the Cabinet in September 2015 where approval was given to relocate the data centre to the Surrey Business Centre as part of partnership agreement with Surrey County Council.

We have recently completed a review of this project, for which I have given Limited Assurance about the adequacy of controls in place and their effectiveness.

From this review, a number of findings, and recommendation have been raised which have been discussed with Management and actions agreed with the, Head of Finance, Revenues and Benefits, the Head of Digital and Transformation, Deputy Chief Executive and the Chief Executive, who has agreed to form a Corporate Project Assurance Board to ensure that

Agenda Item 5

capital projects are delivered in a timely manner and to share good practice across the organisation. The main issues identified are as follows:

Delay

It was anticipated that the timescale for completion of the migration of the Data Centre from the Town Hall to the Surrey Business Centre was 6 – 9 months, with an anticipated commencement date of March 2016. The project is not yet complete but we are advised by the IT Manager that this will be achieved next month (August 2018).

There are a number of reasons for the delay, including the requirement to upgrade the network and problems with the telephone links to the Surrey Business Centre.

Budget

An original capital budget of £209,000 was approved by Cabinet in September 2015, being £175,000 for the commission of a specialist infrastructure consultants with experience of managing data migration projects and £34,000 to create the internet connections required for the relocation. The capital budget was subsequently increased to £385,000 through delegated approvals although it is noted that the sum of £65,000 initially placed in the capital budget, for the sale of a piece of equipment has now been removed as it is now deemed to be worthless. At the time of this report, capital expenditure charged on this project was £461,980.

The revenue budget for the Data Centre for the last two years is £126,600 (being £63,300 per annum). This relates to increased running costs identified in the report to Cabinet and this was allocated to the IT revenue budget for the year's 2016/2017 and 2017/2018 and is included in current and future budgets. Revenue spend to date is £426,303. Taking into account the budgeted amount of £126,600, additional costs are £299,703. Of this, £100,753 was reported at Quarter 4, so there is £198,950 of costs absorbed within the IT division which could have been used on other schemes within the IT section.

However, I am advised from discussions with IT Management that some costs have been incorrectly charged to the Data Centre Migration Project as they relate to other IT projects and that the actual costs as at 31st May 2018 for the Data Centre Migration Project are £703,668.78. I will seek to confirm the accuracy of this revised figure prior to the meeting.

In addition, a Manager from the ICT department will attend the meeting to clarify where the expenditure should have been coded.

Project Management

Project Management arrangements were weak, with important documentation, such as a Project Initiation Document and a risk register being absent and roles and responsibilities were not clearly defined. We also found that key decisions were not recorded.

Procurement Code

There is concern that the Procurement Code has not been followed when using consultants. We are currently concluding a piece of work on the use of consultants in the IT department and will report the outcome of this work at the next meeting.

Value for Money and Fitness for Purpose

Whether or not the new Data Centre arrangements represent value for money and meet the expectations and requirements of the Council was not within the scope of this review. I have, however, recommended that an independent review be undertaken, in the form of a post project review, to confirm this.

Agenda Item 5

On a positive note, the external Consultants advised the Council that that the network upgrade was considered to be the best and most secure way to present public access wi-fi.

I am also advised that without the network upgrade, the Disaster Recovery site at Bewbush would not have been possible.

It is noted that prior to this review, a Corporate Project Assurance Group was being set up, to be Chaired by the Chief Executive, and this will oversee the major projects of the Council in terms of governance and delivery.

4.4 Follow up Audits

We have confirmed that status of agreed actions as part as follows:

Procurement

Maintenance of the Contracts Register

Responsibility for ensuring the Contracts Register had not been formally assigned to any officer.

Status of Agreed Action: Implemented.

An officer was assigned the responsibility for maintaining the Contracts Register as at 31st October 2017, however, this officer left the Council on 19th February 2018.

The Procurement Manager has confirmed that responsibility for this has been assigned to the new Project Support Officer.

Cash and Bank

Anti-Fraud and Corruption Policy was in need of Updating

The Anti-Fraud and Corruption policy had not been updated since 2012 and was out of date.

Status of Agreed Action: Implemented.

The Anti-Fraud and Corruption policy has been updated and this was submitted to CMT on 13th March 2018.

Grounds Maintenance

Incomplete and Inconsistent Recording of Information

We found that when jobs were completed or passed to another department for action, comments were not being made on the CRM system, nor the request closed so that the contact centre are made aware of the status of each job.

Status of Agreed Action: Not implemented but active work in progress

A new CRM system is being worked on by the IT department and in the meantime, regular meetings take place with the Contact Centre and the Neighbourhood Services Manager to improve the flow of information. Patch Leaders continue to work to improve information held and the Neighbourhood Services Manager will review closed, pending, and open requests in July to ascertain if there have been improvements in June.

Agenda Item 5

Sundry Debtors

We identified that no targets were set for the recovery of debts, which was stated as an aim of the Council in its Corporate Debt Management Policy, which was last updated in October 2016.

Status of Agreed Action: Implemented.

The Corporate Debt Management Policy has been updated and has removed the requirement to set targets for the recovery of debts.

4.5 Freedom of Information (FOI) Requests

Between 1st February 2018 and 30th June 2018, we have processed 332 requests, and of these, 25 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

5. Strategic Risks Update

The following have been identified as strategic risks for the Council at 30th June 2018.

Failure to deliver key infrastructure projects as planned, on time and within budget, such as:

- **Town Hall and District Heat Network**

The Council are in discussions with Westrock regarding a potential mixed use development which would see the provision of a new town hall, commercial office space and residential units on the town hall and adjacent car park site. A recommendation on the preferred option was presented to Cabinet early in 2017 and was approved at full Council on 22nd February 2017. This proposal will require a partial demolition of the current building to allow for the development of a new Town Hall within the site. Planning permission for the scheme was granted on June 5th 2018 and the majority of staff have now been decanted from the proposed demolition area. A risk register for the scheme, attached at Appendix B, is updated by the project team on a fortnightly basis and will be shared with the Audit Committee.

- **LEP Infrastructure – Crawley Growth Programme**

CBC, together with WSCC (the lead body) has been successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP. These resources will be invested in sustainable transport, highway and public realm infrastructure in the town centre and Manor Royal. The principle purpose of this investment will be to help bring forward regeneration sites to achieve new homes, jobs and commercial space. The Coast to Capital Local Enterprise Partnership Board received a presentation from CBC's Chief Executive and the West Sussex CC Executive Director for Economy, Infrastructure and Environment and the LEP Board subsequently confirmed the funding allocation. The Crawley Growth programme is being delivered over the period 2017 to 2021 and the total funding investment will amount to over £60 million, including private sector contributions and match funding contributions from CBC and WSCC. The programme delivery is founded on dialogue and active partnership working with stakeholders such as Metrobus, the Manor Royal BID, Gatwick Airport Ltd, Network Rail and site developers. It is being overseen by the Crawley Growth Board, chaired by CBC's Chief

Agenda Item 5

Executive and CBC key decisions on schemes going forward will be subject to Cabinet approval and associated due process. Part of the Crawley Growth Programme, includes the Queensway and The Pavement public realm improvement scheme (the next phase of town centre regeneration after Queens Square). Detailed designs have been drawn up and a planning application was approved by Planning Committee on 29th January this year. The tender process to commission a works contractor has begun and the Queensway and the Pavement works are due to start in the new year and to finish in October next year. Design work has begun on several other Crawley Growth programme schemes, including Station Gateway and Manor Royal Gatwick Road sustainable transport improvements. An update on the programme was reported to Cabinet in June 2018 [PES/298](#)

- **Three Bridges Railway Station**

On 11th February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt. Network Rail have formally agreed to extend the S106 funding spend deadline to end March 2021.

Member approval has been granted to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. These funds are being combined with the above S106 resources along with over £1 million of Community Infrastructure Levy (approved by Cabinet on 7th February 2018).

The Three Bridges station scheme Programme Manager has been working closely with GTR Southern and Network Rail in order to progress delivery of the scheme to detailed design stage with the aim of submitting a planning application next year. GTR Southern and Network Rail have both joined the Three Bridges Project Steering Group alongside Crawley Borough Council and West Sussex County Council. On 21st March Cabinet approval was secured to commence work on the detailed design stage and to undertake comprehensive traffic modelling to determine the impact on traffic flows of the scheme, taking account of the recently upgraded traffic lights infrastructure outside Three Bridges station on Haslett Avenue East.

Delivering the affordable housing programme

The Administration has pledged to deliver 1,000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The stalling of two phases of the Forge Wood development together with two market led schemes continues to impact the housing delivery programme. This impact has been mitigated through proactively bringing forward other to achieve the pledge.

The [2017/2018 Budget Monitoring – Quarter 2 FIN/427](#) report to Cabinet on 29 November 2017 identified in section 9 that over £7.7m of 1-4-1 receipts had been used to partially fund purchase of properties. However there had been delays on some housing schemes that had resulted in £1.4m being repaid back to Government. The [9 January 2018 Councillors Information Bulletin](#) provided more detail on these delays. The officer Strategic Housing board meet on a regular basis and review the use of 1-4-1 receipts; any future risks will be highlighted through the Quarterly monitoring reports to Cabinet and on the Councillor Information Bulletin.

Agenda Item 5

Mitigating actions have been taken to address the impact of the four year 1% rent reduction on the HRA to ensure the delivery programme can be maintained. These included setting affordable rather than social rents for new development, discounted sale as an alternative tenure option, a reduced capital programme for existing stock and re-profiling the delivery programme. Further impacts arising from the Housing and Planning Act provisions relating to the sale of high value stock cannot as yet be quantified as further secondary legislation is still awaited.

The decision to leave the EU may impact upon the costs of housing schemes as future restrictions may increase labour costs, this will be monitored over the coming years.

Future Income Streams and Transformation Agenda

In preparation for the New Town Hall the Council has agreed a wider transformation programme to prepare the organisation for a new era and to help us meet future demand, needs and financial pressures. The pillars (in addition to the New Town Hall) within the plan are Digital Transformation, New Ways of Working, Values and Behaviours, Redesigning Services, Commercial Approach (a separate risk is being created for this) and Blitz on Bureaucracy. At a high level the key risks are:

- The interdependencies between the areas of work are not managed putting at risks key elements of the plan
- The capacity required by the transformation programme takes resources away from core delivery impacting negatively on performance, finance and reputation
- Services are not prepared for the move to the new town hall putting performance at risk, impacting negatively on service provision and/or creating non-planned for additional costs (or reduced income)
- Staff are not prepared for the move to the new town hall impacting on motivation recruitment and retention
- Technology does not support the desired ways of working impact on performance, finance and morale

To begin to manage these risks a new Transformation Board at CMT is being created that will bring together a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. A further senior management group will also be created that will identify the key projects and risks beyond the transformation programme to oversee delivery and manage any negative impact from the constraint of capacity and resources. Both bodies, once formed, will undertake a more detailed risk analysis for their respective areas in the coming weeks.

Disaster recovery and business continuity.

A report to Cabinet on 9th September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. A partnership contract has been agreed with Surrey County Council for them to host at the data centre. Since June 2017 80% of Virtual servers and 70% of data has been migrated to the Surrey Data Centre. At the end of February 2018 all existing virtual services and systems will have completed their migration.

A 2nd Phase of work is now being planned to move additional Physical infrastructure to the Surrey Data Centre, including additional storage to support EIM and backups. This 2nd phase will also include infrastructure upgrades at remote sites, further deployment of WiFi services and remote data backups at the Town Hall, utilising the space, capacity and resilience of the new ground floor comms room.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. There is a link to this centre so that

Agenda Item 5

systems will remain operational in the event of the Town Hall being out of operation but the network still running and it is possible for staff to get into the CBC network via this link. Once the move to the SCC data centre is complete then staff will be able to access the CBC network in the event of a network failure in the Town Hall. Wi fi will allow access for up to 70 users at the Bewbush Centre using laptops and a small number of desktop network points.

Terrorist Attacks

In the wake of recent attacks, in May 2017 the UK terror threat level was raised to its highest level of "critical", amid fears that more attacks may be imminent, however this has now been reduced back to "severe". There are no specific threats to Crawley or West Sussex, and CBC is in regular contact with community stakeholders and the police, monitoring for any community tension and providing support where we can.

A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.

The Budget and Council Tax 2018/19 [FIN/434](#) report to Cabinet on 7th February 2018 showed that we achieved a balanced budget despite a 44.54% reduction in revenue support grant, efficiencies were identified and the Budget Advisory Group scrutinised growth bids which were accepted including investment town wide in shrub bed removal. The budget Strategy report was approved by [Cabinet on 8th September 2017](#), projections are being constantly updated. Projections will be refined when the outcome of Town Hall listing / tendering is known.

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The refreshed transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income.

The impact of the decision to leave the EU may have a detrimental impact on the Council's objectives and finances, this will be reviewed as part of the budget strategy.

Recruitment and retention

Recruitment and retention of key specialist and professional roles is challenging. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Finance, IT, Project Management, Legal, and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams. We are exploring other ways of mitigating this risk. The Job Evaluation Scheme has been amended to create a further grade at the top of the scale to assist with the recruitment and retention of third tier managers.

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget;
- Delivering the affordable housing programme;
- Future Income Streams and Transformation Agenda
- Disaster recovery and business continuity;
- Terrorist attacks;

Agenda Item 5

- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention.

Future Income Streams and Transformation Agenda has been added since the last meeting of the Audit Committee.

6 Background Papers

- 6.1 Risk Management Strategy [FIN/364](#) Audit Committee 24th June 2015.
Risk Management Strategy – update 24th September 2015 [FIN/371](#)
Internal Audit Plan 2017/2018
Internal Audit Plan 2018/2019
Internal Audit Reports 2017/2018
Internal Audit Reports 2018/2019

Report author and Contact Officer: Gillian Edwards, Audit and Risk Manager (01293 438384)

This page is intentionally left blank

Agenda Item 5

Appendix a

Internal Audit Plan 2017/2018 and 2018/2019

Progress Report as at 12th July 2018

Audit	Audit Plan Year	Audit Opinion- Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Budgetary Control	2017/18	Substantial		
NNDR	2017/18	Substantial		
Cash and Bank	2017/18	Satisfactory		
Risk Management Awareness and Training	2017/18	Not Applicable	2	
Creditors	2017/18	Substantial		
FMS	2017/18	Substantial		
Treasury Management	2017/18	Substantial		
Sundry Debtors	2017/18	Substantial		
DWP CIS Compliance	2017/18	Substantial		
Payroll	2017/18	Substantial		
Data Centre Migration Project	2018/19	Limited	20	
B. Work In Progress				
Grants	2017/18			Moved to 2018/2019
New Town Hall	2017/18			Ongoing advice to Project Team
Use of IT Consultants	2018/19			
FOI Requests – day to day work				
Other Work				
Mid Sussex District Council	2017/18			Work is ongoing.
GDPR Implementation	2017/18	Not Applicable		Completed

This page is intentionally left blank

TOWN HALL PROJECT RISK REGISTER

File Ref:	Town Hall Project	Created by:	Mike Pidgeon		
Name of Doc:	Risk Register	Date Created:	02/03/2017		
Version No:	V12	Monitored by:	Project Board	Date Printed:	17/07/2018
File path:	T:\Town Hall Project\townhallprojectriskregister .doc			No of Pages	1 of 1

Likelihood	Impact
5 = Very High	5 = Catastrophic
4 = High	4 = Critical
3 = Significant	3 = Moderate
2 = Low	2 = Marginal
1 = Very Low	1 = Negligible

Risk Score = Likelihood x Impact

All risks with a score of 10 or more are considered serious

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
1.	Listing of existing Town Hall building	2 5 10	1 1 1	1 1 1	<ul style="list-style-type: none"> COI granted and risk now only that work not completed within 5 years 	All risks are considered at Fortnightly Officer Board meeting RISK CHANGED FROM 1 5 5
2a	Errors in detailed design specification or contract documentation	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Consultant Architects appointed as our client to oversee design brief Internal/External procurement and legal advice taken on all aspects of the contractual arrangements 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
2b	Delays in CBC making key decisions prevents scheme proceeding	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> • Clear decision making leads identified at member and officer level • Robust project management and Governance structure established • Project plan identifies key decision gateways and lead in times • Delegated authorisation procedure agreed by Cabinet • Continued working with consultants to ensure work to timeline. 	
2c	Final detailed negotiations failed	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> • Regular contact at senior level within both organisations with a clear understanding of both parties' main objectives. 	
3a	Project exceeds budget	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> • Budget agreed and clearly communicated in Final design brief • Regular Project Board and Steering Group meetings to review and keep cost projections up to date • Identify robust contingencies sums • Identify value engineering opportunities • Minimise delays/ad-hoc changes • Likelihood remains 3 will review after stage 3 cost plan 	<ul style="list-style-type: none"> • Historic England review has caused delays in tendering process • Inflation has increased likely build costs

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
3b	Cost of Project borrowing Project affected by interest rate fluctuations	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Projections are currently estimating interest rates higher than the current market, indications are that interest rates may increase in third quarter of 2018. 	
4a	Loss of support for project (Members)	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Robust communication and stakeholder consultation plan Maintain involvement throughout and set out clear responses/justification to consultation responses in order to manage expectations Regular consultation with Members to ensure scheme as finally proposed has cross-party support. 	
4b	Loss of support for project (Staff)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach Delivered some small scale additional benefits for staff during decant period 	
4c	Loss of support for project (public)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach Regular press releases More likely increase around demolition 	
5.	CBC lacking the necessary experience and/or skills to complete the development	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Consultant Architect and other consultants appointed to supplement in-house resources and expertise. Appointment of new DCEX, handover given and greater involvement from CeX 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
6a	Planning permission: application requires amending which impacts on financial viability of the scheme.	2 4 8	1 1 1	1 1 1	<ul style="list-style-type: none"> Pre app meetings held between Westrock and planning officers 	RISK CHANGED FROM 2 3 6
6b	Impact on scheme re: changes in planning regulations in respect of starter homes	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular review of potential changes 	
7.	Westrock unable to obtain development funding for project Phase 2 (market housing)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Project agreement will stipulate time period, with CBC having the option to develop. 	
8a	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with Members and Member Working Group Member sign-off to this element of the final design brief of these elements 	
8b	Staff facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with staff via a number of formats Close liaison with staff groups during stage 4 design stage Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements. Will be delivering office etiquette guidelines and trails for new ways of working 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
8c	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Crawley Homes Tenants Panel have been consulted. • Will undertake a consultation with customers • Will offer significant improvements to current arrangements. 	
9.	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	3 3 9	<ul style="list-style-type: none"> • Subject to business case funding obtained for initial phase of network • Initial network only extended outside of current scheme after commitment obtained from future partners • Initial network to be constructed as part of phase 1 of the scheme • Sufficient resources/project management allocated to project. • Project Manager appointment • New design and business case to September Cabinet 	
10a	Commercial office space specification/design not attractive to potential occupiers	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> • Design set at required level to attract commercial occupiers • Will ensure communal space and entrance area is attractive and floors will meet Grade A requirements. • We are receiving ongoing feedback from commercial agents as part of the One Public Estate exercise • Impact of demolition area and public square may deter occupiers in first few years. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
10b	Business Rates for new Town Hall higher than estimated (cannot guarantee the valuation)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Current projections based on business rates at existing rates and smaller Town Hall. Will work with valuation office when building works progress. Will minimise liability of vacant offices by delaying completion statements 	
11.	Values of offices/housing change significantly before the agreement is signed	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Valuations obtained, these will be refreshed during the project 	
12a	Affordable housing element of scheme not deliverable or RSL not interested in scheme	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> CBC to fund top up payment Rental/shared ownership mix to reflect most attractive option To review before next Audit Committee to review progress on current levels of interest. 	
13	Phase 1 decant works delay construction programme	3 5 15	1 2 2	2 4 8	<ul style="list-style-type: none"> Works/moves programme to allow sufficient contingency should programme slip Progress ahead of construction programme Staff move complete and waiting to commence service utilities work. 	
14.	Town Hall comms link relocation works delay construction programme	3 5 15	1 2 2	1 4 4	<ul style="list-style-type: none"> Detailed works/moves programme agreed and signed off by Project Board/CMT Works/moves programmed to allow sufficient contingency should programme slip 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
15.	Opposition from the public prior to construction	3 4 12	2 2 4	2 3 6	<ul style="list-style-type: none"> Effective communication and publicity campaign Advantages of scheme clearly set out in the business case 	
16.	Opposition from the public during construction	3 2 6	2 2 4	3 2 6	<ul style="list-style-type: none"> Establish clear communications plan for the construction period Ensure clear signage and access/egress provision to existing building for public 	
17.	Building as completed not to required quality/specification	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Establish robust project management structure Maintain regular contact between CBC/developers to monitor construction against design specification Regular design team meetings held Appoint Clerk of Works to oversee construction 	
18.	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Robust project management from construction contractor(s) Consultation programme to include all relevant authorities with regard to health & safety matters 	
19.	Facilities specification including car park is not attractive to potential tenants	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Maintain regular dialogue with Westrock to ensure specification meets both their and CBC's requirements Will look to ensure meets requirements for safety and security as part of specification of works. 	

This page is intentionally left blank

Crawley Borough Council

Report to the Audit Committee

25th July 2017

Audit and Risk Manager's Annual Report 2017/2018

Report of the Audit and Risk Manager – *FIN/450*

1. Purpose

1.1 This report has been prepared to:

- Summarise the work undertaken by Internal Audit during 2017/2018 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.
- Summarise the effectiveness of audit work.
- Provide a statement on conformance with the Public Sector Internal Audit Standards.

2. Recommendations

2.1 The Committee is requested to receive this reports and note progress to date.

3. Reasons for the Recommendations

- To comply with the requirements set out in the new Public Sector Internal Auditing Standards 2013 (updated 2017).
- The Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

4. Background

Introduction

4.1 The main purposes of the report are to:

- Summarise the work undertaken by the Council's Internal Audit Section and provide management and Members with an opinion on the adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.
- Comment on the performance of the Internal Audit Section during the year.

Agenda Item 6

- Provide a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance improvement programme.

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

4.2 Quarterly Reports

The Audit Committee received quarterly reports on the work carried out by Internal Audit as part of the Council's governance arrangements.

4.3 Annual Audit Plan

The Audit and Risk Section works to a one year annual audit plan, prepared by the Audit and Risk Manager and aims to review the Council's major areas of operation and systems over a three year rolling cycle. The annual plan was developed using a risk based assessment which determines priorities and time allocations for each audit. Areas and systems which are considered to be fundamental to the Council's operations, or which are considered to be high risk, are reviewed on an annual basis.

4.4 Staffing

During 2017/2018, the internal audit section operated with 3 full time members of staff with additional resources supplied by the use of contract staff. All auditors have the requisite experience to effectively fulfil their responsibilities; the Audit and Risk Manager is a Member of the Certified Institute of Internal Auditors, one Senior Auditor has passed the CISA computer audit exams and the other Senior Auditor is a Certified Fraud Examiner. The contract member of staff has many years' experience in internal auditing both local government and the organisations.

Statutory and Policy Background

- 5.1 The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practices as stated within the Regulations are now defined as the Public Sector Internal Audit Standards (PSIAS). The PSIAS replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006) with effect from 1 April 2013.

Relevant Government Policy / Professional Standards

- 5.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013.

Relevant Council Policy

- 5.3 Section 1.12 of the Council's Constitution supports the statutory requirements outlined above at section and states 'The Head of Finance, Revenues and Benefits is responsible for the proper administration of the financial affairs of the Council and provision of an adequate internal audit function'. The Audit and Risk Manager reports on a quarterly basis the results of internal audit work, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.

Agenda Item 6

6. Compliance with the Public Sector Internal Audit Standards

- 6.1 The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1st April 2013.
- 6.2 These standards require the Audit and Risk Manager to undertake an annual self assessment of the internal audit service against a Quality Assurance and Improvement Plan (QAIP) checklist and to outline the results as part of the Annual Audit Report.
- 6.3 Section 1320 of the PSIAS - Reporting on the Quality Assurance and Improvement Programme – states that 'the chief audit executive (Audit and Risk Manager) must communicate the results of the quality assurance and improvement programme to senior management and the board'.
- 6.4 In line with this standard, I can confirm that for the period 2017/2018, the Internal Audit was compliant with the PSIAS. This is supported by the outcome of the Peer Review, undertaken by Wealden District Council, as part of a reciprocal arrangement across East and West Sussex, in which all Heads of Audit participate.
- 6.5 The Internal Audit Team has maintained its independence throughout 2017/2018 in accordance with the PSIAS.

7 Effectiveness of Internal Audit

7.1 Progress against Annual Audit Plan

The annual audit plan is always flexible, allowing for audits or other pieces of work to be undertaken which are not in the plan if they are deemed to be of a higher risk than those contained in the plan. In addition, there is always a small number of days allocated to contingency for unexpected work to be completed.

During the year, the majority of audits were completed, with 3 audits carried forward into the new financial year. These have now been completed.

7.2 Implementation of Agreed Actions

The Audit and Risk Section reports all high priority findings or all findings if an audit has received a rating of limited or no assurance, to the Audit and Governance Committee on a quarterly basis. Implementation of agreed actions is then confirmed and reported back to that Committee.

7.3 Reporting

Draft audit reports and working papers are subject to a quality review undertaken by the Audit and Risk Manager before the final report is issued. During the period under review, a new process was introduced whereby the auditor meets face to face with the 'auditee' at the end of the audit fieldwork to discuss findings arising and to devise agreed actions. This is considered to be a more collaborative approach and makes the end to end process of the audit quicker.

In addition, if there is nothing to report, or just a minor or advisory finding has been identified, a short, rather than a full audit report, is produced. This reduces the end to end time taken to complete an audit and reduces the time spent by the auditor on writing reports.

Agenda Item 6

8. Opinion on the Control Environment

- 8.1 This section of the report draws attention to any issues the Audit and Risk Manager considers are particularly relevant to the preparation of the Annual Governance Statement and includes an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment and discloses any qualifications to that opinion, together with the reasons for the qualification.
- 8.2 My overall opinion is that "**Substantial**" assurance can be given that there is generally a sound system of internal control designed to meet the Council's objectives, and that the controls are generally being applied consistently. The opinion is based upon audit work undertaken during the year and project work. The number of outstanding agreed action items from audit follow ups has also been taken into account.

Assurance Areas:	
Governance	<p>The Council is committed to the principles of good corporate governance, which are already demonstrated through many aspects of good practice. The Annual Governance Statement, which is prepared collaboratively by CMT, shows that there are three areas of non-compliance with the CIPFA/SOLACE Framework. These relate to the Anti-Fraud and Corruption and Whistle Blowing policies not updated until February 2018, the Disaster Recovery arrangements had not been tested and operational risk management arrangements being inconsistent. The Governance Committee meets on a quarterly basis.</p>
Risk Management	<p>The Council's Risk Management Strategy was updated in 2015.</p> <p>This Strategy is a move in the culture from being risk adverse to risk cautious. A risk adverse culture is one where there is a tendency to try and mitigate all risks. A risk cautious culture is one where account is taken of the significance of the risk, the costs of the mitigation and the potential missed benefits in deciding whether to mitigate risks.</p> <p>One consequence of this change was that there was greater challenge as to the need for some controls. The second change in emphasis is away from completing forms (such as risk matrices) and towards ensuring that due consideration is given to risks and that they are managed. For instance, there will be an expectation that managers can articulate how they have considered risks rather than expecting it to be recorded in a prescribed format.</p> <p>The Audit and Risk section, during the normal course of their work, focus on the risks within systems and look at how they are controlled by management. The outcome of this work is reported to the Audit Committee on a quarterly basis.</p> <p>In relation to significant risks it is expected that there would also be evidence of the consideration of risks. However, that often exists in the form of notes from one to ones or other meetings, reports, e mails, etc. There is no need for that evidence to be duplicated through being recorded elsewhere.</p>

Agenda Item 6

	<p>Strategic risks are constantly under review by the Corporate Management Team, and are formally discussed on a quarterly basis. The outcome of these discussions, along with the risks, are reported to the Audit Committee quarterly.</p> <p>During the period under review, Internal Audit undertook an audit of Operational Risk Management, which focused on how risks are being managed at service level. Whilst some areas managed their operational risks well and with confidence, others struggled and in some cases, were not aware of the risks that could impact upon their service area. To address this weakness, the Audit and Risk section will undertake some targeted risk management training in 2018/2019.</p>
Internal Control	Internal controls are basically sound in most areas and we did not identify any significant weaknesses.

Summary of Work Undertaken in 2017/2018 (in chronological order)

INTERNAL AUDIT ASSURANCE OPINIONS	
AUDITS	
Queen's Square Regeneration	Substantial
Playgrounds	Substantial
Human Resources	Substantial
Section 106 Agreements	Substantial
Commercial Properties including Rents	Substantial
Little Trees Cemetery	Substantial
Grounds Maintenance	Satisfactory
Housing Benefits	Substantial
Council Tax	Substantial
Publication Scheme Review	N/A
Budgetary Control	Substantial
Responsive Repairs	Substantial
Housing Rents	Substantial
Procurement Audit	Satisfactory
NNDR	Substantial
NNDR Revaluation	Substantial
Risk Management Awareness and Training	N/A
Creditors	Substantial
Cash and Bank	Satisfactory
FMS	Substantial
DWP CIS Compliance 2017/2018	Substantial
Treasury Management	Substantial
Sundry Debtors	Substantial
Payroll	Substantial
IT Risk Assessment	N/A

This page is intentionally left blank

Crawley Borough Council

Report to Audit Committee

25 July 2018

Update on the Appointment of External Auditor

Report of the Head of Finance, Revenues and Benefits - *FIN/444*

1. Purpose

- 1.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the Appointing Person regime or to establish an auditor panel and conduct their own procurement exercise. This report updates the Audit Committee on the process of appointing external auditors from 2018/19 onwards and on the Housing Benefit Assurance.

2. Recommendations

- 2.1 The Committee is recommended:
- a) To note that the Council has engaged Ernst & Young LLP as the Council's external auditor for Housing Benefit Subsidy Assurance from 2018/19 for five years.
 - b) To note the agreed fee arrangements

3. Reasons for the Recommendations

- 3.1 The Secretary of State for Communities and Local Government specified Public Sector Audit Appointments (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The Council opted into the appointing person arrangements in order to benefit from a national sector-led body which is able to deliver high quality, economic and efficient external audit arrangements. The Audit Committee is responsible for monitoring these arrangements.

4. Background

- 4.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional

Agenda Item 7

arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

- 4.2 The Council's current external auditor is Ernst & Young (EY) LLP, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA (Local Government Association) with delegated authority from the Secretary of State CLG.
- 4.3 Public Sector Audit Appointments Limited (PSAA) has been specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt-in must be made by the authority meeting as a whole, i.e. Full Council. Full Council opted into this arrangement at its meeting on 14 December 2016.
- 4.4 At the time Councillors were notified that PSAA can only procure the audit of the Council's accounts and that Housing Benefit Subsidy audit is outside of the framework and the Council must make separate appointments
- 4.5 EY LLP have been re-appointed by PSAA as the Council's auditor from 2018/19 onwards for the core accounts audit.

5. Assurance of Housing Benefit Subsidy Claims

- 5.1 Due to the wording in the Local Audit and Accountability Act 2014 the Council must make a separate appointment for the purposes of the audit of Housing Benefit Subsidy, which the Department for Work and Pensions (DWP) refers to as assurance. In addition the DWP refers to the auditor as an accountant.
- 5.2 The appointment of the accountant must be notified to the DWP, by 1 March preceding the financial year, who will make a tripartite engagement arrangement with the council. The appointment can only be made from the large firms registered with the Institute of Chartered Accountants of England and Wales to carry out work on public sector accounts. For 2018/19 Local Authorities must notify DWP of the appointment of this reporting accountant by 2 July 2018.
- 5.3 As the audit of the accounts requires systems work and testing of the Housing Benefit Subsidy claim, it is not cost effective in terms for both financial and staffing resources of the Council to have a separate appointment from the firm that PSAA will appoint to undertake the accounts audit. Therefore, the Head of Finance, Revenues and Benefits with the endorsement of the Chair of the Audit Committee has negotiated with the accounts auditor EY LLP to carry out this work.
- 5.4 The fees have been agreed at £12,559 per annum. Where additional work is required as a result of testing (40+ testing) or the DWP further mandated work this will be in the region of £2,500 but will vary between £1,000 and £4,000 depending on the level and nature of this additional testing. This additional

Agenda Item 7

fee if required would be agreed annually in advance with the auditor.

6. Resource Implications

- 6.1 The overall cost of audit between 2017/18 and 2018/19 is shown in the table below:

	2017/18 £	2018/19 £
Core audit	65,313	50,219
Housing Benefit assurance	11,386	12,559
Total	76,699	62,778

7. Legal and Governance Implications

- 7.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014. Separate arrangements are required for audits outside the PSAA regime as detailed in the report.

8. Background Papers

- 8.1 Appointment of External Auditor (FIN/397) [Audit Committee 29 November 2016](#).

Contact Officer Karen Hayes, Head of Finance, Revenues and Benefits

This page is intentionally left blank

Natalie Brahma-Pearl
Chief Executive
Crawley Borough Council
Town Hall, The Boulevard, Crawley
West Sussex
RH10 1UZ

24 April 2018

Ref: 19 CrawleyBC fee ltr
Direct line: 0118 928 1556

Email: PKing1@uk.ey.com

Dear Natalie

Annual Audit 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Crawley Borough Council.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 9 March 2017 were confirmed, following consultation, in December 2017.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For Crawley Borough Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year

Agenda Item 8



- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by Crawley Borough Council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	50,291	65,313	65,313
Certification of housing benefit subsidy claim	N/a	11,386	11,801

The appointment of an auditor to certify the Council's 2018/19 housing benefit subsidy claim is not covered by the PSAA appointment, hence is shown as not applicable here.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in four quarterly instalments of £12,573.

Audit plan

Our plan is expected to be issued by March 2019. This will communicate any significant financial statement risks identified, planned audit procedures to response to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.



We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me as your Associate Partner and Engagement Lead. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Paul King
Associate Partner
For and on behalf of Ernst & Young LLP
United Kingdom

cc. Karen Hayes, Head of Finance, Revenues and Benefits
Cllr Karen Sudan, Chair of the Audit Committee

This page is intentionally left blank

**Crawley Borough
Council**
Audit results report
Year ended 31 March 2018

16 July 2018

Page 47

Agenda Item 9

Private and Confidential

16 July 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Crawley Borough Council (the Council) for 2017/18.

We have substantially completed our audit of the Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 4, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 25 July 2018.

Yours faithfully

Paul Kling

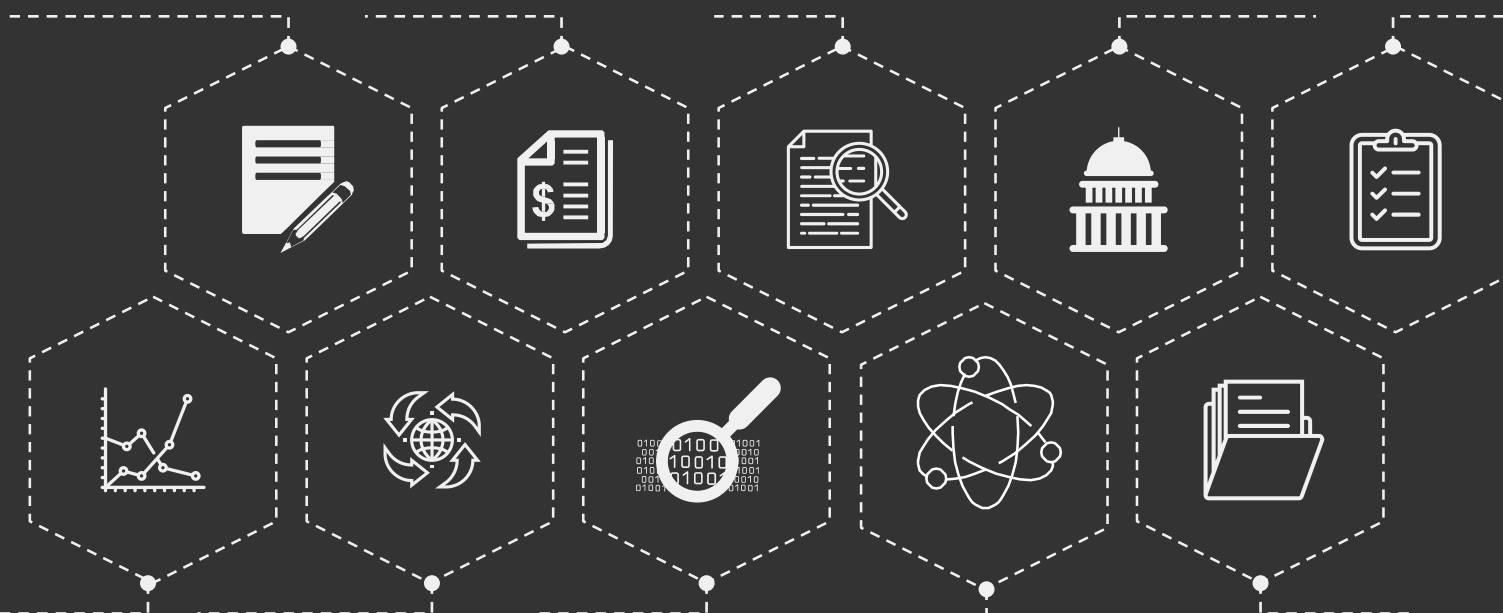
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

- 01** Executive Summary **02** Understanding Financial Statements **03** Areas of Audit Focus **04** Audit Report **05** Audit Differences **06** Value for Money



- 07** Other reporting issues **08** Assessment of Control Environment **09** Data Analytics **10** Independence **11** Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). 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 (updated February 2017)" 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 Crawley Borough 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 Crawley Borough 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 Crawley Borough 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 tabled at the 6 March 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.7m. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The draft year end accounts threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, movement in reserves statement, balance sheet, cash flow statement, housing revenue account and collection fund) is £138,224 (Audit Committee Planning Report: £133,164).

Status of the audit

We have substantially completed our audit of Crawley Borough Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Testing the correctness of figures to support the Expenditure and Funding Analysis;
- Receipt and review of revised draft accounts incorporating all changes to disclosure suggested during the course of our audit;
- Completion of procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission;
- Manager and Associate Partner review of audit working papers;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.



Executive Summary

Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that the rationale as to why it is not corrected be approved by the Audit Committee and included in the Letter of Representation.

The aggregated impact of the unadjusted audit difference is £2,185,576. We agree with management's assessment that the impact is not material. Details can be found in Section 5 Audit Differences.

There were no audit differences adjusted by management identified from our work.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Crawley Borough Council's financial statements. We summarise our consideration of these matters in the "Key Audit Issues" section of this report:

- ▶ Misstatements due to fraud or error (management override)
- ▶ Valuation of Property, Plant and Equipment and Investment Properties
- ▶ Pension Liability Valuation
- ▶ NNDR Appeals Provision
- ▶ Earlier deadline for the production of the financial statements.

There were no new matters identified by us since the Audit Planning Report and 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.

We ask you to review the areas of audit focus 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 issues
- ▶ There are no other significant issues to be considered.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified no significant value for money risks.

However, we did note in our Audit Planning Report that the Council was considering plans that could involve the demolition of the existing Town Hall and the construction of a new Town Hall, affordable housing and a heat distribution network. We noted that the plans were insufficiently advanced to constitute a significant value for money risk, but that we would monitor progress throughout the audit and as part of our audit planning for 2018/19.

We have reviewed progress on the project and note that the Council has been granted planning permission to proceed with the project but has not yet signed contracts with the delivery partner. Although significant work on the project had still not yet started, we have reviewed financial modelling, and we note that the Council is expecting to use all capital reserves by 2021/22 and thereafter plans to borrow to fund capital projects. Clear financial management arrangements will be required and we will continue to monitor progress in future years.

We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.

02

Understanding Financial Statements



Understanding the Financial Statements

The Council's net assets increased by £32.7m over the course of 2017/18. Two of the key drivers behind this were an increase in the value of Property, Plant and Equipment (£18m increase) and decrease in the net Pension Liability. (£8.6m fall).

We note that the net cost of services increased by £5.1m over the same period. The Housing Revenue Account rents have reduced by 1% and housing stock has reduced due to Right to Buys. Other drivers include revaluation losses.

Property, Plant and Equipment

31 March 2017: £774,985,000

31 March 2018: £793,060,000

Pension Liabilities

31 March 2017: £11,823,000

31 March 2018: £3,223,000

Net Receipts from Housing Revenue Account:

2016/17: £18,058,000

2017/18: £16,152,000

03 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

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.

Page 36

What judgements are we focused on?

As part of our work we focused on the key judgemental areas of financial statements, such as accounting policies; unusual transactions; and the key accounting estimates around valuation of Land and Buildings, net Pension Liabilities and the NNDR Appeals Provision (considered in more detail on pages 13 - 15 of this report).

What did we do?

- ▶ Inquired of management and those charged with governance about risks of fraud; controls put in place to address those risks; and the oversight given by those charged with governance of management's processes over fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Substantively tested balances that are typically at a higher risk of override such as short term accruals and prepayments.
- ▶ Reviewed the accounting policies and key accounting estimates (Land and Buildings, Pension Liability and NNDR Appeals provision) for evidence of management bias.
- ▶ Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

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





Areas of Audit Focus

Other areas of inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Valuation of Property, Plant and Equipment and Investment Properties

What is the risk? (Audit Planning Report)

Property, Plant and Equipment was valued at £775m at 31 March 2017 and Investment Properties were valued at £21m as at that date. These represent significant balances in Crawley Borough Council's accounts and will be subject to valuation changes. Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Detailed valuation work is undertaken by the Council's valuers Wilks, Head and Eve.

Investment Properties and high value items of Land and Buildings are valued at the reporting date. For Council Dwellings and the remaining Other Land and Buildings, Wilks, Head and Eve undertake detailed revaluation work at the end of December and the Council applies an uplift adjustment to reflect estimated valuation movements in the last three months of the year. We note that in 2016/17, Housing Stock was estimated to have increased in value by £5,708,000 in the last three months of the year and Other Land and Buildings were estimated to have increased in value by £452,000 in that period. Adjustments to reflect those changes in value had not been included within the first draft account presented for audit, although this was corrected during the audit process.

What did we do?

Property, Plant and Equipment was valued at £793m at 31 March 2018 and Investment Properties were valued at £21m as at that date. Our testing included procedures to:

- ▶ Consider the work performed by the Council's valuers Wilks, Head and Eve, including the scope of the work performed on valuations at 31 December 2017; sample testing on data supporting the valuations; a comparison of valuation findings with market trends and Land Registry data; and review of valuer assumptions, qualifications and expertise.
- ▶ 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 and annually for Investment Properties.
- ▶ Review any assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- ▶ Consider changes to useful economic lives as a result of the most recent valuation.
- ▶ Test accounting entries have been correctly processed in the financial statements.
- ▶ Confirm an appropriate uplift had been applied for Council Dwellings and Other Land and Buildings to reflect fluctuations in value in the last three months of the year.

From our testing we were satisfied that Property, Plant and Equipment and Investment Property values in the year end accounts presented for audit are true and fair.



Areas of Audit Focus

Other areas of inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Pension Liability Valuation

What is the risk? (Audit Planning Report)

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.

Crawley Borough Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £11.8m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to West Sussex County Council. Accounting for this scheme involves significant estimation and judgement and this is why 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?

Crawley Borough Council's pension fund deficit had reduced to £3.2m at 31 March 2018. Our testing included procedures to:

- ▶ Liaise with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Crawley Borough Council.
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used.
- ▶ Review and test the accounting entries and disclosures made within Crawley Borough Council's financial statements in relation to IAS19.

From our testing we were satisfied that the fall in the value of the deficit was largely driven by an increase in the value of the Council's share of the West Sussex Pension Fund's assets. As part of our IAS 19 Pension testing, we compare the net fund assets estimated by the actuary at the year end to the actual net fund assets of the pension fund. The actuary estimated this as being £4,025,000,000 but the actual net fund assets of the pension fund are £4,058,415,000, giving a £33,415,000 variance. The IAS 19 pension figures included within the financial statements are based upon actuary reports which use the estimated figure rather than the actual year end balance. While this approach is not unusual, given that this variance is significant, we calculated Crawley Borough Council's share of the net fund asset difference as being £2.185m. This difference is recorded as an unadjusted difference in Section 5 of this report and we agree with management's assessment that the impact is not material.



Areas of Audit Focus

Other areas of inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

NNDR Appeals Provision

What is the risk? (Audit Planning Report)

Crawley Borough Council's NNDR Appeal Provision was valued at £2.15m at 31 March 2017. The Valuations Office Agency (VOA) published new rateable values on 1 April 2017 and appeals against those values are expected.

What did we do?

Crawley Borough Council's NNDR Appeal Provision had increased to £2.65m at 31 March 2018.

We tested the Council's calculations supporting the year end provision in detail - confirming that correct data from the Valuations Office Agency (VOA) had been used and that the RV % loss rate used was that recommended by the VOA.



Areas of Audit Focus

Other areas of inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Earlier deadline for the production of the financial statements

What is the risk? (Audit Planning Report)

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council could include complex areas of accounting being time-pressured; slippage in delivering data for analytics work in format and to time required; and managing a new timetable for internal quality assurance arrangements.

As our auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What did we do?

We worked with the Council to address these challenges by:

- Carrying out more of our audit work at the interim stage of our audit, for example testing nine months of income and expenditure transactions
- Agreeing a streamlined presentation of audit working papers. We appreciate the Council's staff for the way that audit working papers were batched and organised for the audit team, making it easier to spend time on queries and areas of judgement rather than routine data extraction.

04

Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAWLEY BOROUGH COUNCIL

Opinion

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

Comprehensive Income and Expenditure Statement,
Movement in Reserves Statement,
Balance Sheet,
Cash Flow Statement,

The related notes 1 to 42,

Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, and related notes 1 to 8, and
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 2017/18.

In our opinion the financial statements:

give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2018 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 2017/18.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Head of Finance, Revenues and Benefits' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Head of Finance, Revenues and Benefits has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The Head of Finance, Revenues and Benefits 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.



Audit Report

Our opinion on the financial statements

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Head of Finance, Revenues and Benefits

As explained more fully in the Statement of the Head of Finance, Revenues and Benefits' responsibilities set out on page 9, the Head of Finance, Revenues and Benefits 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance, Revenues and Benefits 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.

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.



Audit Report

Our opinion on the financial statements

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, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Crawley Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Crawley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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, Crawley Borough 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Certificate

We certify that we have completed the audit of the accounts of Crawley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Crawley Borough 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.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
26 July 2018

The maintenance and integrity of the **Crawley Borough Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

.

05 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 have not identified any adjusted differences in the financial statements.

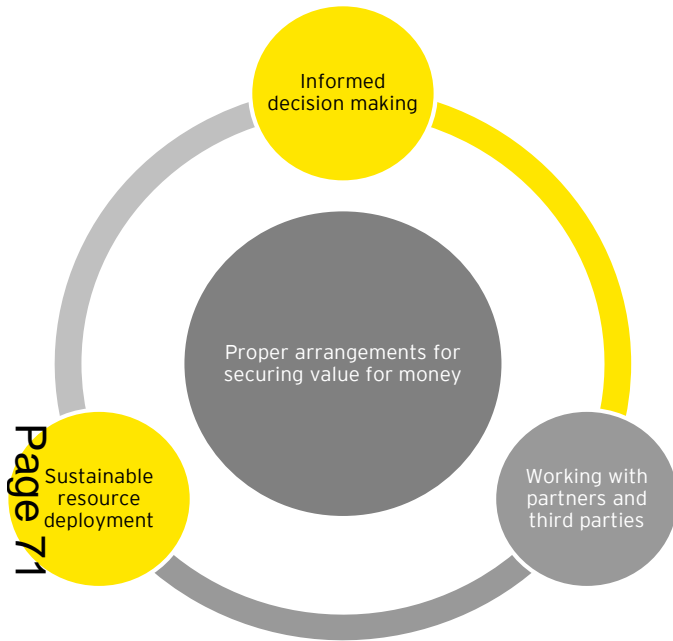
Summary of unadjusted differences

We identified one unadjusted difference relating to the Council’s share of the difference between the actuary’s estimate of the Pension Fund asset value and the actual Fund value at 31 March 2018. We estimated this to be £2,185,576.

06

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified no significant risks.

However, we did note at planning stage that the Council was considering plans that could involve the demolition of the existing Town Hall and the construction of a new Town Hall, affordable housing and a heat distribution network. We noted that the plans were insufficiently advanced to constitute a significant Value for Money risk, but that we would monitor their progress throughout the audit and as part of our audit planning for 2018/19.

We have reviewed progress on the project and note that the Council has been granted planning permission to proceed with the project but has not yet signed contracts with the delivery partner. Although significant work on the project had still not yet started, we have reviewed financial modelling, and we note that the Council is expecting to use all capital reserves by 2021/22 and thereafter plans to borrow to fund capital projects. Clear financial management arrangements will be required and we will continue to monitor progress in future years.

We have no other matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

07 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 2017/18 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 Statement of Accounts 2017/18 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 have no issues to raise.

Other reporting issues

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 Authority 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 Authority, 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

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.



08

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. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

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.

09

Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



10

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 6 March 2018.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 25 July 2018.

We confirm we have not undertaken non-audit work outside the PSAA grant claim certification requirements in relation to our work Crawley Borough Council.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As 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.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	65,313	65,313	65,313	65,313
Non-audit work (Housing Benefit)	TBC	11,386	11,801	11,801
Total non-audit services	TBC	11,836	11,801	11,801





11

Appendices

Appendix A

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
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process. 	Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Crawley Borough Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	No subsequent events have been identified that would impact either individually or together on Crawley Borough Council's financial statements as at 31 March 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report



Appendix A

		 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 Authority's related parties including, when applicable:</p> <ul style="list-style-type: none">▶ Non-disclosure by management▶ Inappropriate authorisation and approval of transactions▶ Disagreement over disclosures▶ Non-compliance with laws and regulations▶ Difficulty in identifying the party that ultimately controls the Authority	Audit results report
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">▶ The principal threats▶ Safeguards adopted and their effectiveness▶ An overall assessment of threats and safeguards▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report and Audit results report






Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none">▶ Management's refusal for us to request confirmations▶ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none">▶ 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▶ 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	We have asked management and those charged with governance. We have not identified any material instances of non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none">▶ Significant deficiencies in internal controls identified during the audit.	Audit results report - notes that none were identified



Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit planning report and Audit results report
Certification work	▶ Summary of certification work	Certification Report



Appendix B

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

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

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2018. 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 financial position of Crawley Borough Council as of 31 March 2018 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 2017/18.

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 and Ireland), 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

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 2017/18.

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 2017/18. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements. 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 2017/18, that are free from material misstatement, whether due to fraud or error.

We believe that the effects of the unadjusted audit difference, shown in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial, to the financial statements. We have not corrected this difference identified by and brought to the attention of management by the auditor because it is immaterial and affects a number of places in the financial statements.

Management representation letter

Management Rep Letter

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

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.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

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.

We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- involving financial statements;
- 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

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.

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

We have made available to you all minutes and agendas of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 25 July 2018.

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.

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

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.

Management representation letter

Management Rep Letter

D. Liabilities and Contingencies

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

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

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

E. Subsequent Events

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

F. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.

We confirm that the content contained within the other information is consistent with the financial statements.

H. Estimates

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

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

Signed on behalf of Crawley Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 25 July 2018

Signed:

Karen Hayes (Head of Finance, Revenues and Benefits)
Date: 25 July 2018

Cllr K Sudan (Chair of the Audit Committee)
Date: 25 July 2018



Appendix B

Management representation letter

Schedule of unadjusted differences

	DR £	CR £
Other Long Term Liabilities	2,185,576	
Unusable Reserves		2,185,576
Being the difference between the value of Crawley Borough Council's share of West Sussex Pension Fund's assets as estimated by the actuary and as estimated by the auditor of the pension fund.		

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

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.

Crawley Borough Council

Report to Audit Committee 25 July 2018

Approval of the 2017/18 Statement of Accounts

Report of the Head of Finance, Revenues and Benefits (*FIN/445*)

1. Purpose

- 1.1 The purpose of this report is to seek Councillor approval of 2017/18 Statement of Accounts and to comply with the statutory deadline of 31 July 2018.

2. Recommendations

- 2.1 It is recommended that
- a) the 2017/18 Statement of Accounts be approved
 - b) the Committee approve the rationale why the unadjusted audit difference has not been corrected
 - c) the Chair of the Committee be authorised to sign the 2017/18 Letter of Representation
 - d) the Chair of the Committee be authorised to sign the 2017/18 Statement of Accounts on behalf of the Council

3. Reasons for the Recommendations

- 3.1 The Council has a statutory responsibility to approve the statement of accounts by 31 July.

4. Background

- 4.1 The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The latest date for approval is 31 July 2018.
- 4.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, Full Council has delegated the approval to this Committee.
- 4.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2017/2018 comparing actual expenditure against approved budgets was considered by Cabinet in June.

5. Narrative Statement

- 5.1 The Narrative Statement is attached as Appendix B. The Narrative Statement, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The narrative statement includes a brief explanation of the financial statements (see pages 20 to 21).

6. Statement of Accounts 2017/18

- 6.1 The 2017/2018 Statement of Accounts is attached as Appendix C.
- 6.2 As last year, the Comprehensive Income and Expenditure Statement is now prepared on the same basis as the Council is organised – so the services breakdown is on a Portfolio basis. The Expenditure and Funding Analysis links the Outturn report to the Comprehensive Income and Expenditure Statement.
- 6.3 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 6.4 The Movement in Reserves Statement shows a decrease in the General Fund balance (inclusive of Earmarked Reserves) of £0.2 million (page 8). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £102.3 million to £101.9 million.
- 6.5 The Balance Sheet (pages 10 - 11) shows that the Council's total assets less liabilities have increased by £32.7 million to £664.5 million. The main reason for this is the revaluations of fixed assets of £24.5 million and a reduction in the pension liability of £8.6 million.
- 6.6 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Councillors and other stakeholders an introduction to the format of the accounts.

7. Unadjusted Audit Difference

- 7.1 The Audit Results Report shows an unadjusted audit difference of £2,185,576 that relates to the pension liability disclosed in the Balance Sheet. This error was identified by the auditors of the West Sussex County Council Pension Scheme and is due to the actuary's estimate of the pension scheme assets being £33.4m short of the actual value, of which, the Council's share is approximately £2,185,576.
- 7.2 The audit difference is below the materiality level for the Council, and management do not consider it necessary to amend the Statement of Accounts for the following reasons:
 - It only affects the Balance Sheet and the Unusable Reserves of the Council, and does not impact on the previously reported outturn.

Agenda Item 10

- To revise the accounts, it would be necessary to request a revised report from the actuary and additional audit testing would be required. This would come at additional cost to the Council and would cause delays in publishing the Statement of Accounts.

8. Annual Governance Statement

- 8.1 The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*
- (c) includes effective arrangements for the management of risk.”*

- 8.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2017/2018 review are set out in Appendix D. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

9. Audit of Accounts for 2017/2018

- 9.1 The audit of the accounts commenced in June. The work is due to be completed by 31 July. As stated in Ernst & Young’s Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

10. Letter of Representation

- 10.1 The Letter of Representation (Appendix A) are the assurances made by management and Councillors to the auditors that all information pertinent to the audit has been made available to them.

11. Background Papers

[Financial Outturn 2017/18 – Report to Cabinet 27/06/2018 \(FIN/443\)](#)

The Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the UK 2017/2018

(Chartered Institute of Public Finance and Accountancy)

Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

Report author and contact officer: Paul Windust, Chief Accountant (Direct Line: 01293 438693)

This page is intentionally left blank

Agenda Item 10

Appendix a

Crawley Borough Council
Town Hall
The Boulevard
Crawley
West Sussex
RH10 1UZ

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

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2018. 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 financial position of Crawley Borough Council as of 31 March 2018 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 2017/18.

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 and Ireland), 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 2017/18.
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 2017/18. 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

Agenda Item 10

Appendix a

financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of the unadjusted audit difference, shown in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial, to the financial statements. We have not corrected this difference identified by and brought to the attention of management by the auditor because it is immaterial and affects a number of places in the financial statements.

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 disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - 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

Agenda Item 10

Appendix a

- 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 are reflected in the financial statements.
- 3. We have made available to you all minutes and agendas of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 25 July 2018.
- 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 significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 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.

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 the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. 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.

G. 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 and in generating the IAS19 pension disclosures. We 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.

H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. 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.

Signed on behalf of Crawley Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 25 July 2018

Signed:

Karen Hayes (Head of Finance, Revenues and Benefits)

Date: 25 July 2018

Cllr K Sudan (Chair of the Audit Committee)

Date: 25 July 2018

Narrative Report

2017 – 2018

1. An Introduction to Crawley Borough Council

Crawley borough covers 4,497 hectares and has a population of 110,000 residents, which is growing and forecast to reach 122,000 by 2034. It is situated in the north eastern part of the county of West Sussex.

Crawley is a bustling modern town and the major economic force in West Sussex as well as the Gatwick Diamond with over 3,000 active businesses.

Crawley benefits from Gatwick Airport, the world's busiest single runway airport, which hosts up to 40 million passengers per year and from Manor Royal, the South East's premier business park, which employs 30,000 people across 240 hectares. The land between Manor Royal and the airport is required to be safeguarded for a potential second runway.

Despite having just two per cent of the West Sussex land mass, Crawley contributes 25 per cent of its annual economic wealth output – it is superbly placed to sustain high value economic growth.

With 89,000 jobs and growing, Crawley has the third highest job density in the country outside Central London. Centre for Cities 2016 report, has found that Crawley is one of the most productive and innovative places in the UK (10th lowest JSA claimant count, 2nd highest weekly wages (after London), highest proportion of private sector jobs).

The town is divided into a series of residential neighbourhoods around the town centre, each with its own schools, shops and community facilities. Crawley has a rich history and heritage going back to the Bronze Age, but the town really took off in the 1940's when it was designated one of 8 'New Towns'.

We benefit from being a shopping destination, have excellent transport links, companies of all sizes are based here and the town is home to Gatwick Airport and Manor Royal Business District – the largest business park in the Gatwick Diamond.

We have an ambitious programme of regeneration on the town centre, which is building on the strengths of the town's economy to help develop retail, employment, business and residential opportunities. The Queens Square refurbishment has been completed, we are now expanding these improvements to Queensway, major new developments and the wealth of town centre opportunity sites make Crawley the place to invest in.

2. Council Structure-the council is made up of Portfolios -

Cabinet (Leader)

Leadership of the Council including:

- overall policy direction
- financial strategy
- representing the Council in the community
- negotiating with national organisations
- emergency planning
- democratic renewal
- concessionary travel
- regional governance and development

Narrative Report (Continued)

Planning and Economic Development

Responsibility for:

- local development framework
- transport issues
- economic development
- liaison on highways issues
- Gatwick strategy

Resources

Responsibility for driving up the performance of council services.

Specific responsibilities include:

- human resources and staffing issues
- ICT and e-government
- customer services and complaints
- the council's Contact Centre
- procurement
- performance issues across the whole council
- democratic services
- fostering interest in local government

Public Protection and Community Engagement

Responsibility for driving up the performance of council services.

Responsibility for:

- community strategy and planning
- community and neighbourhood development
- community safety
- equal opportunities
- grants to voluntary bodies
- issues relation to travellers
- health

Housing

Responsibility for:

- Crawley Homes (landlord role)
- housing strategic services
- liaison and joint working with housing agencies

Narrative Report (Continued)

Environmental Services and Sustainability

Responsibility for:

- public and environmental health
- waste management and recycling
- Port Health
- land drainage

Wellbeing

Responsibility for:

- arts (including The Hawth)
- museums and galleries
- sport and fitness
- parks and open spaces
- allotments
- play service
- liaison with education authority
- community centres
- nature conservation

3. Council's Performance

In 2017/18

1. Crawley New Town turned 70 in 2017 and to mark the occasion, a year of community events took place around the town, including a 70th themed Picnic at Worth Park, a photography exhibition at Crawley Library, of more than 200 photographs from Roger Bastable's collection. Crawley Festival, Music Through The Ages at The Hawth – an evening dedication to celebrating the past 70 years of Crawley's history and culture with acts from local community groups and much more.
2. Worth Park was awarded the Heritage and Conservation Award from the Landscape Institute for the restoration of the gardens which were originally designed by the renowned James Pulham and Son in the late 1800s. The accolade comes after five years of painstaking restoration to restore the gardens to their former Victorian glory with the help of a £2.42m grant from the Heritage Lottery Fund and Big Lottery Fund.
3. Proposals have been approved for the redevelopment of land at the eastern end of The Boulevard which will see the current Town Hall and two-storey car park demolished, to be replaced with around 250 homes in three blocks, a new Town Hall over four floors with five floors of grade A commercial offices above, a new public square, public realm improvements, commercial units and the infrastructure

Narrative Report (Continued)

for a district heating network. The Town Hall multi-storey car park will remain, but be upgraded under these proposals.

4. Air quality in Crawley is improving as a result of efforts to reduce emissions around the town. As part of the Local Air Quality Management process (LAQM) required by the Environment Act 1995, the council carries out reviews and assessments of air quality in the borough, which helps to identify local air quality hot spots. Those areas where air quality objectives are not being achieved are designated as Air Quality Management Area (AQMA) and an action plan is produced (AQAP) detailing measures to improve air quality in that area. Further measures to improve air quality emissions in the future, include the introduction of a district heating scheme and extending the provision of current public charging points to other sites across the borough. Traffic management at major road junctions have been implemented to improve traffic flow and reduce emissions from congestion and idling vehicles. The promotion of alternative low emissions transport, has involved providing public charge points at the Town Hall in convenient locations for plugged in electric vehicles, the installation of bike stations around the town and the council's taxi licensing conditions offering reduced fee incentives to low emission vehicles.
5. Improved facilities are now available for those with disabilities at Tilgate Nature Centre thanks to refurbishments from Crawley Borough Council. As part of efforts to increase accessibility at leisure areas around the town, the council consulted with parents from local disability forums and young people from the Crawley Young Persons Council, to create a suitable changing facility located in the Nature Centre grounds. The pre-existing wheelchair accessible toilet has been enhanced with a new hoist and changing table and is spacious enough to accommodate up to three people
6. The regeneration of Queens Square has been completed – on time and on budget. The improvements, which took 12 months to complete, has encouraged new businesses to open in the square and for existing retailers and property owners to improve the appearance of their buildings. The new square includes high quality paving, new and improved lighting, new seating, new street furniture, new planting and a fountain. The £3.2m regeneration scheme, which has been designed to create a high quality, inviting, distinctive and enjoyable public space, is a joint project between Crawley Borough Council, West Sussex County Council and the Coast to Capital Local Economic Partnership.
7. For the fifth consecutive year, Crawley were well rewarded at the South and South East in Bloom Awards for its parks. In the Large Park category, Tilgate Park swept up the gold award for its beautiful scenery, surpassing last year's result when the park received the Silver Gilt. Worth Park retained the Silver Gilt award in the Heritage Park category and Memorial Gardens, in the Park of the Year category, received the Silver Gilt.
8. More funding for the Crawley Growth Programme. Crawley Borough Council has helped to unlock £60.4m investment in infrastructure and regeneration to support

Narrative Report (Continued)

new homes, jobs and business space. The council's Cabinet agreed to allocate £2.8m towards the Crawley Growth Programme at its meeting in October, following Coast to Capital Local Enterprise Partnership's award of £14.64m to the programme. The Crawley Growth Programme includes an investment package of infrastructure improvements and physical regeneration designed to support significant additional increases in new homes, business investment and employment growth over the period to 2030. With further match funding provided by West Sussex County Council, the total public investment will be £31.412m, rising to more than £60 million when including private sector funding commitments.

9. A new employment support service - Employ Crawley launched in collaboration with West Sussex County Council in the autumn. Employ Crawley offers a range of services provided by the public and private sector to help local people get the right jobs and local employers get the right people. Based in Crawley Library with some outreach services, the hub offers a uniquely holistic approach to employment support – garnering the experience and expertise of employment services, business and training providers to offer the best information, advice and guidance to Crawley people.
10. Crawley Borough Council successfully bid for £6.4m of government funding to unlock housing infrastructure around Telford Place and Forge Wood.
11. Plans to regenerate Queensway, Kingsgate and The Pavement, continuing the high quality improvements in Queens Square, have been submitted. The proposals, which mark the second phase of town centre regeneration, run from the eastern edge of Queens Square along Queensway to the College Road junction, including part of the boundary to Memorial Gardens, and the length of The Pavement the plans were approved in January 2018 with plans to start in early 2019.
12. Crawley Borough Council's Community Wardens were awarded a Special Recognition Award at the latest RSPCA Community Animal Welfare Footprint Awards for their efforts – one of only three councils to achieve this throughout England and Wales. This huge accomplishment reflects the Community Wardens' constant dedication to keeping local dogs safe, paying special attention to stray dogs who don't have an owner to return to.
13. Construction on the bandstand is almost complete. Crawley Borough Council has been working with specialist Leander Architecture to refurbish and restore the bandstand after it was moved from Queens Square to make way for the regeneration works in 2016.
14. Plans to progress to the next stage of the Three Bridges Improvement Scheme have been approved. Crawley Borough Council's Cabinet agreed to recommendations allowing the progression of the scheme at its meeting on Wednesday (21 March). Following an extensive programme of engagement with key stakeholders and residents, the council will lead the delivery of the scheme's detailed design, which will take account of feedback highlighted by residents at the

Narrative Report (Continued)

information sessions. The developed design will include extensive traffic modelling work to assess the impact of the proposed Eastern Access and station forecourt improvements. The scheme is being led by the council, in close partnership with West Sussex County Council, Coast to Capital Local Enterprise Partnership, Network Rail and GTR Southern as part of the Crawley Growth programme.

15. The Council has seen a gradual decrease in its gender pay gap over a number of years. The gender pay gap reporting regulations came into force last year and require us along with all other employers of over 250 staff to provide a public report of our gender pay gap for both mean and median salaries. Our mean gender pay gap as at 1.4.17 was 1.6% and the median gender pay gap was 0%. Nearly 80% of organisations reporting their data paid men more than women so this is a very good result for Crawley Borough Council.

Corporate Priorities looking ahead

Leader (Cabinet)

- Run a balanced budget. Maintaining our approach of multi-year budgeting, prioritising raising new revenue over service reductions, and removing unnecessary processes from council operations to maintain service delivery in the face of central government cuts.
- Work to keep council tax low without compromising local services.
- Seek to get the most out of the Council's remaining capital reserves by limiting major expenditure to spending required to maintain council assets, spend-to-save initiatives and invest-to-earn opportunities.
- Put money back into reserves where possible, to finance future investments.
- Continue to use and invest public money in an ethical way.

Housing

Making housing more affordable

- Continue with the programme to build new affordable units exclusively for Crawley residents.
- Look to use revised HMO licensing powers to improve regulation for the sector in Crawley's neighbourhoods.
- Work to tackle the housing fraud, which takes homes away from those who genuinely need them

Planning & Economic Development

Delivering better job opportunities

Narrative Report (Continued)

- Push forwards with the Employment and Skills Plan, providing residents with better career options.
- Work to attract new employment opportunities to the town.
- Maintain the momentum on the town centre regeneration, continuing to improve the public realm and bring forward redevelopment of major sites along the Broadway, Boulevard and Station Way.
- Use the Crawley Growth Fund and S106 funding to provide major improvements to the town's infrastructure, including delivering a more sustainable transport system and better community facilities.

Community Engagement/Public Protection **Building a stronger community**

- Work in partnership with other local services such as the police and fire service, to protect the public.
- Help local voluntary organisations, including through grants where appropriate, to tackle those important areas not covered by local statutory services.
- Promote neighbourhood forums as a means of giving people a stronger voice for their area and greater control over how services are delivered.

Wellbeing **Providing for leisure and culture**

- Continue to strategically invest in the town's leisure facilities, such as local parks, K2, adventure playgrounds and the Nature Centre, not only improving the range of leisure opportunities for local residents but generating revenue to help fund local services. Where possible we will also look to provide more small-scale leisure opportunities in local neighbourhoods and public spaces.
- Work to improve the quality of allotment provision and associated services within the town.
- Continue to support the award-winning Crawley Dementia Alliance as they work to make Crawley a town which works for all its residents regardless of their medical needs.
- Promote opportunities to undertake physical activity in the town, helping to keep local residents fitter and healthier for longer.
- Seek new opportunities to improve local health and wellbeing.

Environment

- Undertake a major programme of improving the town's shrub beds, which have become degraded over the years.

Narrative Report (Continued)

- Continue to work to make Crawley an environmentally sustainable community as we head towards carbon neutrality by 2050.
- Where responsible, act to reduce the risk of flooding in Crawley and press other agencies to do the same.

Resources

Changing the way we work

- Make better use of data in the way we seek to communicate with the public and meet the town's needs.
- Continue to redesign services to make them more efficient. This not only reduces the costs of operation, enabling the Council to protect frontline services in the face of cuts, but should enable a better experience for residents when accessing services.
- Look at bring machine learning and AI into the way the council operates to improve the efficiency and effectiveness of our services.
- Make better use of the Town Hall site. Develop the site in a way which is more socially beneficial and cost-effective for the town and at the same time reducing the use of carbon.

4. Financial Performance

Since 2010 Crawley Borough Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services due to factors such as the economic climate.

Revenue Expenditure and Income in 2017/18

In February 2017 the Council set a net expenditure budget for 2017/18 of £14.1million. This resulted in a Band D Council Tax for Crawley of £194.04 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,603.54.

The 2017/2018 budget provided for a transfer to reserves of £0, at outturn this was higher due to the successes of the Council's transformation plan and sound financial management which brought forward efficiencies and savings and additional income and resulted in a contribution to capital reserves of £923,482.

Agenda Item 10

Appendix b

Narrative Report (Continued)

	Original Budget £000's	Latest Budget £000's	Outturn £000's	Variance £000's
Cabinet	1,435	1,475	1,434	(41)
Public Protection & Community Engagement	1,595	1,665	1,654	(11)
Resources	1,129	1,203	1,286	83
Environmental Services & Sustainability	5,917	7,722	7,525	(197)
Housing	3,131	3,267	2,545	(722)
Wellbeing	7,098	9,320	9,323	3
Planning & Economic Development	(2,561)	(1,475)	(1,308)	167
Total Portfolio Variances	17,744	23,177	22,459	(718)
Depreciation & capital financing	(3,425)	(10,444)	(10,444)	0
Renewals Fund	400	255	255	0
Investment Interest	(645)	(707)	(906)	(199)
New Homes Bonus	(1,432)	(1,432)	(1,440)	(8)
Business rates (below) **			2	2
Transfer to Capital programme reserve	0	0	923	923
Sub Total	12,643	10,848	10,848	0

In addition there was a transfer to the Tilgate Park reserve of £56,740				
Transfer to the Capital programme reserves was £923,482				
Council Tax and Business Rates				
Council Tax	(6,624)	(6,624)	(6,624)	(0)
RSG	(1,036)	(1,036)	(1,036)	0
NNDR	(4,983)	(3,188)	(3,186)	**2
Sub Total	(12,643)	(10,848)	(10,846)	(0)

Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 7,921 dwellings at 31 March 2018. The Council is required to maintain a separate ring-fenced account to record all the financial transactions relating to those dwellings.

The income from tenants in council property was £45.2m in the year with other income to the HRA of £1.6m. The council took out loans on 28th March 2012 for £260.325m, borrowed from the Public Works Loan Board (PWLb). Interest on these loans amounted to £8.309m. This payment replaces the negative housing subsidy. As a result there is more certainty within the Housing Revenue Account as interest on the loans has been fixed over 26 years and a robust business plan to invest additional resources in place.

The balance was invested in the provision of council housing including management and maintenance of over 7,800 dwellings, 4,600 garages and 1,585 leasehold

Narrative Report (Continued)

properties. There was a transfer to the Major Repairs reserve in the year of £13.992m for future investment in housing stock.

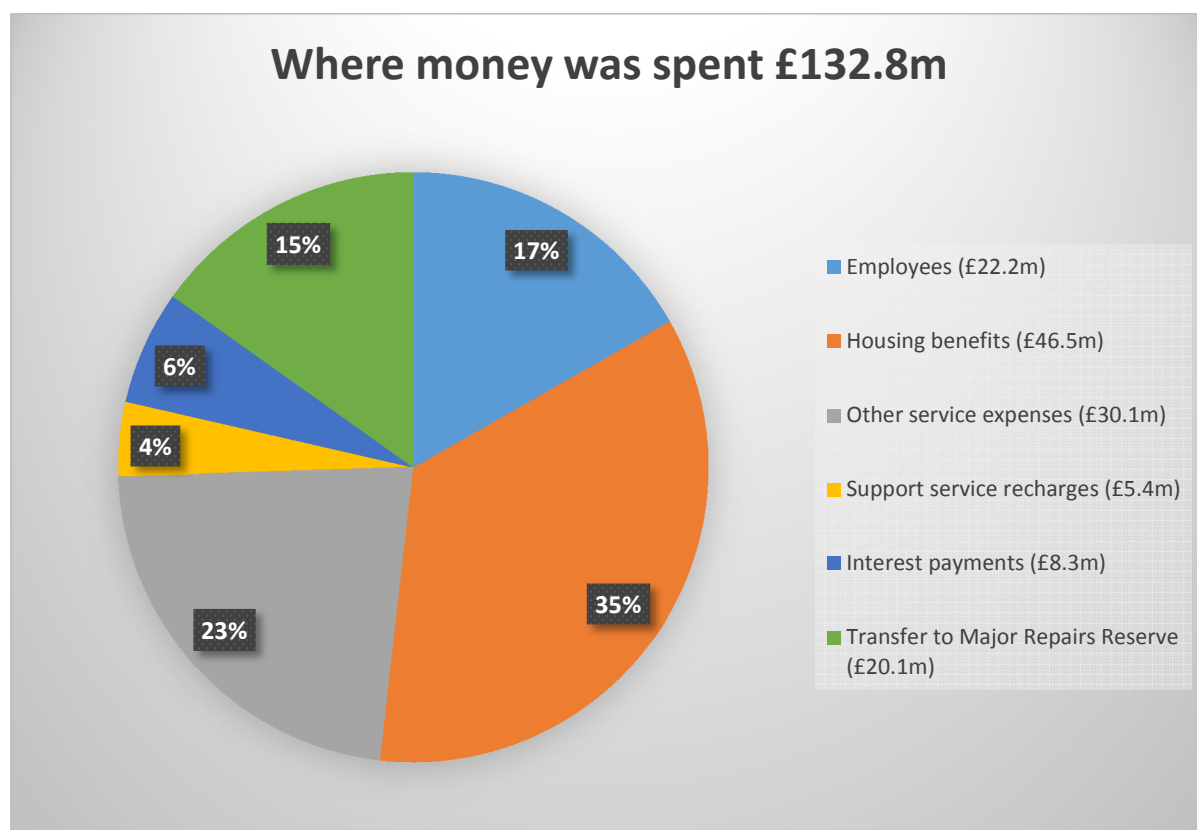
The Housing Revenue account saw an underspend in year due to additional rental income, reduced programmed and responsive maintenance due to the better weather over the last quarter of the year.

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate £'000s	Outturn £'000s	Variation £'000s
Income			
Rental Income	(44,951)	(45,237)	(286)
Other Income	(1,762)	(1,633)	129
Interest received on balances	(79)	(126)	(47)
Total income	(46,972)	(46,996)	(204)
Expenditure			
Employees	3,416	3,476	60
Repairs & Maintenance	10,883	10,305	(577)
Other running costs	2,212	2,124	(88)
Support services	2,650	2,650	0
	19,161	18,555	(605)
Net (Surplus) / Deficit	(27,631)	(28,441)	(810)
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,140	6,140	0
Financing of Capital Programme & Transfer to Housing Reserve for future investment	13,183	13,992	810
Total	27,631	28,441	810

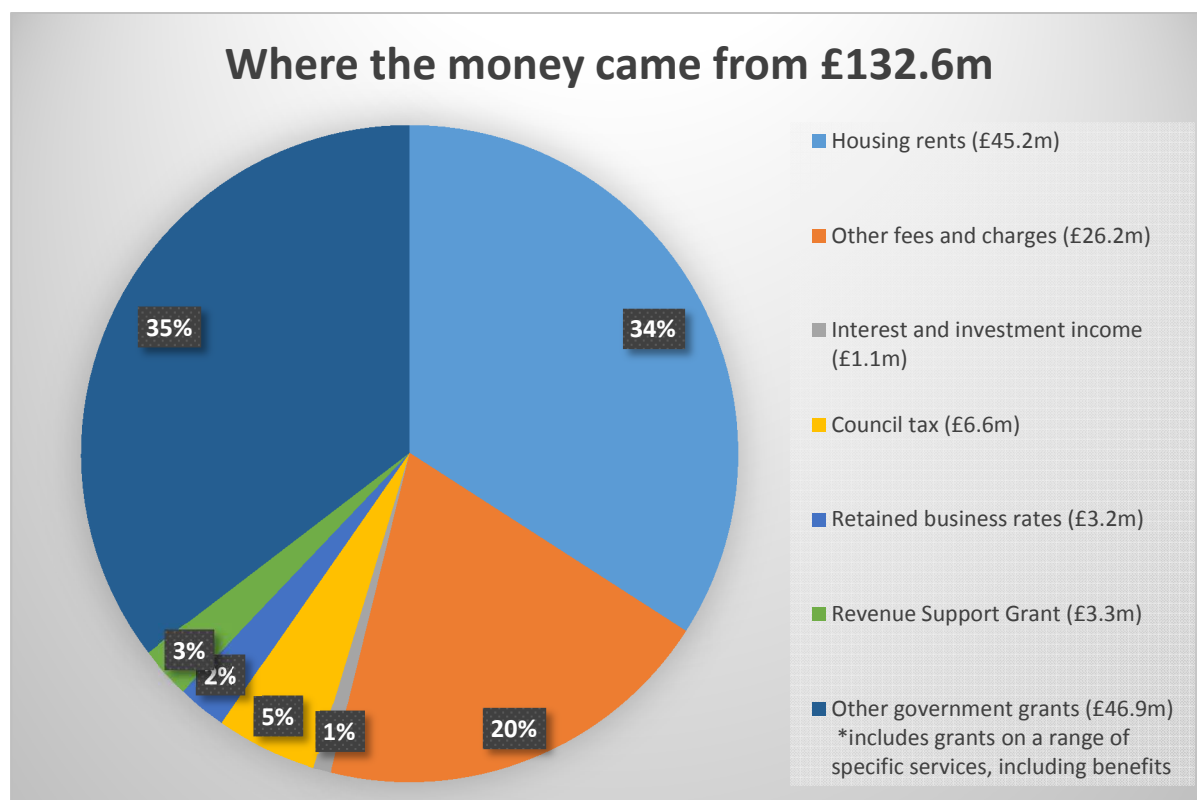
Total Revenue Expenditure

Overall the Council incurred expenditure in 2017/18 of £132.8m on its services to the public.

Narrative Report (Continued)



The main sources of income are depicted below:



Narrative Report (Continued)

The tables above are different from the figures reported in the statement of accounts because they have been adjusted from an accounting basis to a funding basis. The net expenditure of £0.2m agrees to the deficit on General Fund and HRA Balance in year as reported in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Capital Programme

The Council is embarking on an ambitious capital programme of £163m from 2017/18. This includes £116.7m within Crawley Homes for investment in new and existing housing stock.

In 2017/18 the Council spent £29.454 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources

Portfolio Description	Outturn 2017/18 £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's	2020/21 Latest Budget £000's
Cabinet	1,979	3,087	3,907	71
Resources	217	519	-	-
Environmental Services & Sustainability	898	1,430	1,719	79
Planning & Economic Development	257	304	6,700	-
Public Protection & Community Engagement	95	-	-	-
Housing Services	735	7,251	1,563	10,500
Wellbeing	1,898	1,993	910	40
Total General Fund	6,079	14,584	14,799	10,690
Housing Revenue Account	23,375	43,802	41,015	8,466
Total Capital	29,454	58,386	55,814	19,156

The table below summarises the approved resources available to fund the capital programme to 2020/21, this excludes the costs associated with the New Town Hall as the scheme has not been legally signed off yet.

Funded By				
Capital Receipts	3,878	7,936	12,316	2,690
Capital Reserve	-	25	-	-
Disabled Facilities Grant	685	1,255	-	-
Lottery & External Funding	833	295	926	-
1-4-1 Receipts	3,117	13,041	10,501	9,880
MRR	20,258	34,761	31,714	6,586
Replacement Fund/Revenue Financing	229	305	123	-
Section 106	454	768	234	-
TOTAL FUNDING	29,454	58,386	55,814	19,156

Narrative Report (Continued)

Financial outturn

The table below reconciles the outturn for the General Fund and HRA back to the Expenditure and Funding Analysis.

	General Fund £'000	HRA £'000	Combined £'000
Surplus / (deficit) in year	22,459	(28,441)	(5,982)
Revaluation losses	(2,619)	-	(2,619)
Movement in investment properties	539	-	539
Capital grants	1,535	-	1,535
Revenue expenditure funded from capital	(2,584)	-	(2,584)
Pensions	(2,169)	-	(2,169)
Accumulated absences	(4)	-	(4)
Transfer to Tilgate Reserve	(57)	-	(57)
Business Rates	(2)	-	(2)
Net Cost of Services in the Expenditure and Funding Analysis	17,098	(28,441)	(11,343)

5. Corporate Risks

The council has a process to manage risks and assist the achievement of its objectives. Corporate risks are subject to review quarterly by the Corporate Management Team and the Audit Committee.

The following have been identified as strategic risks for the Council:

Failure to deliver key infrastructure projects as planned, on time and within budget, such as:

- **Town Hall and District Heat Network**

The Council are in discussions with Westrock regarding a potential mixed use development which would see the provision of a new town hall, commercial office space and residential units on the town hall and adjacent car park site. A recommendation on the preferred option was presented to Cabinet early in 2017

Narrative Report (Continued)

and was approved at full Council on 22nd February 2017. This proposal will require a partial demolition of the current building to allow for the development of a new Town Hall within the site. The majority of staff have been decanted from the proposed demolition area. A risk register for the scheme, attached at Appendix B, is updated by the project team on a fortnightly basis and will be shared with the Audit Committee.

- **LEP Infrastructure – Crawley Growth Programme**

CBC, together with WSCC (the lead body) has been successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP. These resources will be invested in sustainable transport, highway and public realm infrastructure in the town centre and Manor Royal. The principle purpose of this investment will be to help bring forward regeneration sites to achieve new homes, jobs and commercial space. The Coast to Capital Local Enterprise Partnership Board received a presentation from CBC's Chief Executive and the West Sussex CC Executive Director for Economy, Infrastructure and Environment and the LEP Board subsequently confirmed the funding allocation. The Crawley Growth programme is being delivered over the period 2017 to 2021 and the total funding investment will amount to over £60 million, including private sector contributions and match funding contributions from CBC and WSCC. The programme delivery is founded on dialogue and active partnership working with stakeholders such as Metrobus, the Manor Royal BID, Gatwick Airport Ltd, Network Rail and site developers. It is being overseen by the Crawley Growth Board, chaired by CBC's Chief Executive and CBC key decisions on schemes going forward will be subject to Cabinet approval and associated due process. Part of the Crawley Growth Programme, includes the Queensway and The Pavement public realm improvement scheme (the next phase of town centre regeneration after Queens Square). A planning application for the Queensway and The Pavement scheme was approved by Planning Committee on 29th January this year. This is now going out to tender with a view to works commencing on site in January 2019 for a nine month period. Design work has begun on several other Crawley Growth programme schemes, including Station Gateway, Eastern Gateway, the Crawley Cycleway improvement programme and Manor Royal Gatwick Road sustainable transport improvements. Design proposals will be presented later in the year.

Three Bridges Railway Station

On 11th February 2015 [SHAP/43](#), Cabinet approved a total allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt, which must be spent by the end of March 2021.

Member approval was granted on 29th June 2016 to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. This is being combined with a total of £519,000 of S106 resources (including £89,000 via Forge Wood) already secured for the

Narrative Report (Continued)

station improvements and £1.1million of Community Infrastructure Levy, which is ring-fenced subject to the CIL receipts (approved by Cabinet on 7th February 2018).

A Programme Manager for Three Bridges station commenced on 11th September 2017, engaging closely with GTR Southern and Network Rail and playing a key role in the rapid progression of the plans to deliver the station forecourt improvement scheme towards detailed design stage and the submission of a planning application late this year. . Intensive discussions have taken place with GTR Southern and Network Rail to agree the proposed delivery schedule. Both organisations have joined the Three Bridges Project Steering Group alongside Crawley Borough Council and West Sussex County Council. Revised designs for the Three Bridges Station improvement scheme – including the forecourt and an eastern access for pedestrians alongside a vehicle drop off – have been drawn up and were approved in principle by the Cabinet on 21 March 2018. Cabinet also approved expenditure of up to £675,000 to undertake the detailed designs for the scheme in order to arrive at a fully costed scheme and to enable further public consultation in the autumn on the final proposed designs. This is ahead of a report to Cabinet on 21 November 2018 to consider approval of the final designs, followed by the submission of a planning application. Subject to the above process, it is expected that a works contractor will be appointed during 2019 so that the improvement works commence in early 2020.

Delivering the affordable housing programme

The Administration has pledged to deliver 1,000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The stalling of two phases of the Forge Wood development together with two market led schemes continues to impact the housing delivery programme. This impact has been mitigated through proactively bringing forward other schemes and currently the programme remains on track to achieve the pledge.

The [2017/2018 Budget Monitoring – Quarter 2 FIN/427](#) report to Cabinet on 29 November 2017 identified in section 9 that over £7.7m of 1-4-1 receipts had been used to partially fund purchase of properties. However there had been delays on some housing schemes that had resulted in £1.4m being repaid back to Government. The [9 January 2018 Councillors Information Bulletin](#) provided more detail on these delays. The officer Strategic Housing board meet on a regular basis and review the use of 1-4-1 receipts; any future risks will be highlighted through the Quarterly monitoring reports to Cabinet and on the Councillor Information Bulletin.

Mitigating actions have been taken to address the impact of the four year 1% rent reduction on the HRA to ensure the delivery programme can be

Narrative Report (Continued)

maintained. These included setting affordable rather than social rents for new development, discounted sale as an alternative tenure option, a reduced capital programme for existing stock and re-profiling the delivery programme. Further impacts arising from the Housing and Planning Act provisions relating to the sale of high value stock cannot as yet be quantified as further secondary legislation is still awaited.

The decision to leave the EU may impact upon the costs of housing schemes as future restrictions may increase labour costs, this will be monitored over the coming years.

Disaster recovery and business continuity

A report to Cabinet on 9th September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. A partnership contract has been agreed with Surrey County Council for them to host at the data centre. Since June 2017 90% of Virtual servers and 80% of data has been migrated to the Surrey Data Centre. At the end of May 2018 all existing virtual services and systems will have completed their migration.

A 2nd Phase of work is now being planned, this will include moving additional Physical infrastructure to the Surrey Data Centre, with additional storage to support EIM and backups having now been completed. This 2nd phase will also include infrastructure upgrades at remote sites, further deployment of WiFi services and remote data backups at the Town Hall, utilising the space, capacity and resilience of the new ground floor comms room which is being planned for the last quarter of 2018.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. There is a link to this centre so that systems will remain operational in the event of the Town Hall being out of operation but the network still running and it is possible for staff to get into the CBC network via this link. Once the move to the SCC data centre is complete then staff will be able to access the CBC network in the event of a network failure in the Town Hall. Wi fi will allow access for up to 70 users at the Bewbush Centre using laptops and a small number of desktop network points.

Terrorist Attacks –

The UK terror threat level is currently “severe”. There are no specific threats to Crawley or West Sussex, and CBC is in regular contact with community stakeholders and the police, monitoring for any community tension and providing support where we can.

A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.

The Budget and Council Tax 2018/19 [FIN/434](#) report to Cabinet on 7th February 2018 showed that we achieved a balanced budget despite a 44.54% reduction

Narrative Report (Continued)

in revenue support grant, efficiencies were identified and the Budget Advisory Group scrutinised growth bids which were accepted including investment town wide in shrub bed removal. The budget Strategy report was approved by [Cabinet on 8th September 2017](#), projections are being constantly updated. The budget strategy will be updated once that the tender documents are agreed for the build of the New Town Hall, there will be borrowing as a result and the Treasury Management strategy will be updated at that time.

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The refreshed transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income.

The impact of the decision to leave the EU may have a detrimental impact on the Council's objectives and finances, this will be reviewed as part of the budget strategy.

Recruitment and retention

Recruitment and retention of key specialist and professional roles is challenging. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Finance, IT, Project Management, Legal, and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams. We are exploring other ways of mitigating this risk. The Job Evaluation Scheme has been amended to create a further grade at the top of the scale to assist with the recruitment and retention of third tier managers.

General Data Protection Regulations (GDPR) –

GDPR comes into force on 25th May 2018. The Data Protection bill will replace the Data Protection Act 1998.

The risk is that there will be a failure to demonstrate compliance with the GDPR. The risk to the Council is that it could face a monetary penalty if it acts in breach of the new rules or where data is lost. Monetary penalties have increased and could be significant depending on the nature of the breach. Together with reputational risk

Preparation for Implementation

Council has been working to an Implementation Plan and list of actions based on the ICO Guidance and their 12 steps to compliance. The Management of

Narrative Report (Continued)

Confidential information Group has had responsibility to drive progress for this work. This group to be known as the Council's Information Governance Group.

Work undertaken to Date

- Appointment of Data Protection Officer
- Identification of roles and responsibilities in order to define ownership for data matters
- Training and Awareness delivered to Managers, staff and members via face to face and on line training
- Intelligence gathering on records and systems where personal data is held to show where personal data comes from, where it is stored, who accesses it ,how long is it kept, who it is shared with and the legal basis for processing the information. This is the Information Asset Register. We have purchased a tool from the LGA which provides information on retention and lawful basis of processing information for service areas. The documentation once completed will demonstrate compliance with Article 30 Records of processing activities
- New Data Protection Policy
- New overarching Privacy statement
- Privacy Notice template developed for services
- Existing contracts identified where personal data is processed on our behalf. Letters written to existing contractors who process personal data on Council's behalf seeking variation to contract to demonstrate GDPR compliance
- Changes made to procedure for SAR

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget;
- Delivering the affordable housing programme;
- Disaster recovery and business continuity;
- Terrorist attacks;
- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention;
- General Data Protection Regulations

6. Summary Position

It is clear that the Council's financial and non-financial performance in 2017/18 continues to be good. The revenue savings and additional income earned in the year were in most cases in line with expectations, capital outturn has been managed to minimise the level of re-profiling required at the year end and the Council has sufficient reserves and balances to provide financial resilience for 2018/19 and future years.

In 2017/18, the Council has faced and dealt successfully with significant change. This trend will continue and indeed accelerate but the Council is well placed to adapt

Narrative Report (Continued)

to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Council is in a strong position as it moves into 2018/19.

7. Explanation of the Financial Statement

The Statement of Accounts for 2017/18 have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and show the financial performance of Crawley Borough Council for the year, together with its overall financial position as at 31 March 2018. The purpose of the published statement of accounts is to give local taxpayers, Council Members, stakeholders and other interested parties clear information about the Council's finances. It therefore aims to provide information so that these stakeholders can:

- Understand the overarching financial position of the Council
- Have confidence that the public money with the Council has been entrusted and has been accounted for in an appropriate manner
- Be assured that the financial position of the Council is safe and secure

The style and format of the accounts complies with CIPFA standard and is similar to that of previous years.

The accounts provide the reader with information on the cost of services provided by the Council in the year 2017/18, how these services were paid for and a statement of the Council's assets and liabilities at the year end.

The Council's financial report consists of three reports:

- The Narrative Report (this statement)
- The Annual Governance Statement
- The Statement of Accounts

The Annual Governance Statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

The Statement of Accounts are presented in the following order:

- Statement of Responsibilities for the Statement of Accounts

This identifies the officer who is responsible for the proper administration of the Council's financial affairs.

- Main Financial Statements

Expenditure and Funding Analysis

This statement takes the net expenditure that is chargeable to taxation/rents and reconciles it to the Comprehensive Income and Expenditure Statement.

Narrative Report (Continued)

Comprehensive Income and Expenditure Statement

The purpose of this account is to report income and expenditure relating to all the services provided by the Council and how the net cost of those services has been financed by local taxpayers and the Government.

Movement in Reserves Statement

This statement shows the movement in the year 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 reserves. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Balance Sheet

This statement shows the balances and reserves at the Council's disposal as well as the liabilities as at 31 March 2018. It also summarises the fixed and current assets used to carry out the Council's functions.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes. It differs from other accounts in that creditors and debtors are excluded.

- Notes to the Main Financial Statements

The explanatory notes in this section are largely prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) issued by the CIPFA/LASAAC Local Authority Code Board. Additional notes have been provided wherever possible to assist understanding of the financial statements.

- Supplementary Financial Statements

Housing Revenue Account

This account shows the major element of expenditure on the provision of Council housing and how this has been financed by rents and other income.

Collection Fund

The Collection Fund summarises the income received from taxpayers for council tax and business rates and its distribution to precepting bodies. The precepting bodies for council tax are Crawley Borough Council, West Sussex County Council and Sussex Police and Crime Commissioner. Business rates are distributed to Crawley Borough Council, West Sussex County Council and Central Government.

- Glossary of Terms

A glossary of the most commonly used technical terms in these accounts is provided.

Narrative Report (Continued)

8. Change in accounting policies

There were no changes to accounting policies in the year.

9. Further Information

Further information about the 2017/18 Statement of Accounts is available from:

Paul Windust,
Corporate Accounting and Treasury Services Manager,
Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ.
Tel: (01293) 438693 email: paul.windust@crawley.gov.uk

Karen Hayes
Head of Finance, Revenues and Benefits

Date:

Statement of Accounts

2017 – 2018

ACCOUNTS CONTENTS

Statement of Responsibility for the Statement of Accounts	2
Independent Auditor's Report to Members of Crawley Borough Council	3 – 6
Main Financial Statements	
- Expenditure and Funding Analysis	7
- Comprehensive Income and Expenditure Statement	8
- Movement in Reserves Statement	9 – 10
- Balance Sheet	11 – 12
- Cash Flow Statement	13
- Index of Explanatory Notes to the Core Financial Statement	14
- Notes to Main Financial Statements	15 – 87
Supplementary Financial Statements	
- Housing Revenue Account	88 – 93
- Collection Fund	94 – 97
Glossary of Terms	98 – 108

The Council's Responsibilities

The Crawley Borough Council is required:

- * to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance, Revenues and Benefits.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the Statement of Accounts.

Responsibilities of the Head of Finance, Revenues and Benefits

The Head of Finance, Revenues and Benefits is responsible for the preparation of the Council'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 Head of Finance, Revenues and Benefits has:

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

The Head of Finance, Revenues and Benefits is also responsible for:-

- * keeping proper accounting records which are up-to-date;
- * taking responsible steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2018. This is a replacement of the one signed on 25th May, 2018.

Karen Hayes
Head of Finance, Revenues and Benefits
Date: 25 July 2018

Member Sign Off

I certify that these accounts were approved by the Audit Committee under delegated powers at a meeting held on 25th July 2018.

Councillor Karen Sudan
Chair of the Audit Committee
Date: 25th July 2018

Opinion

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 42,
- Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, and related notes 1 to 8, and
- 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2018 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 2017/18.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance, Revenues and Benefits' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance, Revenues and Benefits has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The Head of Finance, Revenues and Benefits 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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Head of Finance, Revenues and Benefits

As explained more fully in the Statement of the Head of Finance, Revenues and Benefits' responsibilities set out on page 2, the Head of Finance, Revenues and Benefits 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance, Revenues and Benefits 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.

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, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Crawley Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Crawley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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, Crawley Borough 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Certificate

We certify that we have completed the audit of the accounts of Crawley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Crawley Borough 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.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
26 July 2018

The maintenance and integrity of the **Crawley Borough Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,294	17	1,311	1,246	87	1,333
6,280	109	6,389	6,900	488	7,388
4,325	46	4,371	4,064	1,481	5,545
2,770	(175)	2,595	2,553	148	2,701
1,961	329	2,290	989	228	1,217
5,477	1,548	7,025	6,114	1,763	7,877
(2,596)	1,630	(966)	(2,512)	2,692	180
(28,367)	10,309	(18,058)	(28,441)	12,289	(16,152)
(2,219)	258	(1,961)	(2,256)	293	(1,963)
(11,075)	14,071	2,996	(11,343)	19,469	8,126
15,661	(27,227)	(11,566)	11,576	(16,280)	(4,704)
4,586	(13,156)	(8,570)	233	3,189	3,422
(30,569)			(25,983)		
4,586			233		
(25,983)			(25,750)		

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/17			2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,543	(232)	1,311	1,624	(291)	1,333
7,143	(754)	6,389	8,070	(682)	7,388
10,085	(5,714)	4,371	11,707	(6,162)	5,545
3,219	(624)	2,595	3,379	(678)	2,701
53,377	(51,087)	2,290	50,632	(49,415)	1,217
15,644	(8,619)	7,025	17,676	(9,799)	7,877
4,395	(5,361)	(966)	5,079	(4,899)	180
29,584	(47,642)	(18,058)	30,706	(46,858)	(16,152)
(1,761)	(200)	(1,961)	(1,761)	(202)	(1,963)
123,229	(120,233)	2,996	127,112	(118,986)	8,126
		Other operating expenditure 1,781 (Note 11)			3,520
		Financing and investment income 2,753 and expenditure (Note 12)			6,299
		Taxation and non-specific grant (16,100) income (note 13)			(14,523)
		(Surplus) or Deficit on (8,570) Provision of Services			3,422
		(Surplus) or deficit on revaluation of Property, Plant and Equipment (81,684) assets			(24,476)
		(Surplus) or deficit on revaluation of available for sale financial (35) assets			(11)
		Remeasurements of the net (5,523) defined benefit liability			(11,660)
		Other Comprehensive Income (87,242) and Expenditure			(36,147)
		Total Comprehensive Income (95,812) and Expenditure			(32,725)

Movement in Reserves Statement

Details of Movement in Reserves in the year

This statement shows the movement in the year on the different reserves held by Crawley Borough Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2017 Carried Forward	22,785	3,198	41,395	32,600	2,292	102,270	529,472	631,742
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(9,394)	5,972	-	-	-	(3,422)	36,147	32,725
Adjustments between accounting basis & funding basis under regulations	9,161	(5,972)	(288)	(126)	312	3,087	(3,087)	-
Increase/Decrease in 2017/18	(233)	-	(288)	(126)	312	(335)	33,060	32,725
Balance at 31 March 2018 carried forward	22,552	3,198	41,107	32,474	2,604	101,935	562,532	664,467
Analysed by:								
Amounts earmarked (Note 10)	18,552	-						
Amount uncommitted	4,000	3,198						
Total Balance at 31 March 2018	22,552	3,198						

Movement in Reserves Statement (Continued)

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2016	27,371	3,198	39,689	25,494	2,045	97,797	438,133	535,930
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(370)	8,940	-	-	-	8,570	87,242	95,812
Adjustments between accounting basis & funding basis under regulations	(4,216)	(8,940)	1,706	7,106	247	(4,097)	4,097	-
Increase/Decrease in 2016/17	(4,586)	-	1,706	7,106	247	4,473	91,339	95,812
Balance at 31 March 2017 carried forward	22,785	3,198	41,395	32,600	2,292	102,270	529,472	631,742
Analysed by:								
Amounts earmarked (Note 10)	18,785	-						
Amount uncommitted	4,000	3,198						
Total Balance at 31 March 2017	22,785	3,198						

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Crawley Borough Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017			31 March 2018
£'000		Notes	£'000
774,985	Property, Plant & Equipment	14	793,060
52	Heritage Assets	15	52
20,972	Investment Property	16	21,322
555	Intangible Assets	17	605
5,000	Long Term Investments	18	20,000
<u>6,862</u>	Long Term Debtors	18	<u>7,301</u>
808,426	Long Term Assets		842,340
108,322	Short Term Investments	18	93,559
9	Assets Held for Sale	21	4,452
36	Inventories		26
5,864	Short Term Debtors	19	5,995
<u>4,319</u>	Cash and Cash Equivalents	20	<u>4,844</u>
118,550	Current Assets		108,876

Balance Sheet (Continued)

31 March 2017			31 March 2018
£'000		Notes	£'000
(68)	Short Term Borrowing	18	(68)
(17,523)	Short Term Creditors	22	(17,968)
<u>(2,306)</u>	Provisions	23	<u>(2,806)</u>
(19,897)	Current Liabilities		(20,842)
(260,259)	Long Term Borrowing	18	(260,264)
(11,823)	Other Long Term Liabilities	39	(3,223)
<u>(3,255)</u>	Capital Grants Receipts in Advance	34	<u>(2,420)</u>
(275,337)	Long Term Liabilities		(265,907)
<u>631,742</u>	Net Assets		<u>664,467</u>
102,270	Usable Reserves	24	101,935
<u>529,472</u>	Unusable Reserves	25	<u>562,532</u>
<u>631,742</u>	Total Reserves		<u>664,467</u>

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Crawley Borough Council during the reporting period. The statement 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. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/17		2017/18
£'000		£'000
8,570	Net surplus/(deficit) on the provision of services	(3,422)
21,792	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 26)	31,429
<u>(12,338)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26)	<u>(11,655)</u>
18,024	Net cash flows from Operating Activities	16,352
(12,815)	Investing Activities (Note 27)	(18,148)
<u>(4,761)</u>	Financing Activities (Note 28)	<u>2,321</u>
449	Net increase or (decrease) in cash and cash equivalents	525
<u>3,871</u>	Cash and cash equivalents at the beginning of the reporting period	<u>4,319</u>
<u>4,320</u>	Cash and cash equivalents at the end of the reporting period (Note 20)	<u>4,844</u>

Notes to the Main Financial Statement	Note No.	Page
Accounting Policies	1	15
Accounting Standards Issued, Not Adopted	2	31
Adjustments Between Accounting Basis and Funding Basis Under Regulations	9	38
Agency Services	30	70
Assets Held for Sale	21	60
Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	4	32
Capital Expenditure and Capital Financing	36	75
Cash and Cash Equivalents	20	60
Cash Flow Statement – Financing Activities	28	69
Cash Flow Statement – Investing Activities	27	68
Cash Flow Statement – Operating Activities	26	67
Contingent Liabilities	40	82
Creditors	22	61
Critical Judgements in Applying Accounting Policies	3	31
Debtors	19	60
Defined Benefit Pension Scheme	39	77
Events After the Balance Sheet Date	5	34
Expenditure and Income Analysed by Nature	8	38
External Audit costs	33	72
Financial Instruments	18	53
Financing and Investment Income and Expenditure	12	45
Grant Income	34	73
Heritage Assets	15	49
Heritage Assets: Five-Year Summary of Transactions	42	87
Intangible Assets	17	52
Investment Properties	16	49
Leases	37	76
Members' Allowances	31	70
Nature and Extent of Risks Arising from Financial Instruments	41	83
Note to the Expenditure and Funding Analysis	6	35
Officers' Remuneration & Exit Package	32	71
Other Operating Expenditure	11	44
Property, Plant and Equipment	14	46
Provisions	23	61
Related Parties	35	74
Segmental Income & Expenditure	7	37
Taxation and Non Specific Grant Income	13	45
Termination Benefits	38	76
Trading Operations	29	69
Transfers to/from Earmarked Reserves	10	43
Unusable Reserves	25	62
Usable Reserves	24	62

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going-concern' basis.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. 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.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when 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. Where 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 period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

vii. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collection could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and prepayments and appeals.

viii. Employee BenefitsBenefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension

enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality corporate bond, the iBoxx AA corporate bonds index).
- The assets of West Sussex pension fund attributable to the Council 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.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. 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 is 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.

x. Financial InstrumentsFinancial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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 Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

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 and indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

xi. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement District

A Business Improvement District (BID) scheme applies in Manor Royal. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as agent under the scheme, and does not show income or expenditure within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The

income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of charges may be used to fund revenue expenditure.

xii. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and described below. The council's collections of heritage assets are accounted for as follows:

- **Public Works of Art** – the council considers that obtaining valuations for the vast majority of public works of art would involve a disproportionate cost in comparison to the benefits to the users of the council's financial statements. This is because of the unique nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, the Council does not recognise this collection of heritage assets on the Balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note xvii in this summary of significant accounting policies.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal

or abandonment of an intangible asset is posted to the other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessor**Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xviii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Assets Included

All land and buildings owned by the Council are included. Vehicles and equipment are included where the useful asset life is more than three years and the purchase cost is greater than £9,000 (vehicles), or £10,000 (equipment).

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure community assets and assets under construction - depreciated historical cost
- dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant built) as an estimate of current value.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be

credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a straight-line allocation over between 3 and 10 years according to estimated useful life.
- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where assets are found to have significant components which would materially affect the depreciation charge, the valuation of these assets will be componentised. If the overall value of a Property, Plant and Equipment asset is greater than £1.5m, componentisation will then be applied to any such assets where individual components with a different useful life to the overall item has a cost of £10,000 or over.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. Provisions, Contingent Liabilities and Contingent Assets**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a

reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiii. Fair value measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as Certificates of Deposit and Corporate Bonds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset. The authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

2. Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date the following new standards and amendments to existing standards have been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for application from 1 April 2018:

- **IFRS 9 Financial Instruments** which changes the classification and measurement of financial assets, and introduces an expected credit loss model for impairments.
- **IFRS 15 Revenue from Contracts with Customers** introduces new requirements for the recognition of revenue, but this is not expected to have a material impact on the Council
- **IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** relates to debt instruments not used by the Council.
- **IAS 7 Statement of Cash Flows: Disclosure Initiative** requires additional disclosures of liabilities arising from financing activities. The Council does have activities in 2017/18 that would require such disclosure.

3. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Investment properties

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Leases

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated implied interest rate with in the lease to calculate interest and principal payments.

4. Assumptions made about the future and other major 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, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £169,344 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £23.1m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £7.5m to £12.5m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.2m. A 0.5% increase in the Pension Increase Rate would result in an increase in £19.6m.

Arrears	<p>At 31 March 2018, the Council had a balance of sundry debtors of £11.392m. A review of significant balances suggested that an impairment of doubtful debts of (£5.281m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £5.281m to set aside as an allowance.</p>
Business Rates	<p>The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.</p> <p>The Council has recognised a provision for its share of the best estimate of refunds due to ratepayers who will successfully appeal against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to the business in 2012-13 and earlier financial years. The estimate has been calculated using the Valuation Office (VAO) rating list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018.</p>	<p>A 1% increase in the success rate of appeals would increase the provision by £1.7m. The Council's overall financial losses would be protected by the safety net.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the</p>	<p>The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates-adjusted for regional factors (for both investment properties and some financial assets)</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

Council's chief valuation officer and external valuer).

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 15 and 17.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance, Revenue and Benefits on 25 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Note to the Expenditure and Funding Analysis

2017/18	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £' 000	Net change for the Pensions Adjustments £' 000	Other Differences £' 000	Total Adjustments £' 000
Public Protection & Community Engagement	-	87	-	87
Corporate Resources	(3)	491	-	488
Environmental Services & Sustainability	1,132	351	(2)	1,481
Cabinet	-	148	-	148
Housing	1	227	-	228
Wellbeing	1,130	627	6	1,763
Planning and Economic Development	868	239	1,585	2,692
Housing Revenue Account	12,116	406	(233)	12,289
All other segments	-	-	293	293
Net Cost of Services	15,244	2,576	1,649	19,469
Other income and expenditure from the Expenditure and Funding Analysis	(17,533)	485	768	(16,280)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,289)	3,061	2,417	3,189

2016/17	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £' 000	Net change for the Pensions Adjustments £' 000	Other Differences £' 000	Total Adjustments £' 000
Public Protection & Community Engagement	-	17	-	17
Corporate Resources	6	104	(1)	109
Environmental Services & Sustainability	8	38	-	46
Cabinet	-	(174)	(1)	(175)
Housing	260	73	(4)	329
Wellbeing	1,448	101	(1)	1,548
Planning and Economic Development	(3,146)	39	4,737	1,630
Housing Revenue Account	10,456	78	(225)	10,309
All other segments	-	-	258	258
Net Cost of Services	9,032	276	4,763	14,071
Other income and expenditure from the Expenditure and Funding Analysis	(28,609)	701	680	(27,227)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(19,577)	977	5,443	(13,156)

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs past service costs.

For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing differences as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7. Segmental Income & Expenditure

Income received and depreciation are analysed below on a segmental basis:

2016/17			2017/18		
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000	
(204)	-	Public Protection & Community Engagement	(197)	-	
(6,169)	651	Corporate Resources	(7,042)	635	
(5,701)	467	Environmental Services & Sustainability	(6,094)	497	
(2,445)	6	Cabinet	(2,846)	6	
(2,241)	13	Housing	(2,450)	-	
(8,277)	2,113	Wellbeing	(9,669)	2,048	
(7,023)	589	Planning and Economic Development	(6,693)	605	
(47,596)	-	Housing Revenue Account	(46,792)	-	
-	-	All other segments	-	-	
(79,656)	3,839		(81,783)	3,791	

8. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2016/17 £' 000	2017/18 £' 000
Expenditure		
Employee benefit expenses	22,945	25,310
Other services expenses	75,249	77,223
Support service recharges	4,986	5,413
Depreciation, amortisation, impairment	15,833	18,282
Interest payments	8,309	8,309
Precepts and levies	-	-
Payments to Housing Capital Receipts Pool	1,049	2,461
Gain on the disposal of assets	939	1,484
Total expenditure	129,310	138,482
Income		
Fees, charges and other service income	(70,782)	(71,764)
Interest and investment income	(1,337)	(1,125)
Income from council tax, non-domestic rates	(11,381)	(11,186)
Government grants and contributions	(54,380)	(50,985)
Total income	(137,880)	(135,060)
Surplus or deficit on the Provision of Services	(8,570)	3,422

9. 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.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure against which it can be applied and/or the financial year in which this can take place.

2017/18

General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
£'000	£'000	£'000	£'000	£'000

Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

• Pension Cost (transferred to or from) the Pension Reserve)	2,654	406	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	(1,377)	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	4	-	-	-	-

2017/18

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
<ul style="list-style-type: none"> Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) 	6,268	22,504	-	-	436
Total Adjustments to Revenue Resources	7,549	22,910	-	-	436
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(251)	(8,708)	8,959	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(42)	42	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(369)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	2,461	-	(2,461)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,132)	-	20,132	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(229)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,612	(28,882)	6,540	20,132	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,995)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(20,258)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(124)
Cash Payments in relation to deferred capital receipts	-	-	167	-	-
Total Adjustments to Capital Resources	-	-	(6,828)	(20,258)	(124)
Total Adjustments	9,161	(5,972)	(288)	(126)	312

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
• Pension Cost (transferred to (or from) the Pension Reserve)	897	78	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	1,611	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(4)	(1)	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,690	20,611	-	-	404
Total Adjustments to Revenue Resources	4,194	20,688	-	-	404
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(277)	(9,146)	9,422	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(54)	54	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(207)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,049	-	(1,049)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,428)	-	20,428	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(8,975)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(8,410)	(29,628)	8,427	20,428	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,732)	-	-

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(13,322)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(157)
Cash Payments in relation to deferred capital receipts	-	-	11	-	-
Total Adjustments to Capital Resources	-	-	(6,721)	(13,322)	(157)
Total Adjustments	(4,216)	(8,940)	1,706	7,106	247

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
General Fund:							
Capital Programme	5,511	(4,720)	4,473	5,264	-	923	6,187
Restructuring Impact Reserve	1,287	(537)	-	750	(55)	-	695
Vehicles and Plant	205	(167)	203	241	(74)	200	367
Insurance Fund	379	-	-	379	(1)	-	378
ICT Replacement	58	(44)	100	114	(95)	100	119
Specialist Equipment at K2 and Hawth	-	-	-	-	-	100	100
Risk Management	32	-	12	44	(17)	-	27
Quick Wins	44	(5)	-	39	(11)	-	28
Community Cohesion	15	(12)	-	3	(3)	-	-
Heritage Strategy	55	(21)	-	34	-	-	34
Pathfinder	16	(2)	19	33	(5)	1	29
Local Development Framework	394	-	48	442	-	65	507
Climate Change	7	(7)	-	-	-	-	-
Defra Water Management	24	(24)	-	-	-	-	-
Health & Wellbeing Grant	356	(125)	35	266	(30)	-	236
Connecting Communities	57	-	-	57	(5)	52	104
Homeless grant	19	(3)	10	26	(9)	64	81
Town Centre and Regeneration Reserve	478	(101)	-	377	(148)	21	250
Council tax support funding	34	(34)	-	-	-	-	-
Investment Acquisition	8,775	(7,941)	4,166	5,000	-	-	5,000
Waste Collection	281	-	-	281	(55)	-	226
Worth Park HLF	-	-	-	-	-	76	76
Social Housing Fraud	13	(13)	-	-	-	-	-
Preventing B&B over 6 weeks	69	(19)	-	50	(50)	-	-
Grant to voluntary organisations	85	(10)	-	75	-	-	75
Welfare Reform	65	(73)	99	91	-	35	126

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
Transparency	15	-	9	24	-	8	32
Shore gap fund	10	(3)	-	7	-	-	7
Tilgate Park Investment	87	(158)	112	41	(41)	57	57
Business Rates Equalisation	5,000	-	-	5,000	(1,794)	-	3,206
New Museum	-	-	33	33	-	35	68
Leap Project Small Business Grants	-	-	69	69	-	8	77
Leisure Management Contract	-	-	45	45	(45)	-	-
Journey to Work	-	-	-	-	-	32	32
Flexible Homelessness Grant	-	-	-	-	-	372	372
Town Centre Partnership	-	-	-	-	(5)	47	42
Town Centre Markets	-	-	-	-	-	14	14
Total	23,371	(14,019)	9,433	18,785	(2,443)	2,210	18,552

11. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
1,049	Payment to the Government Housing Receipts Pool	2,461
939	Gains/losses on the disposal of non-current assets	1,484
(207)	Notional Shared Equity Income	(425)
1,781	Total	3,520

12. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
8,309	Interest payable and similar charges	8,309
577	Net interest on the net defined benefit liability	342
(1,337)	Interest receivable and similar income	(1,125)
(4,796)	Income and expenditure in relation to investment properties and changes in their fair market value	(1,227)
-	Other investment income	-
2,753	Total	6,299

13. Taxation and Non Specific Grant Incomes

The Following government grants are receivable which are not attributable to a specific service:

2016/17 £'000		2017/18 £'000
(6,382)	Council Tax Income	(6,615)
(4,999)	Retained Business Rates	(4,572)
(3,711)	Non-ringfenced government grants	(2,588)
(1,008)	Capital grants and contributions	(748)
(16,100)	Total	(14,523)

14. Property, Plant and Equipment

Movements on Balances

Movements in 2017/18

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2017	578,921	176,954	12,500	3,790	3,430	-	11,878	787,473
Additions	11,562	2,736	420	73	89	111	11,650	26,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,493	1,391	-	-	54	(227)	-	15,711
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,594)	(2,960)	-	-	-	-	-	(8,554)
Derecognition – Disposals	(10,415)	-	(85)	-	-	-	-	(10,500)
Assets Reclassified (to)/from Held for Sale	-	30	-	-	-	-	(4,451)	(4,421)
Other movements in asset classification	4,175	899	420	-	-	766	(6,470)	(210)
At 31 March 2018	593,142	179,050	13,255	3,863	3,573	650	12,607	806,140
Accumulated Depreciation and Impairment								
At 1 April 2017	(1,923)	(2,656)	(7,787)	(20)	(102)	-	-	(12,488)
Depreciation charge	(5,828)	(2,927)	(966)	(20)	(55)	(1)	-	(9,797)
Depreciation written out to the Revaluation Reserve	6,201	2,525	-	-	25	11	-	8,762
Depreciation written out to the Surplus/Deficit on the Provision of Services	47	293	-	-	-	-	-	340
Derecognition – Disposals	26	-	77	-	-	-	-	103
Other movements in depreciation and impairment	(2)	12	-	-	-	(10)	-	-
At 31 March 2018	(1,479)	(2,753)	(8,676)	(40)	(132)	-	-	(13,080)
Net Book Value								
At 31 March 2018	591,663	176,297	4,579	3,823	3,441	650	12,607	793,060
At 31 March 2017	576,998	174,298	4,713	3,770	3,328	-	11,878	774,985

Comparative Movements in 2016/17

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2016	510,062	171,634	11,579	3,639	3,251	9,214	709,379
Additions	12,088	1,543	1,003	151	145	6,012	20,942
Revaluation increases/(decreases) recognised in the Revaluation Reserve	68,941	5,114	-	-	34	-	74,089
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,900)	(1,233)	-	-	-	(332)	(6,465)
Derecognition-Disposals	(10,176)	(181)	(82)	-	-	-	(10,439)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in asset classification	2,906	77	-	-	-	(3,016)	(33)
At 31 March 2017	578,921	176,954	12,500	3,790	3,430	11,878	787,473
Accumulated Depreciation and Impairment							
At 1 April 2016	(1,695)	(2,421)	(6,868)	-	(48)	-	(11,032)
Depreciation charge	(5,307)	(2,865)	(999)	(20)	(54)	-	(9,245)
Depreciation written out to the Revaluation Reserve	5,034	2,561	-	-	-	-	7,595
Depreciation written out to the Surplus/Deficit on the Provision of Services	22	49	-	-	-	-	71
Derecognition – Disposals	23	20	80	-	-	-	123
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2017	(1,923)	(2,656)	(7,787)	(20)	(102)	-	(12,488)
Net Book Value							
At 31 March 2017	576,998	174,298	4,713	3,770	3,328	11,878	774,985
At 31 March 2016	508,367	169,213	4,711	3,639	3,203	9,214	698,347

Capital Commitments

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £32,049,634. Similar commitments at 31 March 2017 were £12,646,715.

The major commitments are:

	£'000
HRA Programmed Repairs	12,184
HRA Affordable Housing	19,576
Community – Park and Recreation	61
Cabinet – New Town Hall	37
Cabinet – Crawley Growth Programme	57
Environment – Town Centre Regeneration	134
	<u>32,049</u>

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 of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets under construction £' 000	Total £' 000
Carried at historical cost	-	-	4,579	3,823	3,441	650	12,607	25,100
Value at fair value as at:								
31 March 2018	591,663	123,239	-	-	-	-	-	714,902
31 March 2017	-	16,990	-	-	-	-	-	16,990
31 March 2016	-	27,628	-	-	-	-	-	27,628
31 March 2015	-	3,606	-	-	-	-	-	3,606
31 March 2014	-	4,834	-	-	-	-	-	4,834
	<u>591,663</u>	<u>176,297</u>	<u>4,579</u>	<u>3,823</u>	<u>3,441</u>	<u>650</u>	<u>12,607</u>	<u>793,060</u>

15. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

	Public Works of Art 2017/18 £' 000
Cost or Valuation	
01 April 2017	52
Additions	-
Disposals	-
31 March 2018	52

	Public Works of Art 2016/17 £' 000
Cost or Valuation	
01 April 2016	52
Additions	-
Disposals	-
31 March 2017	52

Public Works of Art

The Council has a number of sculptures and other art work throughout the Borough. These have been included in the Balance Sheet at cost where this information is available.

16. 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:

	2016/17 £'000	2017/18 £'000
Rental income from investment property	(1,217)	(1,269)
Direct operating expenses arising from investment property *	(3,579)	42
Net (Gain)/Loss	(4,796)	(1,227)

*Direct operating expenses include revaluations of investment property (see net gains/losses from fair value adjustments in the table below)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance on income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. With the exception of leases in which the Authority retains responsibility for undertaking repairs, the Authority does not undertake repairs, maintenance or enhancement.

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

	2016/17 £'000	2017/18 £'000
Balance at the start of the year	9,324	20,972
Additions:		
• Purchases	7,899	-
• Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	3,733	140
Transfers:		
• to/from Property, Plant and Equipment	16	210
• to/from Assets Held for Sale	-	-
• to/from Land and Buildings	-	-
Balance at end of the year	20,972	21,322

Revaluations

The Council values all investment properties with a rolling programme that ensures that all Investment Property required to be measured at fair value is inspected at least every five years. Valuations of Investment Property are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Fair Value

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018 £'000
Recurring fair value measurements using:				
Office Units	-	17,063	-	17,063
Commercial Units	-	4,259	-	4,259
Total	-	21,322	-	21,322

2017 Comparative Figures

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2017 £'000
Recurring fair value measurements using:				
Office Units	-	16,420	-	16,420
Commercial Units	-	4,552	-	4,552
Total	-	20,972	-	20,972

Transfer between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value of the Office and Commercial Units located in the local authority area (at market rents) has been based on the market approach using current market conditions and recent sales process and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best use of Investment Properties

In estimating the fair value of the authority's six of the eight investment properties, the highest and best use of the properties is their current use.

For two of the authorities commercial properties are not being used at the highest and best current use, the authority is looking to address this by developing these sites in the future.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Additional information has been supplied to arrive at the notional 'Highest and Best use value' for the assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible.

This has been achieved, for these purpose, by comparing the 'current use' of the assets to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out by the authority's appointed valuers Wilks Head & Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

17. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets are internally generated.

The carrying amount of all intangible assets is amortised on a straight-line basis across a useful life of 5 years. The amortisation of £135,268 charged to revenue in 2017/18 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2016/17			2017/18		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
▪ Gross carrying amounts	-	3,217	3,217	-	3,345	3,345
▪ Accumulated amortisation	-	(2,596)	(2,596)	-	(2,790)	(2,790)
Net carrying amount at start of year	-	621	621	-	555	555
Additions:						
▪ Purchases	-	111	111	-	185	185
Assets reclassified	-	-	-	-	-	-
Other movements in Asset classification	-	17	17	-	-	-
Amortisation for the period	-	(194)	(194)	-	(135)	(135)
Net carrying amount at end of year	-	555	555	-	605	605
Comprising:						
▪ Gross carrying amounts	-	3,345	3,345	-	3,530	3,530
▪ Accumulated amortisation	-	(2,790)	(2,790)	-	(2,925)	(2,925)
	-	555	555	-	605	605

18. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	As at 31 March 2017 £'000	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Investments				
Loans and receivables	5,000	20,000	76,231	75,371
Available-for-sale financial assets	-	-	32,091	18,188
Financial assets at fair value through profit and loss ²	-	-	-	-
Total Investments	5,000	20,000	108,322	93,559
Cash and Cash Equivalents				
Loans and receivables	-	-	4,319	5,205
Available-for-sale financial assets	-	-	-	-
Financial liabilities at amortised cost ¹	-	-	-	(361)
Total cash and cash equivalents	-	-	4,319	4,844
Debtors				
Loans and receivables	5,433	5,581	-	-
Shared equity loans valued at fair value through profit and loss	1,350	1,604	-	-
Financial assets carried at contract amounts	79	116	2,614	2,917
Total included in Debtors	6,862	7,301	2,614	2,917
Debtors that are not financial instrument	-	-	3,250	3,078
Total Debtors	6,862	7,301	5,864	5,995
Borrowings				
Financial liabilities at amortised cost	(260,259)	(260,264)	(68)	(68)
Total Borrowings	(260,259)	(260,264)	(68)	(68)
Creditors				
Financial liabilities carried at contract amount	-	-	(10,604)	(8,924)
Total included in Creditors	-	-	(10,604)	(8,924)
Creditors that are not financial instruments	-	-	(6,919)	(9,044)
Total Creditors	-	-	(17,523)	(17,968)

Note 1 – Under accounting requirements the carrying value of the financial instrument value shown in the balance sheet which includes the principal amount borrowed or lent plus accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of mortgages granted on shared ownership sales of certain Council dwellings, which has been initially recognised at fair value.

Subsequently this is measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Assets less when appropriate cumulative amortisation. Therefore, the carrying amount of the financial guarantee would remain at the original amount estimated at inception (less cumulative amortisation) unless payment under the guarantee becomes probable at which point the amount of the liability will be determined in accordance with IAS 37.

Income, Expense, Gain and Losses

	2016/17					2017/18				
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	8,309	-	-	-	8,309	8,309	-	-	-	8,309
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reduction in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	8,309	-	-	-	8,309	8,309	-	-	-	8,309
Interest Income	-	(1,075)	(257)	-	(1,332)	-	(967)	(158)	-	(1,125)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-

	2016/17					2017/18				
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Gains on derecognition	-	-	(6)	-	(6)	-	-	-	-	-
Fee Income	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,075)	(263)	-	(1,338)	-	(967)	(158)	-	(1,125)
Gains on revaluation	-	-	(57)	-	(57)	-	-	(34)	-	(34)
Losses on revaluation	-	-	38	-	38	-	-	4	-	4
Amount recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Amount recycled to the Surplus or Deficit on the Provision of Services after derecognition	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(19)	-	(19)	-	-	(30)	-	(30)
Net gain/(loss) for the year	8,309	(1,075)	(282)	-	6,952	8,309	(967)	(188)	-	7,154

Fair value of assets and liabilities carried at amortised cost

Some of the council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Available for sale				
Certificates of Deposits	Level 1	Unadjusted quoted prices in active markets for identical instruments	18,058	14,579
Corporate Bonds	Level 1	Unadjusted quoted prices in active markets for identical instruments	13,847	3,608
Total			31,905	18,187

Fair value through profit & loss:

Shared equity loans	Level 3	Historic cost adjusted by house price indices and discounted to the balance sheet date	1,350	1,604
---------------------	---------	--	-------	-------

Transfer between Levels of the Fair Value Hierarchy

There were no transfer between input levels 1 and 2 during the year.

Changes to the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for financial Assets

	Shared Equity Loans	
	31 March 2017 £'000	31 March 2018 £'000
Opening balance	1,037	1,350
Included in Surplus or Deficit on the Provision of Services	105	66
Additions	208	369
Disposals	-	(181)
Closing balance	1,350	1,604

Shared equity loans are provided by third party developers as a discount on the market value of new homes for the benefit of first time buyers. The discount is registered as a charge on the property and becomes payable to the Council on certain events, including the sale of the property. On initial recognition, the loan is recognised in the Other Operating Income line within the Surplus or Deficit on the Provision of Services. There is no directly observable fair value for individual loans arising from the sale of specific properties under the scheme, and therefore the Council determines the fair value of the portfolio of loans based on house price indices and a discount factor. Details of the key assumptions are as follows:

	31 March 2017 £'000	31 March 2018 £'000
Assumption		
Period over which shared equity loan receivable are discounted	9 years	9 years
Nominal discount rate	3.5%	3.5%
Number of loans under the shared equity scheme outstanding at the year-end	35	44

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

	31 March 2017		31 March 2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	260,259	283,882	260,264	279,194

The fair value of the Public Works Loan Board (PWLB) loans of £279,194,377 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB.

If a value is calculated on this basis, the carrying amount of £260,264,365 would be valued at £285,147,532. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £315,359,089.

Financial Assets	31 March 2017		31 March 2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	5,000	5,163	20,000	20,121
Long-term debtors	6,862	6,862	7,301	7,301

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

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

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2018			Total £'000
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
Recurring fair value measurements using:				
Financial Liabilities				
PWLB debt	-	279,194	-	279,194
Total	-	279,194	-	279,194
Financial Assets				
Loans and receivables	-	20,121	-	20,121
Long-term debtors	-	-	7,301	7,301
Total	-	20,121	7,301	27,422

31 March 2017 Comparative Year

	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Recurring fair value measurements using:				
Financial Liabilities				
PWLB debt	-	283,882	-	283,882
Total	-	283,882	-	283,882
Financial Assets				
Loans and receivables	-	5,163	-	5,163
Long-term debtors	-	-	6,862	6,862
Total	-	5,163	6,862	12,025

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using the discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial assets

- No early repayment or impairment is recognised
- Estimated ranges of interest rates at 31 March 2018 of 1.25% to 1.57% for loans receivable, based on new lending rates for equivalent loans at that date
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Financial liabilities

- No early repayment is recognised
- Estimated ranges of interest rates at 31 March 2018 of 2.05% to 2.75% for loans payable based on new lending rates for equivalent loans at that date

19. Debtors

	31 March 2017 £'000	31 March 2018 £'000
Central Government Departments	874	1,014
Other Local Authorities	207	743
NHS Bodies	47	75
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	4,736	4,163
Total Debtors	5,864	5,995

20. Cash and Cash Equivalent

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £'000		31 March 2018 £'000
-	Cash overdrawn	(361)
1,026	Bank Call account	11
3,293	Money Market Funds	5,194
4,319	Total Cash and Cash Equivalents	4,844

21. Assets Held for Sale

	Current 2016/17 £'000	2017/18 £'000
Balance Outstanding at start of year	9	9
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	4,452
• Investment Property	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	(30)
• Investment Property	-	-
Revaluation Gains	-	21
Impairment Losses	-	-
Assets sold	-	-
Balance outstanding at year end	9	4,452

22. Creditors

	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Central Government Departments	4,736	6,617
Other Local Authorities	1,104	1,473
NHS Bodies	73	72
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	11,610	9,806
Total Creditors	17,523	17,968

23. Provisions

	Accumulated Absences £'000	NNDR Appeal £'000	Total £'000
Balance at 1 April 2017	154	2,152	2,306
Additional provisions made in 2017/18	158	1,787	1,945
Amounts used in 2017/18	(154)	(1,291)	(1,445)
Unused amounts reversed in 2017/18	-	-	-
Unwinding of discounting in 2017/18	-	-	-
Balance at 31 March 2018	158	2,648	2,806

Accumulated Absences

Provision for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

NNDR Appeal

An estimate of the Council's share of the outstanding appeals which may result in lower rateable values resulting in a refund of business rates, see collection fund.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

25. Unusable Reserves

31 March 2017 £'000		31 March 2018 £'000
	Unusable Reserves Held for Capital Purposes	
228,394	Revaluation Reserve	247,511
308,307	Capital Adjustment Account	312,064
5,688	Deferred Capital Receipts Reserve	5,890
542,389	Total Unusable Reserves Held for Capital Purposes	565,465
	Unusable Reserves Held for Revenue Purposes	
19	Available for Sale Financial Instrument Reserve	30
(11,823)	Pension Reserve	(3,223)
(959)	Collection Fund Adjustment Account	418
(154)	Accumulated Absences Account	(158)
(12,917)	Total Unusable Reserves Held for Revenue Purposes	(2,933)
529,472	Total Unusable Reserves	562,532

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. Then 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, or
- disposed of the 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 balance on the Capital Adjustment Account.

31 March 2017 £'000			31 March 2018 £'000
150,972	Balance at 1 April		228,394
82,670	Upward revaluation of asset	27,203	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
<u>(986)</u>		<u>(2,727)</u>	
81,684	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		24,476
-	Prior year adjustment	-	
(3,095)	Difference between fair value depreciation and historical cost depreciation	(4,114)	
<u>(1,167)</u>	Accumulated gains on assets sold or scrapped	<u>(1,245)</u>	
(4,262)	Amount written off to the Capital Adjustment Account		(5,359)
228,394	Balance at 31 March		247,511

(b) Capital Adjustment Account

The balance on this Account represents resources set aside to finance capital expenditure less the historical cost of acquiring, creating or enhancing fixed assets. However, the balance also includes revaluation gains prior to 1 April 2007 on assets that are currently held.

2016/17 £'000			2017/18 £'000
297,564	Balance at 1 April		308,307
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,245)	• Charges for depreciation and impairment of non-current assets	(9,797)	
(6,707)	• Revaluation losses on Property, Plant and Equipment	(8,196)	
(194)	• Amortisation of intangible assets	(134)	
(2,121)	• Revenue expenditure funded from capital under statute	(2,584)	
	• 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		
(10,415)		(10,485)	
(28,682)			(31,196)
4,262	Adjusting amounts written out of the Revaluation Reserve		5,359
(24,420)	Net written out amount of the cost of non-current assets consumed in the year		(25,837)
	Capital financing applied in the year:		
6,732	• Use of the Capital Receipts Reserve to finance new capital expenditure	6,995	
13,322	• Use of the Major Repairs Reserve to finance new capital expenditure	20,258	
2,244	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,848	
157	• Application of grants to capital financing from the Capital Grants Unapplied Account	124	
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-	
8,975	• Capital expenditure charged against the General fund and HRA balances	229	
31,430			29,454
3,733	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		140
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
308,307	Balance at 31 March		312,064

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2016/17 £'000		2017/18 £'000
5,492	Balance at 1 April	5,688
207	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	369
(11)	Transfer to the Capital Receipts Reserve upon receipt of cash	(167)
5,688	Balance at 31 March	5,890

d) Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2016/17 £'000		2017/18 £'000
(17)	Balance at 1 April	19
58	Upward revaluation of investments	34
(38)	Downward evaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(4)
16	Accumulated gains on assets sold and maturing assets written out to the comprehensive Income and Expenditure Statement as part of Other Investment Income	(19)
19	Balance at 31 March	30

(e) Pensions 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 the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall 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.

2016/17 £'000		2017/18 £'000
(16,370)	Balance at 1 April	(11,823)
5,523	Actuarial gains or losses on pensions assets and liabilities	11,660
(4,384)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and expenditure Statement	(6,580)
3,408	Employer's pensions contribution and direct payments to pensioners payable in the year	3,520
(11,823)	Balance at 31 March	(3,223)

(f) Collection Fund Adjustment Account

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

2016/17 £'000		2017/18 £'000
651	Balance at 1 April	(959)
(1,610)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,377
(959)	Balance at 31 March	418

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

2016/17 £'000			2017/18 £'000
(159)	Balance at 1 April		(154)
159	Settlement or cancellation of accrual made at the end of the preceding year	154	
(154)	Amounts accrued at the end of the current year	(158)	
5	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		(4)
(154)	Balance at 31 March		(158)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2017 £'000		31 March 2018 £'000
1,318	Interest received	916
(8,304)	Interest paid	(8,304)
-	Dividends received	-

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2017 £'000		31 March 2018 £'000
9,245	Depreciation	9,795
6,394	Impairments and downward valuations	8,196
194	Amortisation	135
-	Increase/(decrease) in impairment for bad debts	(4)
(523)	Increase/(decrease) in creditors	(223)
833	(Increase)/decrease in debtors	(128)
-	(Increase)/decrease in inventories	10

31 March 2017 £'000		31 March 2018 £'000
976	Movement in pension liability	3,060
10,416	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	10,485
(5,743)	Other non-cash items charged to the net surplus or deficit on the provision of services	103
21,792		31,429

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

(6)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(9,683)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,371)
(2,649)	Any other items for which the cash effects are investing or financing cash flows	(2,284)
(12,338)		(11,655)

27. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
(26,670)	Purchase of property, plant and equipment, investment property and intangible assets	(28,479)
(146,630)	Purchase of short-term and long-term investments	(171,067)
(44)	Other payments for investing activities	(45)
9,694	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,080
147,572	Proceeds from short-term and long-term investments	170,797
3,263	Other receipts from investing activities	1,566
(12,815)	Net cash flows from investing activities	(18,148)

28. Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
-	Repayments of short and long term borrowing	-
(4,761)	Other payments for financing activities	2,321
(4,761)	Net cash flows from financing activities	2,321

29. Trading Operations

The Council owns and manages Neighbourhood Parades and a number of other Non operational properties. In total there are around 350 leases generating rental income from letting premises. The trading objective is to maximise the surplus. The service also manages leases on properties let to some charity and community groups at a discounted rate.

	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000
Turnover for commercial operations	1,157		1,227	
Turnover related to non-commercial lets	4,183		4,301	
Total Turnover		5,340		5,528
Expenditure	(1,757)		(2,011)	
Movement in Fair Value of investment Properties	3,733		539	
		1,976		(1,472)
Net Surplus/(deficit) on trading operations		7,316		4,056

Trading operations are incorporated in the Comprehensive Income and Expenditure Statement.

	2016/17 £'000	2017/18 £'000
Net Surplus on trading operations	7,316	4,056
Net Surplus credited to Financing and Investment Income and Expenditure	7,316	4,056

30. Agency Services

The Council operates three agency agreements as detailed below, the cost of which is fully reimbursable. In the case of verge maintenance the Council undertakes additional cuts.

Verge maintenance on behalf of West Sussex County Council (WSCC)

	2016/17 £'000	2017/18 £'000
WSCC-Verge/Shrub maintenance		
Expenditure incurred in providing verge/shrub maintenance	185	186
Income – contribution from WSCC	(180)	(180)
Net (surplus)/deficit arising on agency arrangement	5	6

Car Parking Enforcement (CPE) service and Controlled Parking Zone (CPZ) service on behalf of WSCC and other Partners

	2016/17 £'000	2017/18 £'000
WSCC-Civil Parking Enforcement		
Expenditure incurred in providing a CPE/CPZ service	387	540
Income raised from fees and charges	(915)	(967)
Contribution to expenditure	(387)	(540)
Income Share	895	950
Management Fee Payable	(112)	(110)
Net (surplus)/deficit arising on agency arrangement	(132)	(127)

31. Members' Allowances

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

	2016/17 £'000	2017/18 £'000
Salaries	n/a	n/a
Allowance	330	326
Expenses	-	-
Total	330	326

32. Officers' Remuneration & Exit Package

The following table sets out the remuneration paid to the Council's Senior Officers.

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2017/18	87,471	1,301	-	-	18,456	107,228
	2016/17	115,165	1,721	-	-	20,233	137,119
Deputy Chief Executive	2017/18	75,140	1,239	-	-	15,698	92,077
	2016/17	100,661	1,239	-	-	19,584	121,484
Head of Finance, Revenue and Benefits (S.151 Officer)	2017/18	72,350	(381)	-	-	15,234	87,203
	2016/17	66,057	(400)	-	-	12,918	78,575
Head of Legal and Democratic Services	2017/18	84,652	(420)	-	-	17,659	101,891
	2016/17	69,739	(369)	-	-	13,481	82,851

The Council's other employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	Number of Employees 2016/17	Number of Employees 2017/18
£50,000 - £54,999	11	12
£55,000 - £59,999	4	6
£60,000 - £64,999	-	1
£65,000 - £69,999	7	1
£70,000 - £74,999	1	6
£75,000 - £79,999	-	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000+	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17 Qty	2017/18 Qty	2016/17 Qty	2017/18 Qty	2016/17 Qty	2017/18 Qty	2016/17 £	2017/18 £
£0 - £20,000	4	5	-	1	4	6	20,636	81,031
£20,001–£40,000	3	3	-	1	3	4	99,162	132,138
£40,001–£60,000	2	1	1	-	3	1	132,245	47,755
£60,001–£80,000	-	-	-	-	-	-	-	-
£80,001–£100,000	1	1	-	-	1	1	94,926	86,034
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£201,000–£250,000	-	-	-	-	-	-	-	-
TOTAL	10	10	1	2	11	12	346,969	346,958

33. External Audit Cost

In 2017/18 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2016/17 £'000	2017/18 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	77	77
Rebate due to the break-up of the Audit Commission	-	(10)
Fees payable in respect of other services provided by the auditor during the year*	3	3
Total	80	70

*The fees for other services payable in 2017/18 related to the audit of the Capital Pooling return 2016/17, which was not undertaken by the appointed auditor.

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2017/18:

	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,776	1,036
Capital Grants and Contributions	1,008	748
New Homes Bonus	1,888	1,440
Council Tax Freeze Grant	-	-
Preventing Homelessness	-	64
Pathfinder	-	-
Community Cohesion	-	-
Other Grants	48	48
Business Rate Grants	326	572
	5,046	3,908
Credited to Services		
Rent Allowance	26,995	25,901
Rent Rebates	21,203	19,935
Council Tax Benefits	-	-
Benefits Administration	655	613
NNDR Collection	209	214
Other Grants	598	985
Total	49,660	47,648

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if the condition is not met. The balance at the year end is;

	2016/17 £'000	2017/18 £'000
Capital Grants Receipts in Advance		
S106 – Transport	1,416	1,177
S106 – Amenity Space	916	911
S106 – Other Grants	923	332
Total	3,255	2,420

35. 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 within the Council.

Central Government

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). Grants received from government departments are set out in the subjective analysis in Note 8 Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2018 are shown in Note 34.

Chief Officers and Members

Relevant Chief Officers and Members were canvassed and signed declarations have been obtained from them to ascertain any material transactions with related parties. In the financial year the Voluntary Sector Grants Awarded totalled £641,179 in which sixteen members had an interest. The relevant members did not take part in any discussion or decision relating to the grants.

36. 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.

	2016/17 £'000	2017/18 £'000
Capital Expenditure and Capital Financing		
Opening Capital Financing Requirement	260,325	260,325
Capital Investment		
Property, Plant and Equipment	20,942	26,641
Investment Properties	7,899	-
Intangible Assets	111	185
Revenue Expenditure Funded from Capital under Statute	2,121	2,584
Long Term Debtors	44	44
Sources of Finance		
Capital receipts	6,732	6,995
Major Repairs Reserve	13,322	20,258
Government Grants and other contributions	2,401	1,972
Revenue contributions	8,975	229
Revaluation loss in the HRA	313	-
Closing Capital Financing Requirement	260,325	260,325

	2016/17 £'000	2017/18 £'000
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
Increase/(decrease) in Capital Financing Requirement	-	-

37. Leases

Council as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	4,599	4,771
Later than one year and not later than five years	13,578	14,120
Later than five years	18,614	21,495
	36,791	40,386
Contingent rents	843	757

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £757,115 contingent rents were receivable by the authority (2016/17 £843,101).

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £346,958 (£346,968 in 2016/17). See note 32 for the number of exit packages and total cost per band.

In 2017/18 the Council continued with transformation and redesign of many of its services. Looking for continual improvement which has identified various staffing reductions with the breakdown of the £346,958 is as follows:

- The continuing redesigns within the Finance, Revenues & Benefits has given an amount of £44,460 payable in the form of compensation for loss of office and £19,004 in enhanced pension benefits
- The change in working practices to patch working within the Street scene service has generated costs of £79,733 for the compensation for loss of office and £54,056 for enhanced pension benefits
- Other reviews across the whole of the council have generated costs of £149,705.

39. Defined Benefit Pension Scheme**Participation in pension schemes**

Employees of Crawley Borough Council may participate in the West Sussex County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by the County Council in accordance with the Local Government Pension Scheme Regulations 1997.

Employees were required to pay a contribution, calculated as a percentage of pensionable earnings, towards their pension. The rate payable is dependent on the pay each employee falls into. Under Regulation 9 of the LGPS 2014 the contribution bands are reviewed on 1 April each year in line with Pension increase orders. The new bands for 2018/19 are expected to be as follows:

Bands	Range	Contribution Rates	
		Main Section	50/50 Section
1	£0 to £14,100	5.50%	2.75%
2	£14,101 to £22,000	5.80%	2.90%
3	£22,001 to £35,700	6.50%	3.25%
4	£35,701 to £45,200	6.80%	3.40%
5	£45,201 to £63,100	8.50%	4.25%
6	£63,101 to £89,400	9.90%	4.95%
7	£89,401 to £105,200	10.50%	5.25%
8	£105,201 to £157,800	11.40%	5.70%
9	£157,801 or more	12.50%	6.25%

The Council's contribution is set to meet the balance of the fund liabilities as required under the pension regulations. In 2017/18 the Council made a contribution of £3.242 million, 21.1% of pensionable pay (2016/17 £2.998 million, 19.6%). In addition the Council made a contribution for unfunded benefits of 0.310 million (2016/17 £0.315 million). The agreed contribution rate for future years is set out below.

Recommended Contribution Rates	Primary rate Cost of New Benefits Accruing % of Payroll	Plus	Secondary Rate Adjustment to the Primary Rate of % of payroll	Rate
2018/19	17.90%	plus	3.70%	21.60%
2019/20	17.90%	plus	4.20%	22.10%

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable into the pension fund. The real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement 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.

	2016/17 £'000	2017/18 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(3,739)	(6,095)
- Past service cost	(68)	(143)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	6,859	6,129
- Interest cost on defined benefit obligation	(7,436)	(6,471)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(4,384)	(6,580)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	6,346	-
- Changes in financial assumptions	(37,759)	4,319
- Other experience	1,252	524
- Return on assets (excluding amounts included in net interest)	35,684	6,817
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	1,139	5,080
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	976	3,060
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(2,998)	(3,210)
Contributions in respect of unfunded benefits	(315)	(310)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect to fits defined benefit plan is as follows:

	2016/17	2017/18
	£'000	£'000
Fair value of the employer assets	237,270	247,620
Present value of funded liabilities	(243,581)	(246,043)
Present value of unfunded liabilities	(5,512)	(4,800)
Net liability	(11,823)	(3,223)

Reconciliation of the Movements in the Fair Value of Plan Assets

	2016/17	2017/18
	£'000	£'000
Opening fair value of scheme assets	197,782	237,270
Interest income on plan assets	6,859	6,129
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	35,684	6,817
Contributes from employer	2,869	3,210
Contributions from employees into the scheme	929	1,001
Contributions in respect of unfunded benefits	315	310
Benefits paid	(6,853)	(6,807)
Unfunded benefits paid	(315)	(310)
Closing fair value of scheme assets	237,270	247,620

Reconciliation of Present Value of the Scheme Liabilities

	2016/17	2017/18
	£'000	£'000
Opening balance at 1 April	(214,152)	(249,093)
Current service cost	(3,515)	(6,095)
Past service cost	(68)	(143)
Interest cost on defined benefit obligation	(7,436)	(6,471)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	6,346	-
- Changes in financial assumptions	(37,759)	4,319
- Other experience	1,252	524
Contributions from employees into the scheme	(929)	(1001)
Benefits paid	6,853	6,807
Unfunded benefits paid	315	310
Closing balance at 31 March	(249,093)	(250,843)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2017			Period Ended 31 March 2018		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Equity Securities						
Consumer	33,741.2	-	33,741.2	35,218.1	-	35,218.1
Manufacturing	21,677.9	-	21,677.9	22,626.8	-	22,626.8
Energy and Utilities	11,454.1	-	11,454.1	11,955.5	-	11,955.5
Financial Institutions	38,630.3	-	38,630.3	40,321.3	-	40,321.3
Health and Care	16,433.4	-	16,433.4	17,152.8	-	17,152.8
Information Technology	32,410.6	-	32,410.6	33,829.3	-	33,829.3
Other	10,927.3	-	10,927.3	11,405.7	-	11,405.7
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	4,397.8	-	4,397.8	4,590.3	-	4,590.3
Other	-	-	-	-	-	-
Private Equity	10,195.8	-	10,195.8	10,642.1	-	10,642.1
Real Estate						
UK Property	18,703.9	-	18,703.9	19,522.6	-	19,522.6
Overseas Property	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	-	-	-	-	-	-
Bonds	29,718.7	-	29,718.7	31,019.6	-	31,019.6
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	2,875.1	-	2,875.1	2,964.8	-	2,964.8
Cash and Cash Equivalents	6,103.9	-	6,103.9	6,371.1	-	6,371.1
Totals	237,270.0	-	237,270.0	247,620.0	-	247,620.0

Basis of estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	23.6	23.6
• Women	25.0	25.0
Longevity at 65 for future pensioners:		
• Men	26.0	26.0
• Women	27.8	27.8
Rate of increase in salaries	3.10%	3.10%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.70%

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 estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably 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 the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2018:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	23,148
0.5% increase in the Salary Increase Rate	1%	3,211
0.5% increase in the Pension Increase Rate	8%	19,641

Information about the Defined benefit obligation

	Liability split	Weighted Average Duration
Active members	36.8%	24.1%
Deferred members	20.8%	23.4%
Pensioner members	42.4%	11.9%
Total	100%	17.6%

Analysis of projected amount to be charged to operating profit for the period to 31 March 2019

	Assets	Obligation	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Period Ended 31 March 2019				
Projected Current service cost*	-	5,974	(5,974)	(40.9)%
Past service cost including curtailment	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	5,974	(5,974)	(40.9%)
Interest income on plan assets	6,642	-	6,642	45.5%
Interest cost on defined benefit obligation	-	6,763	(6,763)	(46.3%)
Total Net Interest cost	6,642	6,763	(121)	(0.8%)
Total Included in Profit and Loss	6,642	12,737	(6,095)	(41.7%)

*The current service cost includes an allowance for administration expenses of 0.4% of payroll.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority.

40. Contingent Liabilities

The Council has entered into indemnity agreements with financial institutions in respect of mortgages granted by the institutions on shared ownership sales of certain Council dwellings. At 31 March 2018, the total amount guaranteed was £1,013,454.

41. Nature and Extent of Risks arising from Financial Instruments**Key Risks**

The Council's activities expose it to a variety of financial risks, the key risks are:

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

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2017/18 was approved by Full Council on 22/02/2017 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £38,181 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2018 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default & uncollectability at 31 March 2018 £'000	Estimated maximum exposure at 31 March 2017 £'000
AAA	5,194	-	-	-	-
AA	99,407	0.02	.02	20	18
A	9,116	0.09	.09	8	23
BBB	5,047	0.20	.20	10	-
Customers*	4,024	24.64	24.64	991	915
Total	122,788			1,029	956

*Excluding statutory debtors-Council Tax/NNDR

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £1.7m of the £4.0m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £'000	31 March 2018 £'000
Less than three months	585	585
Three to six months	155	98
Six months to one year	157	139
More than one year	707	837
Total	1,604	1,659

The council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2018 was £0.5m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding the sums due from customers, is as follows:

	31 March 2017 £'000	31 March 2018 £'000
Less than 1 year	112,640	98,764
Between 1 and 2 years	5,000	15,000
Between 2 and 3 years	-	-
Between 3 and 4 years	-	5,000
Between 4 and 5 years	-	-
Total	117,640	118,764

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved minimum limits	Approved maximum limits	Actual 31 March 2017 £'000	Actual 31 March 2018 £'000
Less than one year	0%	10%	-	-
Between 1 and 2 years	0%	10%	-	-
Between 2 and 5 years	0%	10%	-	11,000
Between 5 and 10 years	0%	30%	64,000	69,000
Between 10 and 20 years	0%	80%	179,000	180,325
Between 20 and 30 years	0%	15%	17,325	-
Between 30 and 40 years	0%	10%	-	-
Between 40 and 50 years	0%	10%	-	-
Total			260,325	260,325

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. 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 and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2018, if all interest rates had been 1% higher (will all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(152)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(152)
Share of overall impact credited to the HRA	(357)
Impact on Other Comprehensive Income and Expenditure	47
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	428
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	28,232

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 18 – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

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

42. Heritage Assets: Five-Year Summary of Transactions

There has been no transaction in the five-year period to March 31, 2018

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA Statement.

2016/17 £'000		2017/18 £'000
	Expenditure	
11,494	Repairs and Maintenance	10,683
7,728	Supervision and Management	8,080
92	Rent Rebates	119
106	(Increase)/decrease in provision for bad & doubtful debts	107
5,600	Depreciation & Impairments of non-current assets (Note 5)	6,140
4,565	Revaluation Losses	5,577
<u>29,585</u>	Total Expenditure	<u>30,706</u>
	Income	
(43,226)	Dwelling Rents	(43,009)
(2,104)	Non-dwelling Rents (gross)	(2,186)
(2,179)	Charges for Services and Facilities	(1,578)
(133)	Contributions towards expenditure	(85)
<u>(47,642)</u>	Total Income	<u>(46,858)</u>
(18,057)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(16,152)
-	HRA services' share of Corporate and Democratic Core	-
-	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services	-
<u>(18,057)</u>	Net Income for HRA Services (cost if positive)	<u>(16,152)</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
955	(Gain) or loss on sale of HRA non-current assets	1,639
8,309	Interest payable and similar charges	8,309
(125)	Interest and Investment Income	232
(21)	Capital Grants and Contributions	-
<u>(8,940)</u>	(Surplus) or deficit for the year on HRA services	<u>(5,972)</u>

Movement on the HRA Statement

2016/17 £'000		2017/18 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
(8,940)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(5,972)
8,940	Adjustment between accounting basis and funding basis under regulation (note 9 of financial statement)	5,972
-	Net (increase) or decrease before transfers to or from reserves	-
-	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
(3,198)	Balance on the HRA at the end of the current year	(3,198)

1. Housing Stock

The Council was responsible for over 7,800 dwellings in 2017/18. The stock at the year-end was made up as follows:

	31 March 2017	31 March 2018
Houses	4,312	4,298
Flats and Maisonettes	3,034	3,042
Bungalows	437	437
Hostels – lettable units	60	48
Number of rented units	7,843	7,825
Shared Ownership *	103	96
Total Stock	7,946	7,921

*Shared ownership properties are owned in part by the Council. A rent, based on the proportion of the dwelling owned by the Council is charged to the occupier who is also responsible for maintaining the property.

The change in stock can be summarised as follows:

	31 March 2017	31 March 2018
Stock at 1 April	7,958	7,946
Less Sales	(60)	(52)
Demolitions/Disposals	(2)	(12)
Add New Build	49	37
Acquisitions	1	2
Stock at 31 March	7,946	7,921

2. Stock Valuation

The following statement shows the value of HRA assets in the Balance Sheet. Valuation of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

	31 March 2017 £'000	31 March 2018 £'000
Property, Plant and Equipment:		
Council Dwellings	576,998	591,663
Other Land and Buildings	21,725	22,557
Vehicles, Plant & Equipment	118	96
Investment Properties	1,310	911
Intangible Assets	-	-
Total	600,151	615,227

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 31 March 2018 was £1,783 million (£1,740 million at March 31 2017). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

Authorities are required to set up a Major Repairs Reserve, and to transfer into it a sum equal to depreciation. Authorities are permitted to make an additional transfer for an amount to the Major Repairs Reserve in excess of any charge for depreciation.

	31 March 2017 £'000	31 March 2018 £'000
Balance on MRR 1 April 2017	25,494	32,600
Transfer amount equal to depreciation	5,600	6,140
Additional transfer	14,828	13,992
Amounts transferred to HRA in year		
Excess of Major Repairs Allowance over depreciation on dwellings	-	-
Depreciation on HRA assets other than dwellings	-	-
Financing of capital expenditure	(13,322)	(20,258)
Balance on MRR 31 March 2018	32,600	32,474

4. Capital Expenditure

Capital expenditure on land, houses and other property within the Council's HRA during the financial year was as follows:

		£'000
Opening Capital Financing Requirement		
Capital Investment		260,325
Enhancements to Council Housing	10,096	
Other Capital Expenditure	6,285	
Acquisition of Council Dwellings	6,994	
		<hr/>
		23,375
Sources of Finance		
Usable Capital Receipts	(3,117)	
Revenue Contribution to Capital	-	
Major Repairs Reserve	(20,258)	
Government Grant	-	
		<hr/>
		(23,375)
Closing Capital Financing Requirement		<hr/>
		260,325
		<hr/>
	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	8,850	
Less Pooled Housing Capital Receipts	(2,461)	
		<hr/>
		6,389
Miscellaneous HRA Land Sales		106
		<hr/>
		6,495
		<hr/>

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £5,827,917. Depreciation on other HRA assets amounted to £311,619. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £6,139,536.

6. Rent Arrears

Rent arrears at the end of the financial year totalled £882,801 (£765,965 in 2016/17).

A provision of £637,267 (£533,677 in 2016/17) for bad or doubtful debts has been made in the balance sheet.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

Note 9 of the main financial statements include details of the adjustments in relation to the HRA.

8. Transfer to or from reserves

The transfer to or from reserves is detailed within the Movement in Reserves Statement and Notes 10 and 25 of the main financial statements.

COLLECTION FUND 2017/18

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	54,762	54,762
Business Rates Receivable	2	118,895	-	118,895
Total Income		118,895	54,762	173,657
EXPENDITURE				
Apportionment of Previous Year (Surplus)/Deficit				
Central Government		2,953	-	2,953
Crawley Borough Council		2,363	(47)	2,316
West Sussex County Council		591	(303)	288
Sussex Police and Crime Commissioner		-	(37)	(37)
Total Expenditure		5,907	(387)	5,520
Precepts, Demands and shares				
Central Government		(58,218)	-	(58,218)
Crawley Borough Council		(46,574)	(6,577)	(53,151)
West Sussex County Council		(11,644)	(42,556)	(54,200)
Sussex Police and Crime Commissioner		-	(5,217)	(5,217)
		(116,436)	(54,350)	(170,786)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		224	(100)	124
Less: (Increase) / Decrease in Provision for Appeals		(1,242)	-	(1,242)
Less: Transitional Protection Payments		(3,677)	-	(3,677)
Less: Cost of Collection		(202)	-	(202)
Less: Disregarded Amounts		(4)	-	(4)
		(4,901)	(100)	(5,001)
Surplus / (Deficit) arising during the year		3,465	(75)	3,390
Surplus / (Deficit) b/fwd 1st April		(2,590)	634	(1,956)
Surplus / (Deficit) c/fwd 31st March	1	875	559	1,434

COLLECTION FUND 2016/17

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	52,051	52,051
Business Rates Receivable	2	118,645	-	118,645
Total Income		118,645	52,051	170,696
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government		(2,539)	-	(2,539)
Crawley Borough Council		(2,032)	(71)	(2,103)
West Sussex County Council		(508)	(441)	(949)
Sussex Police and Crime Commissioner		-	(55)	(55)
Total Expenditure		(5,079)	(567)	(5,646)
Precepts, Demands and shares				
Central Government		(59,752)	-	(59,752)
Crawley Borough Council		(47,802)	(6,316)	(54,118)
West Sussex County Council		(11,950)	(40,305)	(52,255)
Sussex Police and Crime Commissioner		-	(4,969)	(4,969)
		(119,504)	(51,590)	(171,094)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		(1,056)	83	(973)
Less: (Increase) / Decrease in Provision for Appeals		3,478	-	3,478
Less: Cost of Collection		(281)	-	(281)
Less: Disregarded Amounts		(207)	-	(207)
		(10)	-	(10)
		1,924	83	2,007
Surplus / Deficit (-) arising during the year		(4,014)	(23)	(4,037)
Surplus / Deficit (-) b/fwd 1st April		1,424	657	2,081
Surplus / Deficit (-) c/fwd 31st March	1	(2,590)	634	(1,956)

1. General

The Collection Fund is a statutory account administered separately by the Council as the billing authority for the area. The account reflects income due from the Council Tax payers, Non-Domestic Rate payers, residual Community Charge payments and the distribution of such sums.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Business Rates collected are shared between Central Government (50%), Crawley Borough Council (40%) and West Sussex County Council (10%).

The year-end surplus or deficit on the Collection Fund must be distributed between billing and precepting authorities and Central Government in the following financial years. This in turn will reduce/increase the relevant authority's requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Council to reduce its demand on the Collection Fund. The balance as at 31 March 2018 will be distributed as follows:

	2017-18		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	437	-	437
Crawley Borough Council	350	68	418
West Sussex County Council	88	438	526
Sussex Police	-	53	53
	875	559	1,434

	2016-17		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	(1,295)	-	(1,295)
Crawley Borough Council	(1,036)	78	(958)
West Sussex County Council	(259)	495	236
Sussex Police	-	61	61
	(2,590)	634	(1,956)

2. Income from Business Rates (NNDR)

Business Rates are set by the Government but collected locally by the Council. The amount collected is paid into a central pool administered by the Government after the deduction of an allowance towards collection costs. The Government specifies a uniform rate in the pound (47.9p for 2017/18) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 46.6p for 2017/18. At year-end, the total rateable value was £272 million.

3. Income from Council Tax

This figure represents the total Council Tax due for the year compiled as follows:

	£'000
Council Tax benefits paid by the General Fund	0
Balance payable by Council Tax Payers	<u>54,762</u>
Total Council Tax due for year	<u>54,762</u>

Each domestic property has been placed by the Inland Revenue into one of eight bands according to April 1991 valuations. The Council Tax due from each property varies according to the band it has been placed into. Band D has been assumed to be the national average with A having the lowest tax and H the highest. Statutory discounts relating to particular circumstances such as single occupancy reduce the Council Tax charged for relevant properties. An estimate of the Council Tax to be collected after allowing for discounts, changes in valuation, new properties and bad debts is made prior to the commencement of the year. This estimate is converted to a Band D equivalent number of properties described as the Council Tax Base. The figures for 2017/18 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	1,091	706	6/9	471
B	6,813	4,232	7/9	3,292
C	21,305	16,734	8/9	14,875
D	8,532	7,444	9/9	7,444
E	3,740	3,469	11/9	4,240
F	2,196	2,081	13/9	3,006
G	465	433	15/9	722
H	9	7	18/9	14
	44,151	35,106		34,064
Less provision for bad debts				(170)
Council Tax Base				33,894

Notes

- (a) Number of properties per October 2016 valuation list.
 (b) Net properties after allowing for discounts and other estimated charges.

To arrive at the Council Tax payable per band, the precepts and demands on the fund are divided by the estimated Council Tax Base to arrive at a Band D charge for the year. Other bands are calculated pro rata to Band D by the proportions shown in the table above.

The Band D charge for the year was £1,603.54

The Council Tax Surplus as at 31 March 2018 was £558,866.46

Glossary of Terms

Accounting Period

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

Accounting Policies

Accounting Policies are the specified principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

Accruals

The concept that income is accounted for when it is earned and expenditure when it is incurred, rather than when the money is received or paid.

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers contribution rates.

Agency Arrangements

Services which are performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

A term that applies to Intangible Assets and Capital Grants. It is an accounting adjustment that spreads the cost of an asset over its useful life.

Amortised Cost

The amortised cost of a financial asset or a financial liability is

- the amount at which the financial asset or financial liability is measured at initial recognition (usually "cost").
- minus any repayments of principal
- minus any reduction for impairment or uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the **effective interest method**.

Appropriations

The transfer of resources between various revenue reserves.

Area Based Grant

Area based grant is a non ring fenced general grant allocate directly to the Council.

Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **fixed** asset provides benefits to the Council and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, and operates a quality control framework to ensure auditing standards are met.

Audit of Accounts

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

Available for Sale Financial Asset

An available for sale financial asset is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Baseline Funding Level

Set at the outset of the *retained business rates* scheme and based on collected business rates before commencement of the scheme. Increases each year in line with the small business non-domestic rate *multiplier*.

Benefit Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as disability benefits.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives

Capital Adjustment Account

The capital adjustment account provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the Code and are financed through the capital controls system. Statute required that the charge to the General Fund Balance is determined by the capital control system.

Glossary of Terms (Continued)

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being, capital receipts, the Major Repairs Reserve, government grants and revenue contributions.

Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business Rates are paid.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting costing the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected division making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown separately. Examples of costs are Councillors' allowances, committee support and time spent by professional officers in giving policy advice.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current Service (Pensions) Cost

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement

Curtailements will show the cost of the early payment of pensions benefits if any employee has been made redundant in the previous financial year.

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Capital Receipts

This represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

Glossary of Terms (Continued)

Derivatives

Derivatives are securities or financial instruments whose value is derived from another, underlying asset.

Earmarked Reserves

These are amounts set aside for a specific purpose or a particular service, to meet future liabilities, for which it is not appropriate to establish provisions.

Effective Interest Method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument (either through to maturity or to the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount. The effective interest rate is sometimes termed the level yield to maturity (or the next re-pricing date), and is the internal rate of return of the financial asset or liability for that period.

Equity

The Council's value of total assets less total liabilities.

Events after Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Glossary of Terms (Continued)

General Fund

The General Fund is the main revenue account of the Council which provides the finance for all of its services other than council housing (e.g. leisure services, environmental services etc).

Going Concern

Going Concern defines that the functions of the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Assets

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

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account

Local authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet.

Income

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Intangible Assets

Fixed assets that do not have physical substance, e.g. computer software licences

Interest Cost (Pensions)

The expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Interest on pension scheme liabilities

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirement of transactions so that the Council's accounts present fairly the financial position of the Council. IFRS applies to local authorities with effect from 1 April 2010.

Glossary of Terms (Continued)

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Investment Property

Investment property is property (land or a building) held solely to earn rentals or for capital appreciation.

LABGI – Local Authority Business Growth Incentive Grant

A Government grant payable to Councils for the growth, over a year, in the value of Non-domestic Rateable values in the area.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Levy

Applied to the surplus of *retained business rates* over the *baseline funding level*. The levy rate for the Council is 50%.

Liability

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Reserve

The major repairs reserve controls an element of capital resources required to be used on Housing Revenue Account (HRA) assets or for capital financing purposes.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Movement in Reserves Statement

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and other reserves.

Multiplier

The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business rate multiplier is uprated annually by the retail price index (RPI) (although exceptionally a less increase may be imposed) and the other multiplier adjusted accordingly.

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by Valuation Office Agency multiplied by a rate in the £ set by the government which is the same throughout the country.

Negative Subsidy

If the Housing Revenue Account subsidy produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the Council must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor and the annual rent is charged to the relevant service account.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in the revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on the re-measuring available-for-sale financial assets.

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Pooling Arrangements (Capital Receipts)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts

must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet Events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precepts

Amounts which the Borough Council is required to raise from Council Tax on behalf of other authorities.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with a physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PWLB (Public Works Loans Board)

The PWLB is part of the Government Debt Management Organisation.

Rateable Value

The annual assumed rental value of a hereditament (normally a building), which is used for NDR purposes.

Related Parties

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Residual Value

The net realisable value of an asset at the end of its useful life.

Retained Business Rates

From 1 April 2013, collected business rates are shared between Central Government (50%), Billing Authority (40%) and County Council (10%). Retained business rates are the Council's share less the *tariff*.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of a fixed asset. Items generally include grants, advances and financial assistance to others, expenditure on property not owned by the Council and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Revenue Support Grant

Central Government Grant towards the cost of local authority services.

Right to Buy

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the government under pooling arrangements.

Safety Net

Applies if the Council experiences a decrease in its business rates revenue. This protection limits losses to 7.5% of the Council's *baseline funding level*.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP)

SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Trading accounts
- Service expenditure analysis

Soft Loan

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

SOLACE

Society of Local Authority Chief Executives.

Specific Government Grants

Central Government financial support towards particular services which is 'ring fenced', i.e. can only be spent on a specific service area or items.

Stocks

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Tariff

Calculated at the outset of the *retained business rates* scheme and increased each year by the retail price index (RPI).

Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

Transfer Payments

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the Council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

Usable Capital Receipts

Holds the proceeds of fixed assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

VAT

Value-added tax: a tax levied on the difference between the cost of materials and the selling price of a commodity or service.

Write-Offs

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

This page is intentionally left blank

Annual Governance Statement

2017 – 2018

1. Scope of Responsibility

The Leader of the Council (Cllr Peter Lamb) and the Chief Executive (Natalie Brahma-Pearl) both recognise the importance of having robust rules, systems and information available to guide the Council when managing and delivering services to the communities of Crawley.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working over the year.

This AGS in respect of 2017/18 will be considered by the Audit Committee at its meeting on 25th July 2018.

Crawley Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

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

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and reflects the requirements outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement. This is currently being updated as part of the rewriting of the Constitution.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at Crawley Borough Council for the year ended 31 March 2018 and will continue to be developed in coming

3. The Governance Framework

The Principles of Good Governance

The CIPFA/SOLACE framework was reviewed in 2015 to ensure that it remained “fit for purpose” and a revised edition was published in 2016. The new Delivering Good Governance in Local Government Framework applies to the Annual Governance Statement prepared for the year ended 31 March 2017 and up to the date of the approval of the Annual Report and Statement of Accounts for the financial year 2016-17. The key elements of the systems and processes that comprise the Council's governance arrangements are as follows.

BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The Constitution

Crawley Borough Council last updated its Constitution in February 2018, and this sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose.

The Constitution is divided into 15 articles which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols within the Constitution. This includes the roles and responsibilities of Councillors, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

The Governance Committee is responsible for regularly reviewing the Constitution and ensuring that it is both up to date and fit for purpose. It regularly receives updates advising of Constitutional changes. The Committee has approved the establishment of a Constitutional Review Working Group to undertake a comprehensive review of the document and that the revised Constitution to be in place for the 2019/2020 municipal year.

Head of Paid Service

The Head of Paid Service is responsible for the strategic management of the authority as a whole. They are required to report to and provide information for the Cabinet, the Council, the Overview and Scrutiny Commission and other Committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. They are also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation and maintenance of the Council's Constitution.

The Monitoring Officer also ensures the lawfulness and fairness of decision making within the Council and after consulting with the Head of Paid Service and the Chief Finance Officer, will report to the Full Council (or to the Cabinet in relation to a Cabinet function) if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Deputy Monitoring Officer

A Deputy Monitoring Officer has been appointed to act in the absence of the Monitoring Officer.

Section 151 Officer

Whilst all Council Councillors and Officers have a general financial responsibility, the Section 151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council is also the Head of Finance, Revenues and Benefits.

Deputy Section 151 Officer

A Deputy Section 151 Officer has been appointed to act in the absence of the Section 151 Officer.

Codes of Conduct

Codes of Conduct exist for both staff and Councillors.

All Councillors must adhere to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place the Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register, as set out in the Constitution. Additionally, Councillors are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Councillors and officers are required to comply with approved policies.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy was revised in February 2018 and it sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Councillors and Officers regarding the administration of financial affairs. The Anti-Fraud and Corruption Policy was updated in February 2018 and is on the **intranet/website** for staff, Councillors and **the public** to see.

The Council has a Fraud and Investigations Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud. The team also prosecutes where appropriate and is involved in fraud training and awareness.

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT***Transparency***

The Council and its decisions are open and accessible to the community, service users, partners and its staff. All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out when there is significant change to major council services, functions, projects and policies in order to better understand whether the change will impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

All reports and details of decisions made can be found on the Council's website at:

<http://democracy.crawley.gov.uk/ieDocHome.aspx?bcr=1>

Freedom of Information/Environmental Information requests

The Freedom of Information (FOI) Act 2000 and Environmental Information Regulations EIR) 2004 give anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. We respond to such requests in a timely and impartial manner and in line with the legislation, proactively publish information on our Website.

Subject Access Requests

Section 7 of the Data Protection Act provides for individuals to obtain a copy of information that an organisation holds about them upon making a written request and paying a fee. The Council is committed to proving information requested in a timely manner. The Council is advanced in its preparation for the General Data Protection Regulations, which come into force on 25th May 2018.

Engagement and communication

Crawley Borough Council recognises that stakeholders require information about the decisions that are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements and this Council has developed a Community and Engagement Policy, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

In June 2017, the Council undertook a survey for people who live locally and/or use its services about how they access the internet, which devices they use and how much time they spend online, ahead of the launch of the new self-service portal.

The Council held its annual Question Time on 2nd February 2018, which gave residents the opportunity to ask questions about topics important to them.

Consultations

The council keeps a Forward Plan of planned consultations and future decisions. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT***Complaints***

Crawley Borough Council is committed to delivering a high quality service and aims to achieve the highest possible standards but recognises that despite its best intentions and hard work, things can go wrong. When there is service failure or users are unhappy about the way a matter has been handled, the Council openly wants to hear about such experiences and operates a two stage complaints system. Stage 1 is where the complaint is dealt with locally by the relevant service area. If the complainant continues to remain dissatisfied with the Stage 1 response, a request can be made to a further review, conducted by a senior officer, normally Head of Service as a Stage 2 complaint. Following this if the matter is still not resolved satisfactorily then the complainant is asked to take the matter up with the Local Government and Social Care Ombudsman. We also use our complaints information to improve service delivery and undertake root cause analysis where appropriate, in order to ensure on-going continuous improvement.

The Housing Ombudsman deals with any complaints that relate to the housing managed service.

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS***Administration's Manifesto***

The Council's vision and priorities are set out in the Administration's Manifesto. The CMT regularly update performance against these objectives. Mechanisms are in place to measure the quality of services for users, ensuring they are delivered in accordance with Crawley Borough Council's objectives and that they represent the best use of resources. The Council continues to improve performance management within the organisation and service quality and best use of resources is ensured via:

- ☐ Quarterly Review of Financial Performance Reports
- ☐ Transformation and Projects

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its departments have agreed purpose and collect data to measure their performance.

Quarterly monitoring of complaints by CMT. The Council is currently working on a '**dashboard of measures' to track performance across a range of key service and ensure that a more timely response can be applied to service improvement** and also against service plans and strategies. This is encapsulated within the Performance Management Framework.

Financial Controls

Financial reports comparing budget to actual and projections to end of year are available in real time to all key officers, with access/drilldown facilities appropriate to role and responsibilities. The Leader of the Council and the Cabinet also receive quarterly budget monitoring reports.

Local Plan

The Local Plan – Crawley 2030 - was adopted in December 2015 and now forms the Council's development plan under which development control decisions will be taken. The Local Plan is supported by a number of companion planning documents and considerations including Supplementary Planning Documents, Development Briefs, Article 4 Directions and the Community Infrastructure Levy Charging Schedule and associated CIL Infrastructure (Regulation 123) List. The Council's planning policies seek to balance the economic, social and environmental needs of residents, businesses and visitors, ensuring that Crawley continues to be a great place to live, to work and to visit.

Implementation of the Local Plan and the success of the Council's planning policies is measured and reported through the Authority's Monitoring Report which is published annually.

Transformation

The council is in the process of revising The Transformation Plan 2018/22. The purpose of the new plan is to enable the delivery of value for money services by "getting it right first time and delivering what matters to our customers".

Our new Transformation Plan consists of seven pillars:-

1. Delivering a New Town Hall;
2. Delivering Digital Transformation of services to meet customer demand, making it easy to do business with us and creating efficiency;
3. Developing New Ways of Working to meet the needs of the business whilst delivering what matters to customers;
4. Developing the organisation and our staff, defining the culture and being clear about expectations – Values and Behaviours;
5. Redesigning services from the customers perspective using Systems Thinking methodology to deliver efficiency savings whilst protecting frontline services;
6. Developing a more Commercial Approach to how we operate and ensuring that Income Generation opportunities are maximised;
7. Blitz on Bureaucracy in order to streamline the decision making process.

The previous Transformation Plan delivered £8,336,500 million in savings over a five year period 2012/13 to 2016/17.

Housing Strategy

Housing need and the Council's policies to address this are contained within the Local Plan Housing policies.

The Council's Homelessness Strategy 2014-19 has been produced as a result of partnership working with both providers and users of council services. The strategy explains how the Council will address homelessness within Crawley, and is informed by the Homelessness Review which took place in early 2014. An annual update is published setting out achievements over the course of the year. The Homelessness Strategy will be revised following the introduction of the Homelessness Reduction Act and this work will be informed by a new Homeless Review which will be undertaken in 2018. Key achievements have included a review and revision of the Council's allocation policy to provide a more effective homelessness prevention tool and speed the flow through temporary accommodation. The Council has been able to significantly reduce the use of nightly paid (B&B) accommodation result. Other key achievements have included a significant reduction in street homelessness through effective multi-agency and outreach working, developing new self-contained temporary accommodation and boosting housing supply through an own-build and an enabling programme to deliver 1000 new affordable homes over a 4 year period.

Local Partnerships

The Council has a key role in a number of local partnerships, working for the benefits of residents and the community to improve the quality of life, including:

- Safer Crawley Partnership - formed in 1998 in response to the Crime and Disorder Act 1998.
- Crawley Wellbeing - a free, friendly and impartial service from your local authority, run in partnership with West Sussex County Council and the local NHS.
- Economic Partnerships, LEAG, Crawley Growth Programme,
- We are also statutory members of the Local Safeguarding Children Board, the Adult Safeguarding Board and the West Sussex Health & Wellbeing Board.

- Strategic Housing - the Council both leads and participates in a range of groups providing a multi-agency response to tackling street homelessness and providing improved outcomes for care leavers, ex-offenders and people with supported housing needs.

The Council also participates in national and County-wide partnership initiatives, including:

- Coast to Capital LEP
- Greater Brighton Economic Board

DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Effectiveness of Governance Framework

The Council has responsibility for reviewing the effectiveness of its governance framework and this is undertaken by work of the Corporate Management Team in their development and maintenance of the governance environment. The Audit and Risk Manager produces an annual report and specifically comment's on the governance framework, as does the External Auditor. Areas identified for improvement are acted upon by CMT.

Financial Measures

Crawley Borough Council publishes its Annual Statement of Accounts in accordance with CIPFA guidelines and the annual Budget is approved by Full Council and monitored and reported upon regularly.

Consultations

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and through the citizens panel.

Internally, a Statement of Community Involvement has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness and participation, consultations are proactively promoted via publications (printed and digital), press releases, social media, email, town notice boards and the council's website. A council publication, Crawley Live, is published quarterly and mailed to every household in Crawley to keep residents informed. Various methods are used (depending on the scope of the consultation) to seek people's views, including questionnaires, public events and exhibitions, focus groups, satisfaction surveys and feedback forms. A list of current consultations and consultation events is available on the council's website at www.crawley.gov.uk/consultation

Public Consultation

Where appropriate the council has carried out public consultations. There were a number of key consultations carried out during 2017/18, which included proposed changes to waste and recycling services, and regeneration projects for Queensway, Three Bridges Station and the Town Hall. All information gathered from public consultations is analysed and considered as part of the council's decision making process.

DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT***Recruitment, Training and Development***

Human Resources policies and procedures are in place to facilitate the recruitment and retention of capable staff. The Council operates a robust interview and selection process to ensure that staff are only appointed if they have the right levels of skills and experience to effectively fulfil their role. All new staff attend corporate induction sessions and undertake an e-learning induction package. Suitable training is available to support all staff to carry out their roles to the best of their ability. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Councillor's attendance at meetings is recorded via the Modern.Gov system. In the event of continual non-attendance for 4 months the matter will be passed to the Leader of the political group concerned for action to be taken. Should a Councillor fail to attend any formal meeting of the Council, for a period of 6 months, they relinquish being a Councillor. Each Group may seek approval from the Full Council to extend the 6 month non-attendance period, in exceptional circumstances.

Performance issues relating to staff are dealt with by the Manager / Head of Service.

Legal Compliance

The Council's Constitution clearly defines the roles and responsibilities of the Chief Executive, Chief and Senior Officers, Councillors and Committees and outlines procedural standards, scheme of delegation and protocol on Council/Officer relations.

The Monitoring Officer, who is the Head of Legal & Democratic Services Manager is responsible for legal compliance, Conduct and Compliance and working with departments to advise on legal issues across the Council.

Financial Compliance

The Head of Finance, Revenues and Benefits is the designated S151 Officer and has overall financial responsibility within the Council, as outlined in the Constitution.

MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT***Effective scrutiny***

The Council operates an Overview and Scrutiny Commission which has its own terms of reference, as outlined in the Council's Constitution. This Commission supports the work of the Cabinet and the Council as a whole. It allows citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Overview and Scrutiny Commission also monitors the decisions of the Cabinet. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider or amend the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

Financial management

The Head of Finance, Revenues and Benefits (S151 Officer) is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. They provide advice on financial matters to both the Cabinet Executive and full Council and is actively involved in

ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The Head of Finance, Revenues and Benefits, together with Finance team, ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Risk management

All significant (strategic) risks are discussed by CMT and reported to the Audit Committee on a quarterly basis.

IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY***Internal Audit***

The Audit and Risk Manager (Head of Internal Audit) is a qualified member of the Chartered Institute of Internal Auditors and they have full access to CMT and the Audit Committee. The audit team is properly resourced and the Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010) and Public Sector Internal Audit Standards.

The Audit and Risk Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards. The Audit and Risk Manager reports to the Audit Committee on a quarterly basis.

Overview and Scrutiny Commission

The Council's Overview and Scrutiny Commission supports the work of the Cabinet and the Council as a whole. It allows citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Overview and Scrutiny Commission also monitors the decisions of the Cabinet. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision.

Audit Committee

The role of the Audit Committee is to review and assess the adequacy of the Council's internal audit and risk management arrangements. This Committee meets quarterly and receives the reports from the Audit and Risk Manager, including their progress reports and Annual Report. This committee approves the Internal Audit Plan, ensures the Audit and Risk section is properly resourced and reviews the effectiveness of the Council's risk management arrangements.

Governance Committee

The Governance Committee will deal with Constitutional matters, the Conduct of Councillors, Political Management Arrangements, Corporate Governance, Councillors' Allowances, Elections and all non-Executive functions not specifically delegated to another Committee or Sub-Committee of the Council. This Committee specifically monitors and reviews the Corporate Governance of the Council including giving consideration of the Authority's Annual Governance Statement.*

Annual accounts

The Council publishes full audited accounts each year which are published on the website at <http://www.crawley.gov.uk/pw/sitesearch/index.htm?q=accounts%23>

4. Review of Effectiveness

Crawley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the CMT, who have responsibility for the development and maintenance of the governance environment, the Audit and Risk Manager's Annual Report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

5. Significant Governance Issues

- Operational Risk Management – outcome of the audit report – training has been agreed.
- IT Disaster Recovery Plan not tested – A desktop exercise was carried out at Bewbush Centre in January 2018. This is the Council's designated business continuity centre. The majority of the Council's systems are now available at this location.
- Whistleblowing policy and Anti-Fraud and Corruption policies out of date – updated February 2018.

6. Declaration

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:

Leader of the Council

Date:

Chief Executive

Date:

This page is intentionally left blank

understanding local authority financial statements

2016

\ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

The introduction of the new expenditure and funding analysis

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

Agenda Item 10

Appendix e

Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
Net Cost of Services	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
Surplus or Deficit	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
Closing General Fund and HRA Balance at 31 March 20x1*	(25,203)		

*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
People Directorate	74,297	(26,014)	48,283	Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis
Neighbourhoods	58,225	(38,688)	19,537	
Business Change	11,624	(11,370)	254	
Corporate and Central Services	24,021	(3,830)	20,191	
Cost of Services	168,167	(79,902)	88,265	
Other Operating Expenditure (Note 9)	2,218	–	2,218	Operational costs of providing the services of the authority.
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981	
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)	
(Surplus) or Deficit on Provision of Services			14,588	Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)	
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)	
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)	
Other Comprehensive Income and Expenditure			(45,142)	
Total Comprehensive Income and Expenditure			(30,554)	

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* Capital Fund Scotland

** Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

Agenda Item 10

Appendix e

Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1 £000	
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term debtors	17	3,798	
Long-term assets		1,670,478	
Short-term investments	17	24,060	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Assets held for sale	22	1,409	
Inventories	18	1,769	
Short-term debtors	20	15,351	
Current assets		42,589	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Short-term creditors	23	(21,960)	
Current liabilities		(45,227)	
Provisions	24	(4,297)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	
Long-term liabilities		(249,357)	
Net assets		1,418,483	Total assets less total liabilities

\ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

cash flows

The final statement required by the Code is the cash flow statement.¹ The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: ■ Operating ■ Investing ■ Financing
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ Note the format of the cash flow statement shown is produced under the indirect method.

a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

Checklist	
Expenditure and Funding Analysis	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
Comprehensive Income and Expenditure Statement	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
Movement in Reserves Statement	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

Checklist	
13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
Balance Sheet	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy? (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
Cash Flow Statement	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

The pension deficit is meaningless – why do we have to show it?

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

The accounts are too long!

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

further reading

Financial Statements: A Good Practice Guide for Local Authorities (CIPFA, 2013)

Clear out the Clutter (Public Finance, April 2014)

Simplified Accounts: Small Isn't Always Beautiful (Public Finance, September 2015)

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA, issued annually)

Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

www.cipfa.org

The Chartered Institute of Public Finance and Accountancy.

Registered with the Charity Commissioners of England and Wales No 231060